

Public Infrastructure Budget Challenges

BOARD OF SUPERVISORS

FEBRUARY 28, 2023

Agenda

Introduction

Purpose of Presentation

Overview of Infrastructure Investment and Jobs Act (IIJA)

- *Funding Opportunities – Flood Control, Special Districts, Roads, Airports, Energy, Sustainability*

Structural Budget Challenges

- **County Roads Program**
- **Flood Control Program**
- **Special Districts – Parks, Landscape and Lighting, Community Facilities**

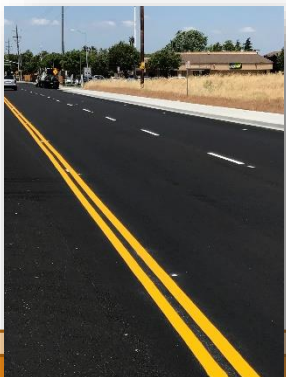
Next Steps

Introduction & Purpose

Public Works is responsible for several County public infrastructure programs that involve operations, maintenance, and capital improvements

- County Roads Program
- Flood Control Program
- Special Districts Program
- Airports
- County Buildings

Focus of today's presentation on
Public Infrastructure Budget
Challenges will involve these programs





Infrastructure Improvement & Jobs Act

2021



Infrastructure Improvement & Jobs Act (IIJA)

- On **November 15, 2021**, President Biden signed the IIJA
- The Act provides \$973 billion over five years from FY 2022 through FY 2026
- Historic investment in the nation’s core infrastructure priorities – including roads and bridges, rail, transit, ports, airports, water systems, and broadband.

Infrastructure Category	Funding Amount (billions)
Surface Transportation (Highways, Transit, Rail)	\$639
<i>FAST ACT Reauthorization (up from \$305B)</i>	\$477
<i>IIJA Act Stimulus (supplemental spending)</i>	\$157
<i>Electric & Low Emissions School Buses</i>	\$5
Airports	\$25
Ports and Waterways	\$17
Water Infrastructure	\$91
Broadband	\$65
Power Infrastructure	\$65
Resilience, Western Water Storage and Environmental Remediation	\$71
Transportation Total	\$681
Other Infrastructure Total	\$292
Total	\$973

Infrastructure Improvement & Jobs Act (IIJA)

Challenges



Opportunities

Discretionary Programs - Most new funding is from discretionary programs. Even formula programs are discretionary programs for local agencies. **No guarantee** of receiving funding. Requires a substantial amount of staff time and money to prepare successful applications

Federal Local Match - Local Match requirements for federal grants. Currently we have zero capacity in our road budget to provide a local match for the next 4 years unless we reprioritize current projects *e.g. – San Pablo Avenue Complete Streets and Pacifica Avenue Complete Streets*

Staffing - Staffing resources limited. Retirements, attrition, and recruitment difficulties have limited our project delivery staff.

Strategy - Should we apply for as much funding as possible or should we prioritize a few high value projects and focus our limited resources on achieving our mission? What is our Strategic Goal?

Regional Projects - Regional cooperation to implement regionally significant transportation improvements. Partner with CCTA on regionally significant projects

Bridges - Accelerate County bridge replacement and rehabilitation. Bridge replacement efforts were recently stalled due to a lack of funding for bridges. Bike and Pedestrian facilities are encouraged on new and replacement structures



County Road Program

BUDGET CHALLENGES

County Road Program Budget Challenges

Senate Bill 1 (SB1) – *Signed by the Governor in November 2016*

- Addressed a large portion of the road maintenance backlog in California...but not all.¹ *2021 California Statewide Local Streets and Roads Needs Assessment Report shows a \$64 Billion shortfall (2020 dollars) over the next 10 years*
- SB1 was phased in from 2017 to 2020
- SB1 incorporated adjustments for inflation to maintain its buying power into the future

Road Program revenues looked promising to address road maintenance backlogs for pavements, bridges, road safety devices, traffic signals, road drainage, in addition to addressing safety concerns, and multi-modal needs. The California State Association of Counties provided counties a 10-year SB1 revenue estimate from which Public Works staff began programming multi-year project expenditures based on these estimates.

**Road Program revenue outlook looked promising...
...until an unfortunate series of events...**



¹ See Local Streets and Roads Needs Assessment for maintenance backlog at www.savecaliforniastreet.org

Unfortunate Series of Events - Roads

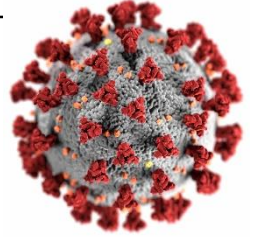
Rocky start to SB1

- Effort to rescind the new revenues from SB1 which resulted in a hesitant construction industry response to expanding construction capacity
- The lack of construction capacity had an unintended consequence; bid prices for street and bridge maintenance and repairs were as much as 23% higher than in 2018
- 2017 Storm Damage – several County roads were damaged by the 2017 storm events such as Alhambra Valley Road, Bear Creek Road, Morgan Territory Road, and Happy Valley Road. In 2023, we are now just completing the final restoration work with a final cost of **\$20.4 million**. FEMA and CalOES only reimbursed **51%** of the expenditures. Local share was **\$10.7 million**. This was a large dollar impact on the road budget that impacted several fiscal years
- Public Works staff adjusted project delivery timelines and fiscal year expenditures to address the increased construction bids, manage cash flow, and fund the storm damage projects



Unfortunate Series of Events - Roads

...in March 2020, just as SB1 was fully phased in, the **COVID Pandemic Hit...**



Gas tax revenues saw an **immediate decline** as pandemic and quarantine protocols impacted commute and other travel patterns

Revenue estimates provided by CSAC in 2017 were revised \$15.9 million lower for FY 20/21 and FY 21/22 combined (see table next slide)

