



DATE: May 4, 2011

TO: Honorable Mayor and City Councilmembers

FROM: Development Services Department

SUBJECT: **APPROVAL OF \$1,083,031 IN BUDGET TRANSFERS FROM THOROUGHFARE FEE FUNDS TO TRANSNET LOCAL STREET IMPROVEMENT FUNDS FOR VARIOUS CAPITAL IMPROVEMENT PROJECTS**

SYNOPSIS

Staff recommends that the City Council approve budget transfers in amounts totaling \$1,083,031 to fund FY 2010 expenditures for three CIP projects with Thoroughfare Fee Funds (Fund 561) instead of currently-budgeted TransNet Local Street Improvement Funds (Fund 212).

BACKGROUND

Road projects in the City's Annual Capital Improvement Program (CIP) budget are mainly funded by one of two fund sources:

1. Thoroughfare Fees (Fund 561), which are development impact fees. These fees can only fund new road projects that are identified in the Circulation Element of the General Plan as referenced by a supporting fee study. Costs of maintaining roads or other infrastructure needs are not an allowed use of development impact fees.
2. TransNet Local Street Improvement Funds (Fund 212), which are distributed to cities from the proceeds of the half-cent sales tax set by the TransNet Extension Ordinance. A minimum of 70 percent of the TransNet funds are required to be spent on projects contributing to congestion relief and no more than 30 percent for street maintenance.

Of the two fund sources, TransNet is more flexible and useable over a wider variety of projects.

A number of on-going TransNet-funded projects rolled over from FY 2010 to the current fiscal year with accumulated deficits because the City spent money on those projects in FY 2010 while not drawing on available TransNet revenues. This was necessary for the City's compliance with a requirement of the TransNet Extension Ordinance that it hold a cash balance of less than \$959,857 (30 percent of the City's annual TransNet allocation).

The City's current TransNet Fund 212 unassigned fund balance is -\$3,349,108.

The City's current Thoroughfare Fee Fund 561 unassigned fund balance is \$11,435,000.

The requested action is to fund \$1,083,031 in FY 2010 expenditures for three CIP project with Thoroughfare Fees instead of TransNet.

ANALYSIS

The effect of the request will be to increase the TransNet Fund 212 fund balance by \$1,083,031 and reduce the Thoroughfare Fee Fund 561 fund balance by the same dollar amount.

Every road improvement project that can be funded with Thoroughfare Fees funds can also be funded by TransNet, but the reverse is not true. The recommended action increases the amount of funding available for a broader range of projects.

Thoroughfare funds may not be spent on road maintenance projects such as asphalt pavement overlays or slurry sealing residential streets. Ostensibly, no more than 30 percent of the City's TransNet funds may be spent for maintenance. However, asphalt overlays are considered to be a long-term improvement that adds to roadway capacity. Thus the City has little practical limitation on using TransNet Local Street Improvement funds for road maintenance. Therefore, the recommended action also allows the City more discretion to use its available funds for road maintenance.

Each of the following three projects promotes a specific improvement required by the standards incorporated with that street's functional classification within the City's Circulation Plan. The Mitigation Fee Act requires public improvements that are funded with impact fees to be identified. However, the Act permits such identification to be provided in a capital improvement plan, or in an applicable general plan requirement.

Project Name	Circulation Plan Improvement	Amount Transferred
El Camino Real, Mesa-Mission	Raised median and curb	\$1,070,818
College Blvd., Waring Rd. to Vista Wy	Raised median and curb	\$3,032
Mesa Drive Parkway at ECR	Sidewalk and curb	\$9,181
	Total	\$1,083,031

The expenditures for the El Camino Real median project include the direct construction costs for when the project was finished in early FY 2009-2010.

The remaining small project expenditures consist of staff time for preliminary studies for future improvements.

No specific use for the \$1,083,031 is requested in this staff report, but the FY 2012 CIP budget will identify uses for the TransNet fund balance. A priority need is additional slurry seal maintenance of residential streets.

FISCAL IMPACT

As a result of the transfer of expenditures, the Transnet Fund 212 assigned fund balance (212.3020.0167) for FY 10-11 would be reduced by \$1,083,031 and transferred to the unassigned fund balance (212.3100.0001) reducing the current deficit to \$2,266,077. Fund 561 assigned fund balance (561.3020.0049) would increase by \$1,083,031 and the unassigned fund balance (561.3100.0001) would decrease to \$10,351,853.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

Staff recommends that the City Council approve budget transfers in amounts totaling \$1,083,031 to fund FY 2010 expenditures for three CIP projects with Thoroughfare Fee Funds (Fund 561) instead of currently-budgeted TransNet Local Street Improvement Funds (Fund 212).

PREPARED BY:

Gary Kellison
Gary Kellison
Senior Civil Engineer

SUBMITTED BY:

Peter A. Weiss
Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

George Buell, Development Services Director

for Scott O. Smith, City Engineer

Teri Ferro, Financial