To address the revenue drop, Public Works depleted the funding reserves and delayed non-grant funded projects

The County's Pavement Surface Treatment Program (preventative maintenance), 100% funded with gas tax, took the largest impact including canceling the program for a fiscal year

Grant funded projects were saved to maintain the leveraged funds

Unfortunate Series of Events - Roads

Gas Tax – Highway Users Tax Account (HUTA) & Road Maintenance and Rehabilitation Account (RMRA)

HUTA and RMRA (SB1) CSAC Projections and Actuals (in millions)											
			PANDEMIC								
	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	
CSAC Est. Date											
4/13/2017	26.3										
5/16/2017	26.3	35.9	42.2	45.3	46.8	48	49.3	50.7	52	53.4	
1/11/2021				37.7	41.4						
5/17/2021				35.4	39.7						
1/11/2022					41.8	46.3					
1/17/2023						42.6	47.8				
Budgeted Amt			39.3	38.4	39.7						
Actuals	24.1	35.8	37.8	36.9	39.3						
Diff from 5/16/2017	-2.2	-0.1	-4.4	-8.4	-7.5	-5.4	-1.5				
				-15.9							
			-22.6								

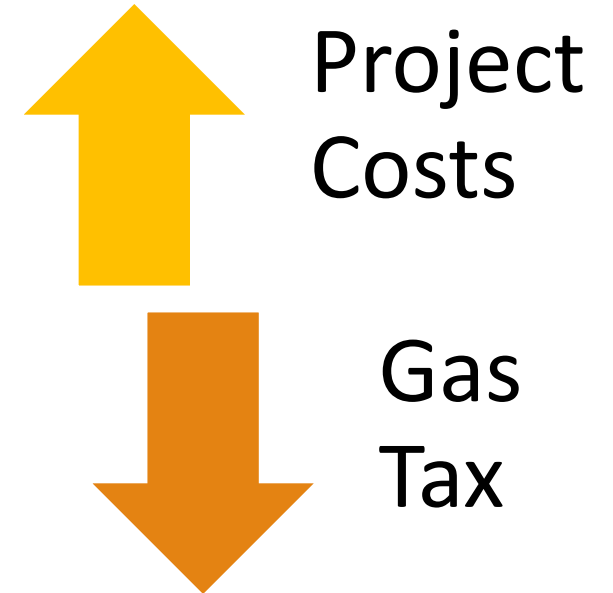
Unfortunate Series of Events - Roads

As revenues were **decreasing** due to the pandemic...Project Costs were **increasing** due to several other factors...

- **Supply chain issues** impact material costs and road project delivery timelines increasing overall project costs (cement, steel, etc.)
- **Contracting Community Capacity**
- **Construction Costs:** Using the Construction Cost Index for the Bay Area, construction costs have increased by **30%** from 2017 to 2022

Example: 2022 Countywide Surface Treatment Project

- *Engineer's Estimate: \$6,193,735*
- *Low Bid: \$7,450,866*
- *Only two bidders*
- *Bids were allowed to expire. Project did not move forward. Work reprogrammed to future fiscal years. Deferred maintenance.*
- *Sites included: Contra Costa Centre (\$2,186,484) and Bay Point (\$4,007,251)*



Unfortunate Series of Events - Roads

Balanced Budget						
	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Previous	█					
Project 1	█	█				
Project 2		█	█			
Project 3			█	█		
Project 4				█	█	
Project 5					█	█
Project 6						█
	2	2	2	2	2	2
	Balanced	Balanced	Balanced	Balanced	Balanced	Balanced

Negative Balance Budget						
	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Previous	█					
Project 1	→	█	█			
Project 2		→	█	█		
Project 3			█	█		
Project 4				█	█	
Project 5					█	█
Project 6						█
	1	1	3	3	2	2
	Reduce to 1	Reduce to 1	Exceeded	Exceeded	Balanced	Balanced

█	Projects w/ Grant Deadline
█	Delayed Projects
█	Flexible Projects

Some Federal and State grant delivery timelines were adjusted to account for pandemic related revenue impacts while other grant programs retained expenditure timelines

Public Works continued to work with our Finance Division to manage road program cash flow and to evaluate and delay projects to help balance the road budget without risking already secured grants and the surface treatment program

Again, we were able to mitigate the impacts of the unfortunate series of events for the immediate fiscal years, but future years have a **growing negative budget balance**

Infrastructure Investment and Jobs Act Funding (IIJA)

An opportunity filled with challenges

IIJA Local Match Requirement | Capital Funds – not maintenance | Increases Operations Budget

Road budget **constrained** from lower revenues, cost inflation, and unexpected storm damage

Without other funding to cover local match, Public Works challenged on how best to submit grant applications while maintaining our mission and goals

Recent Active Transportation Program Projects - IIJA (Awarded Funding is \$14,419,000)

- *San Pablo Avenue Complete Streets/Bay Trail Gap Closure (\$10,517,000)*
- *Pacifica Avenue Safe Routes to School (\$3,902,000)*
- ~\$2.5M local match needed (currently not in budget)
- \$2.5 Local Match → \$14,419,000 Grant Awarded (leveraging gas tax)



Infrastructure Investment and Jobs Act Funding (IIJA)

An opportunity filled with challenges

- Pending Highway Safety Improvement Program (HSIP) Projects - IIJA (**Potential** Awarded Funding is \$6,768,925)
 - *Countywide Guardrail Upgrades - Phase 2 (\$999,990)*
 - *Appian Way at Fran Way Pedestrian Crosswalk Enhancements (\$246,840)*
 - *Walnut Boulevard Bike Safety Improvements (\$249,415)*
 - *Camino Diablo Safety Improvements (\$890,460)*
 - *Camino Tassajara Street Lighting Improvements (\$1,221,840)*
 - *Byron Highway Safety Improvements (\$1,316,520)*
 - *Vasco Road Safety Improvements (\$715,050)*
 - *Deer Valley Road Traffic Safety Improvements (\$1,125,810)*
- **~\$3M local match needed if all awarded**
- **\$3 million → Potential Grant Award \$6,768,925 (leveraging gas tax)**

Funding notification pending



Unfortunate Series of Events - Roads

...another road budget challenge started presenting itself FY 20-21...

- **Liability insurance** increased dramatically since Fiscal Year 19-20
- Insurance premium now at **14%** of SB1 Gas Tax Revenues
- \$32.1 million over 5 years
- Opportunity Cost

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
									Current Fiscal Year		
Liability Insurance	\$1,873,674	\$1,040,130	\$692,596	\$964,202	\$871,989	\$1,302,380	\$2,683,171	\$5,858,826	\$6,424,490	\$7,000,000	\$7,000,000
General Fund MOE	576,396	576,396	576,396	576,396	576,396	576,396	576,396	576,396	576,396	576,396	576,396
Road Fund	1,297,278	463,734	116,200	387,806	295,593	725,984	2,106,775	5,282,430	5,848,094	6,423,604	6,423,604
% of Road Fund Annual Revenue	5%	2%	1%	2%	1%	2%	6%	13%	14%	15%	14%

◀ PANDEMIC ▶

Current Fiscal Year

Leveraging Gas Tax – Opportunity Cost

What is the opportunity cost to the road program with the required \$6.5 million contribution to the insurance pool?

Example: For projects recently awarded grants and pending grant applications

Recent Active Transportation Program Projects (Awarded Funding is \$14,419,000)

- *San Pablo Avenue Complete Streets/Bay Trail Gap Closure (\$10,517,000)*
- *Pacifica Avenue Safe Routes to School (\$3,902,000)*

- **~\$2.5M local match needed**

<p>Local Match - \$5.5 million</p> <p>Grant Funding - \$21,187,925</p> <p>Total Value of Improvements - \$26,687,925</p>

Pending Highway Safety Improvement Program Projects (Potential Awarded Funding is \$6,768,925)

- *Countywide Guardrail Upgrades - Phase 2 (\$999,990)*
- *Appian Way at Fran Way Pedestrian Crosswalk Enhancements (\$246,840)*
- *Walnut Boulevard Bike Safety Improvements (\$249,415)*
- *Camino Diablo Safety Improvements (\$890,460)*
- *Camino Tassajara Street Lighting Improvements (\$1,221,840)*
- *Byron Highway Safety Improvements (\$1,316,520)*
- *Vasco Road Safety Improvements (\$715,050)*
- *Deer Valley Road Traffic Safety Improvements (\$1,125,810)*

- **~\$3M local match needed if all awarded**

Addressing Budget Shortfall - Roads

Delay Project Expenditures | Avoid new obligations | Seek Alternative Revenue | Protect Maintenance and Safety Funding

- Address \$15 million negative road budget balance for FY 22/23 through 29/30



PROPOSED REDUCTIONS IN BUDGET ACTIVITY/ PROJECTS TO DELAY				
	Activity/Project	Gas Tax Allocation (FY22/23 to FY29/30)	Total Project Cost	Other Funding
1	Reduce Maintenance Budget over 5 years	\$4,626,800	-	
2	Vasco Road Safety Improvement Project - Phase 2	\$6,067,500	\$21,067,500	RM3 (Bridge Toll) = 15 million
3	Norris Canyon Road Safety Improvement Project	\$3,435,665	\$5,132,104	Measure J = \$1.4 million
4	Appian Way at Fran Way Crosswalk Enhancements	\$503,000	\$603,000	TDA = \$100,000
5	Bixler Rd and Regatta Dr Intersection Improvements	\$230,000	\$330,000	TDA = \$100,000
6	Livorna Road Shoulder Widening	\$100,000	\$200,000	TDA = \$100,000
	TOTAL	\$14,962,965		

- Avoid new obligations
 - No new grant applications unless non-gas tax revenue identified for local match (IIJA Dilemma)
- Seek Alternative Discretionary Funding
- Balance Operations/Maintenance budget with Capital Improvements budget
 - Protect Surface Treatment Program, Bridge Projects, and grant funded Safety Projects
 - Manage risk

Applied for the following IIJA and non-IIJA grants last year:

- 1 RAISE application
- 1 SS4A application
- 8 HSIP applications
- 3 TDA applications*
- 6 ATP applications
- 3 OBAG applications

*Not IIJA

Road Budget Challenges

There are many projects, unfunded needs and activities that have **not been included in the current budget.**

These include:

- San Pablo Dam Road Retaining Wall and Pavement Rehabilitation (\$15 million)
- Pavement Rehabilitation on Walnut Avenue (\$1.5 million)
- New Stormwater Permit Requirements (MRP 3.0) (amount unknown)
- Kirker Pass Southbound Truck Lane design (\$2 million)
- Local match for recently awarded ATP grants (\$2.5 million).
- Local match for pending HSIP projects (\$3 million if all are granted)
- Bridge replacements on Morgan Territory Road escalating (now \$7 million)
- 2023 Storm Damage (\$2.1 million initial estimates)
- Vasco Road Safety Project (\$7 million to match \$15 million RM3 grant)
- Norris Canyon Road Safety (\$3.4 million to match \$1.4 million in Measure J funds)

Discretionary Funding Request

- \$2.5 million for the local match for the San Pablo Avenue Complete Streets project and the Pacifica Avenue Safe Routes to School project
- Up to \$3 million for the local match for Highway Safety Improvement grant projects pending approval
- \$900k for the local match for 3 Transportation Development Act funded bike/ped projects
- \$2 million for anticipated storm damage projects and surface treatment projects
- \$7 million for Vasco Road Safety to match \$15 million RM3 grant
- \$3.4 million for Norris Canyon to match \$1.4 million Measure J funds



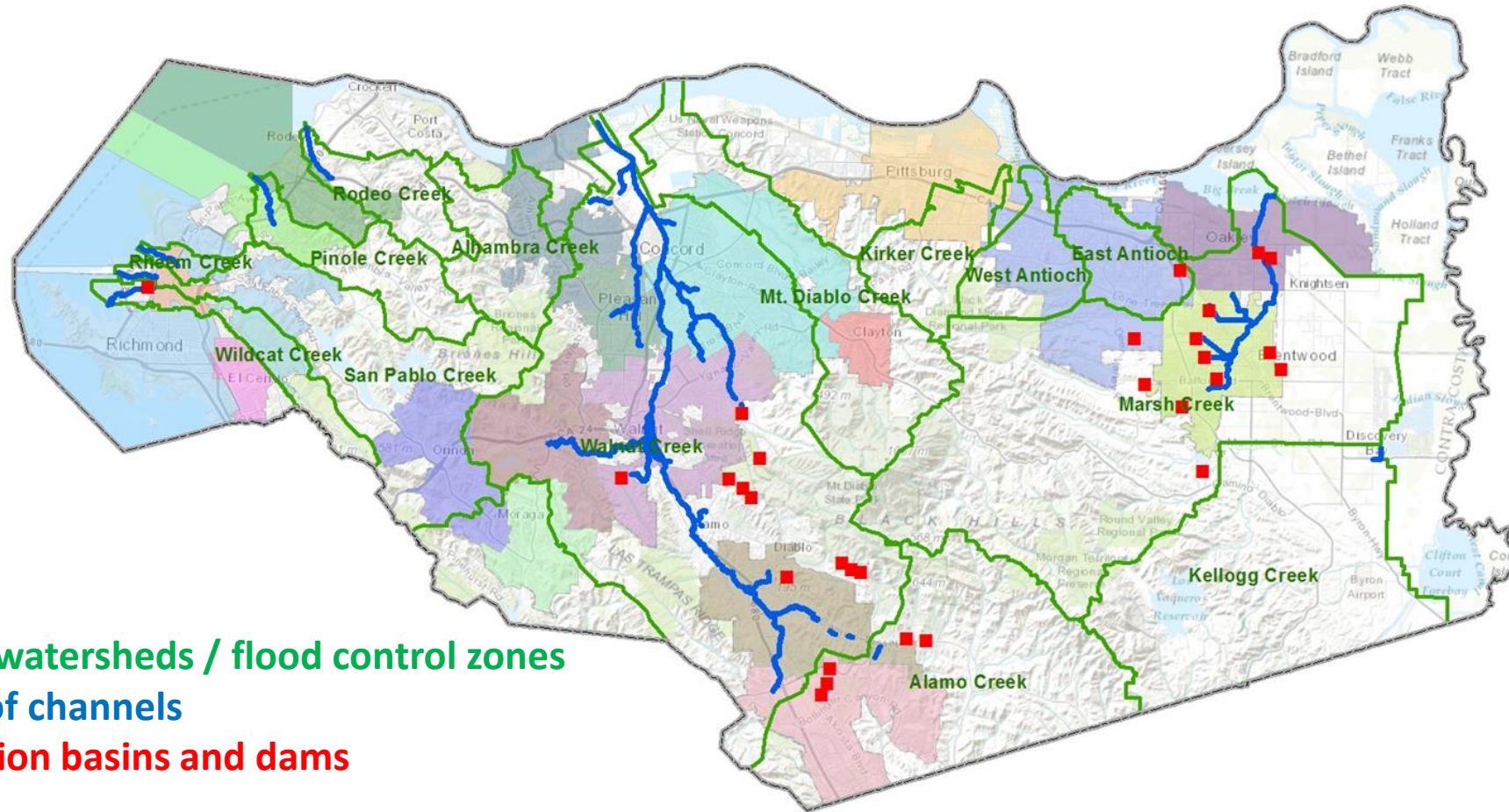
Flood Control Program

BUDGET CHALLENGES

Flood Control Program Overview

- Flood control functions in the County are the responsibility of the Flood Control and Water Conservation District, which is staffed by Public Works since merging in 1972
- The County was divided into **14 major watersheds**, called **Flood Control Zones**
- Infrastructure installed since 1951 includes **29 basins and dams plus 79 miles of concrete and earthen channels**
- Much of the infrastructure was designed and built by the Army Corps of Engineers or Soil Conservation Service, with low or zero local match, then transferred to the District for maintenance and operation
- Several federal and state agencies **regulate** District maintenance and improvement projects

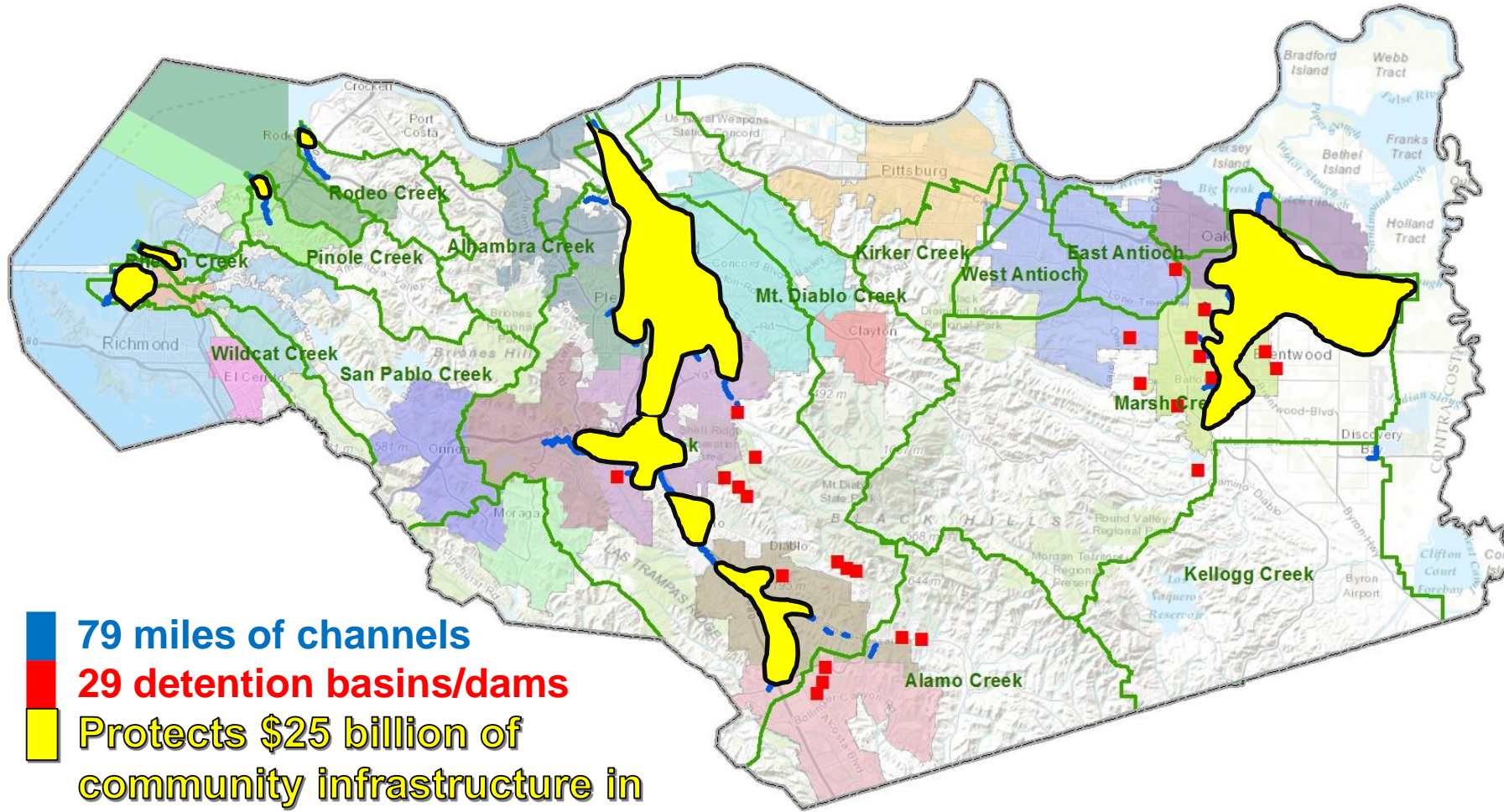
District Maintained Facilities



LEGEND

- 14 major watersheds / flood control zones
- 79 miles of channels
- 29 detention basins and dams

Community Value Protected



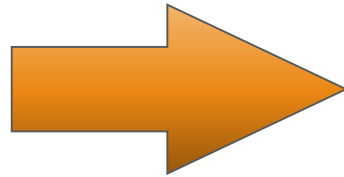
- 79 miles of channels**
- 29 detention basins/dams**
- Protects \$25 billion of community infrastructure in historic flood plains**

Flood control facilities protect residents' lives, property, businesses, transportation facilities, and eliminates the burden of homeowners purchasing flood insurance (saving thousands per year)

Approximately \$25 Billion worth of community infrastructure is protected by the District's \$1.3 Billion of facilities

Flood Control Funding

Flood Control District
functions
are funded through



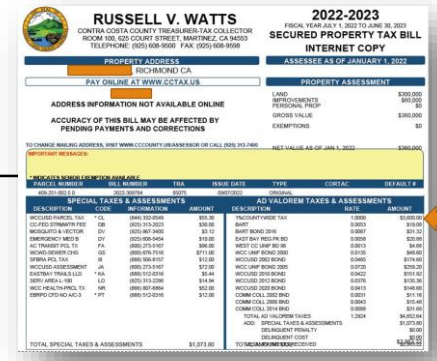
- **Property Taxes (Flood Control Zones)**
- **Special Assessments**
- **Grants**
- **Developer Fees (Drainage Area Fees)**
- **Fees for Service**

Flood Control Funding Challenges

What are the funding challenges?

- **Current revenues** – Underfunded flood control zones & low development volume in Drainage Areas
- **Barriers to raising revenues and leveraging revenues** – Prop 13, Prop 218, local match requirements, grant focus on capital improvements (necessitating an increase to the operations budget)
- **Increasing environmental regulatory and permitting challenges**
- **Climate Change** – Storm damage, rising sea-levels, droughts
- **Increasing maintenance backlog** – impact to disadvantaged communities without an adequate revenue stream
- **Inflation and insurance cost** – similar for roads and special districts

Underfunded Flood Control Zones



Flood Control Zone funding (a small percentage of your property taxes) is the **primary revenue source** to fund basic maintenance, operations, and capital improvements for the flood control facilities in the zone.

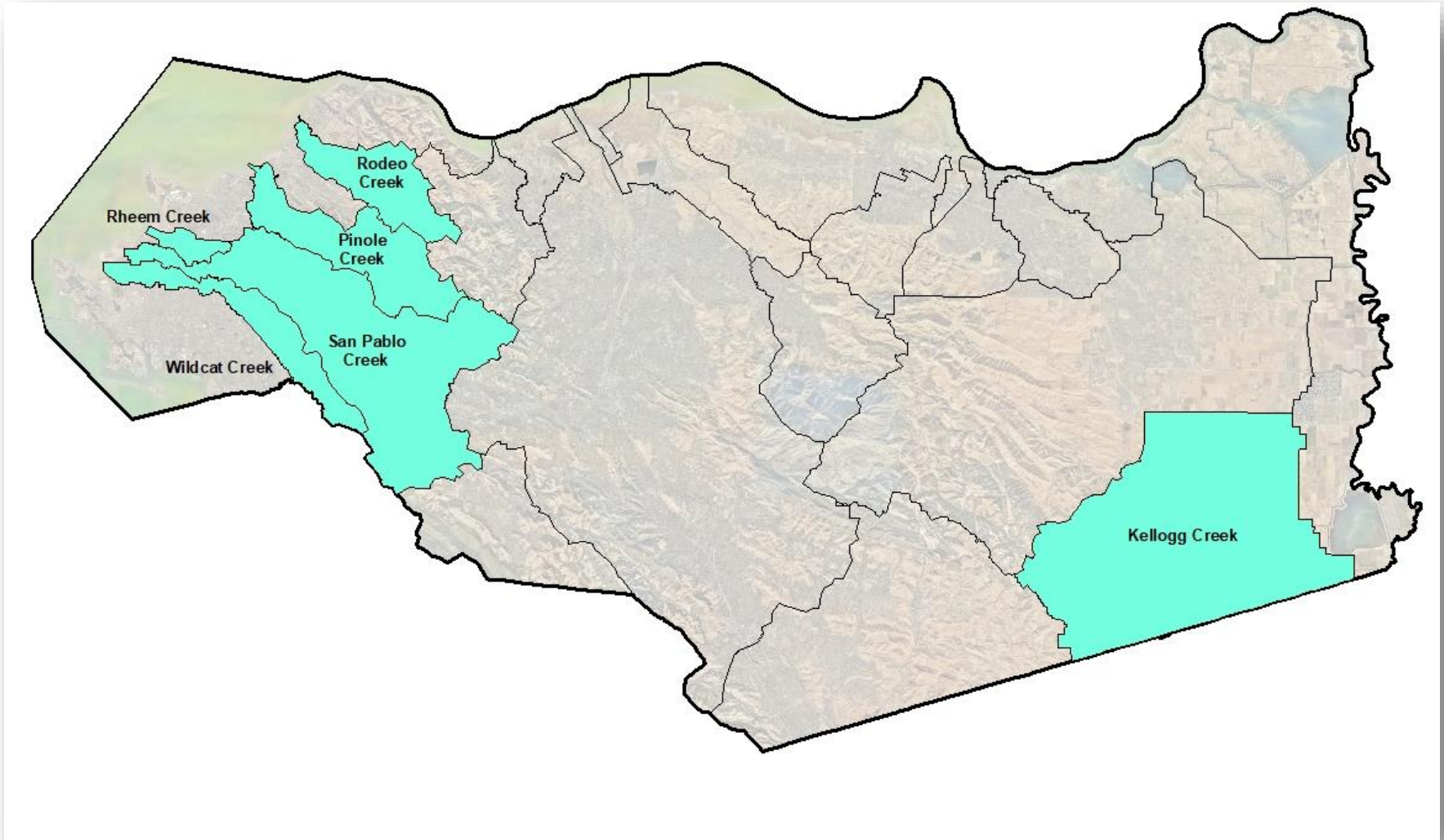
- Pre-Prop 13** ➔ Prior to the passage of Proposition 13 in 1978, Zone Boards, which consisted of representatives from the watersheds, adjusted the tax rates of each Flood Control Zone **annually**. When Proposition 13 came around, several of the zone facilities were constructed, maintenance was up to date, and there was enough money in the funds to set the tax rate **very low** or at **zero**.
- Post-Prop 13** ➔ Upon passage, Proposition 13 froze those tax rates, in effect shutting off the tax revenue needed to adequately fund the maintenance of the Zones' flood control facilities.
- Short-Term Solution eliminated** ➔ The State responded by setting up the **Special District Augmentation Fund**. This fund provided agencies assistance for many years until the Fund was **removed** from the State budget during a State budget crisis.

Today several Zones remain **severely underfunded**. The District is actively seeking ways to compensate for lack of funding for maintenance.

Underfunded Zones

As a result...

- Kellogg, San Pablo, and Pinole Creeks tax rates were frozen at **0%**
- Wildcat, Rodeo, and Rheem Creeks tax rates were frozen **very low**
- To address the impact, the District is using a revolving fund loan program or backfill from District funds to provide minimal maintenance activities
- Zones have accumulated **\$4.1 million** in debt from the loan program or backfill



Underfunded Zones

Unsustainable business model that feeds on itself

Revolving Fund Loans and backfill from FCD

Underfunded Zones/Areas Number	Underfunded Zones/Areas Description	Annual Average Revenue (property tax)	Annual Average Expenditures ("minimum" maintenance)	Outstanding Debts	Deferred Maintenance
2	Kellogg Creek	\$0	\$5,000	\$20,000	\$300,000
6A	San Pablo Creek	\$0	\$55,000	\$280,000	\$330,000
7	Wildcat Creek	\$132,000	\$155,000	\$830,000	\$1,430,000
8A	Rodeo Creek	\$68,000	\$80,000	\$310,000	\$1,425,000
9A	Pinole Creek	\$0	\$35,000	\$2,220,000	\$1,875,000
127	Rheem Creek	\$23,000	\$30,000	\$480,000	\$440,000
	TOTALS	\$233,000	\$360,000	\$4,140,000	\$5,817,000

Drainage Area Funding

- Developer fees based on impervious surface to "add" capacity to the system
- Does not address existing deficiencies, routine maintenance, or replacement costs of existing structures
- Contra Costa moved from a rapidly developing County with large-scale development projects to smaller infill development projects reducing incoming Drainage Area funding

Barriers to Raising Revenues & Leveraging

- Prop 13 froze tax rates in 1978

Tax Measures Challenges

- Prop 218 (super majority, or 2/3rds vote needed to increase a tax or fee) did not include stormwater or flood control as exempt like drinking water, sewer, and trash
- SB 231 redefined stormwater as a utility, but implementing a tax measure for stormwater is subject to legal challenges
- Tax measures are costly to enact and generally unpopular in today's environment
- Unlikely to meet 2/3 approval
- Leverage - Local match requirement for grants (FEMA, Army Corps, EPA, IJA, etc.)

Leveraging Funds – Local Match

Infrastructure Improvement and Jobs Act (IIJA)

IIJA funding for flood control facilities comes through existing programs – FEMA, Army Corps, and EPA. One new funding program was created for retrofitting culverts and weirs that restrict fish passage.

- *Challenge #1* - Local match can be 35% to 50%, which we do not have. US Army Corps of Engineers projects being considered include Wildcat Creek Phase 2, Pinole Creek, Rheem Creek, and Rodeo Creek. These projects would increase level of flood protection to FEMA and Corps standards.
- *Challenge #2* - Adding more or enhanced facilities requires that maintenance funding be increased.
- *Challenge #3* – **IIJA does not provide funding for routine maintenance**, which is currently \$18.5 million backlog and growing.

We will continue to pursue all the grants we can and seek local match funding from State.

Unfunded Mandates & Environmental Permits Cost

The new regional stormwater permit (MRP 3.0) was issued by the San Francisco Regional Water Quality Control Board on July 1, 2022.

- 3 more new provisions were added to the previous 22 provisions
- 7 of the previous 22 provisions were expanded to include new requirements
- Stricter and costlier restrictions to comply

Environmental Permits Rising Cost

- More requirements to comply adding more cost to construction/maintenance budget
- Additional studies and submittals, lengthier review time for permitting adding to work cost
- Higher costs in permit fees
- Higher costs in mitigation

Climate Change-Shoreline Communities Impacted

- Sea level rise will impact our shoreline communities: Richmond, North Richmond, Pinole, Hercules, Rodeo, Martinez, Bay Point, Antioch, Oakley
- Climate change will increase flood risk everywhere, but areas impacted first and worst are along shorelines
- Lack of District **funding** is more severe in **west county shoreline communities, many of which are disadvantaged communities**



Climate Change - Storm Damage and Impacts

- Storms / drought cycle
- Heavy storms in 2002, 2005, 2017, 2022
- More intense storms expected with climate change impacts
- Additional facility damage expected
- Additional resources costs (\$2.5 million estimated damage to FC facilities for 2022 storms)



Facilities during recent 2022 storms

Maintenance Backlog

- Total maintenance backlog is \$18.5 million
- Consists of sediment removal, erosion repairs, vegetation removal, fence repairs, maintenance road repairs
- Recent 2022 storms added an estimated \$2.5 million damage to the already \$18.5 million backlog for Flood Control facilities



Invasive vegetation and bank erosion

Capital Replacement - Maintenance

- Facilities are approaching their design life and need to be replaced
- FEMA has delayed their updated maps, giving false assurance to residents in a flood plain
- Community awareness of routine and capital replacement maintenance needs

North Richmond
1982 Floods
prior to Wildcat and
San Pablo Creek
Improvements



Solutions – Short Term

- FEMA, Corps, EPA, IIJA Grants
- Continue reduced service levels – not sustainable
- Reduce service levels further – result in growing deferred maintenance and infrastructure failure
- Supplemental funding such as General Fund allocation to assist with local match

Although...

- One-time funding allocations, such as listed above, help reduce flood risk

The fundamental challenge is that...

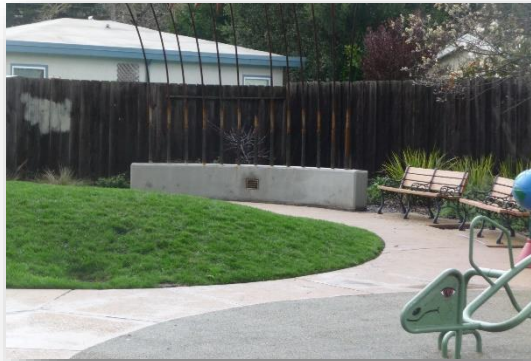
- One-time funding allocations are not a reliable revenue stream to be able to plan long-term multi-year improvements and on-going routine maintenance
- One-time funding does not address the structural budget issue of underfunded Flood Control Zones, many of which are in disadvantaged communities

Solutions – Long Term

- Pursue tax measures to provide local match and maintenance funds
- Support State amendment to Prop 218 to include stormwater
- Support legislation to provide local match funds
- Support legislation to reduce voter threshold to 50% (still significant challenges would remain)
- Partnerships on projects with non-profit organizations to increase grant success
- Mitigation assistance by community groups
- Maintenance assistance by community groups

What we are doing

- Monitoring funding opportunities – IJJA, FEMA, Corps, EPA, ARPA, Measure X, etc.
- Periodic meetings with funding consultants to review opportunities and set priorities
- Informing community groups and public at every opportunity
- Presentations to legislators during Watershed Day at the Capitol each April
- Working with other agencies to share strategies for permit streamlining
- Participating in regional agency meetings with Regional Water Board to discuss issues
- Partnering with non-profits on projects
- Supporting watershed groups throughout the County
- Presentations to Board of Supervisors



Special Districts

BUDGET CHALLENGES

Special Districts

Background: The Special Districts section of the Contra Costa County Public Works Department is responsible for:

- 30 zones of a Lighting and Landscaping District (LL-2, also known as Countywide Landscaping District)
- 13 County Service Areas (CSAs)
- 4 Community Facilities Districts (CFDs)
- The Iron Horse Corridor

The public facilities managed by Special Districts for these zones, CSAs and CFDs include a diverse array of items, including trails, community landscapes and parkways, parks, a potable water supply well, pedestrian bridges, a transit line, and a community centers. These special districts serve various unincorporated communities in Contra Costa County.

Special Districts

Overall, Special Districts is not currently funded in a **sustainable manner**. Financial resources for Special Districts tend to be very limited, and often do not meet the expectations of the residents served. These financial issues stem primarily from **three fundamental challenges**.

- 1. Many Special Districts assessments or service charges that fund the districts do not adjust annually to keep up with inflation. The result is that Special District funding streams have declined significantly in real value over time*
- 2. Some Special Districts have zero or unpredictable funding*
- 3. Some Special Districts have adequate funding for existing facilities, but additional funding is not available to accumulate for significant capital improvement or replacement projects*

Special Districts – Challenge 1

Special Districts receives funding for operations and maintenance from ad valorem taxes and/or assessments on property in the specific district (LL-2 zones, CSAs, or CFDs) served

Many Special Districts were formed in the 1970s through the 1990s, and their **funding mechanisms have not been updated since they were formed**

Staff have found **significant resistance to increasing assessments** or service charges for the various districts managed by our department

Landscape and Lighting Districts (LL-2)

32 Zones in LL-2

Only 8 of 32 zones have annual cost of living adjustments to their assessments in an effort to keep up with inflation

The 24 remaining zone assessments, which cover over 6900 parcels, do not have an annual cost of living adjustment, and often have the same assessment they had when they were formed in late 1970s to mid-1990s

Due to inflation, these zones have been subject to 25 to 40 years of declining assessment value and subsequent reductions in maintenance

The assessment income from some of these zones has reached the point where Public Works is unable to mobilize any sort of maintenance beyond an annual weed abatement and trash removal

LL-2 Zone 10 Example

Zone 10 is responsible for walking trails, parks, landscaping, and open spaces within the Viewpointe Subdivision in Bay Point.

This zone contains 119 parcels and includes significant community landscaping areas throughout.

Since its formation in 1993, Zone 10's funding has held steady at annual assessment of approximately \$152/per residential unit. This assessment has not been and cannot be adjusted since formation.

During this time, the San Francisco Bay Area cost of living has gone from an index of 144 in 1993, to 320 in 2022, a 222% increase. Based on these inflationary pressures, the assessment dollars available to Zone 10 now are only worth 45 percent of what they were worth at formation in 1993.

This leaves the zone underfunded and severely limits the amount of maintenance that can be completed within the zone.

Furthermore, as actual maintenance funds are limited for the zone, it is difficult to accumulate enough funds for a capital replacement project. Given that the landscape and park areas in this zone are now 30 years old, they have reached the end of their useful life and need replacement.

Unfortunately, the decreasing value of the assessment has not allowed Special Districts to accumulate enough funds to implement a capital replacement project. This leaves the zone with limited funds for ongoing maintenance and no funds to replace the declining facilities.

Special Districts – Challenge 2

Special Districts were formed with either no funding or with funding that was dependent on rental income from a community center

As an example, CSA R-9 was formed in El Sobrante in 1974 for parks and recreation with no funding

The residents turned down two attempts to pass an assessment to fund CSA R-9 in 1985 and 1998, and yet currently, there is considerable interest for a new park in El Sobrante

Special Districts is unable to provide any parks and recreation services until such time as the residents approve baseline funding for the CSA

Special Districts – Challenge 2

CSA R-10 was formed in Rodeo with the understanding that it would be funded with the proceeds from renting the Lefty Gomez Community Center, which was leased from the John Swett Unified School District

While this model was initially successful, over time the relatively low rental rates for the community center combined with low community interest and the departure of a long-time tenant left the CSA without funds for badly needed operations and maintenance services

The community center was viewed as too small for many events and in “poor” condition. It also lacked funding for necessary capital improvements to update the center

Given the lack of community support for the community center, the funding stream dwindled down to a level that was unsustainable for the County to manage

This was exacerbated by COVID-19, when all community rentals were cancelled, and the CSA was left without funding

In 2022 the Contra Costa County Local Agency Formation Commission (LAFCO) dissolved CSA R-10 due to a lack of steady funding stream and the Lefty Gomez Community Center was returned to the school

Subsequently, the County has ceased to provide community center services in Rodeo

Special Districts – Challenge 3

While some districts have adequate funding for **existing operations**, they are unable to accumulate significant reserves to **implement long-term capital replacement or upgrade projects**

Districts with this financial problem have steady to slightly increasing funding from ad-valorem service charges but given that the area is built-out and development which would generate additional revenue is not occurring, these districts will not see enough revenue to generate reserves for large capital projects.

Often, improvement to these districts is only able to occur when the State provides grant funding for park improvements

Special Districts – Where we've been and next steps

- At various times, our department has partnered with others to bring a ballot measure to the residents to increase assessments within specific zones. Each effort polled poorly, and the efforts were abandoned
- Staff has developed strategies to increase flexibility of the use of some funds within zones and CSA's were feasible within existing ordinance and laws, but these are only marginally effective
- Service levels have been reduced, impacting long-term sustainability of the infrastructure
- Leveraged grant opportunities to make capital improvements, but this does not address on-going maintenance issues
- Additional recurring long-term funding is necessary to provide the necessary capital investment and maintenance needs
- Seed money necessary to work through options available to Special Districts

Summary

Take Aways

Road Program – Revenue impact from pandemic should be short-term. We will need to manage project delivery timelines and cash flow for several fiscal years. To help, discretionary funding allocations for projects needing a local match will help.

Flood Control Program – We must address the structural revenue challenge for Flood Control Zones with zero or low revenue streams. The revenue streams need to consider routine maintenance and capital replacement costs for the flood control facilities within the zone

Special Districts – We must address the structural revenue challenge for special districts with underfunded revenue streams. Revenue should be adequate to meet service level expectations by the community within each district

We are working with the County Administrator on identifying discretionary funding to be used for local match requirements.



Contra Costa County
Public Works
Department

Thank You
Q & A
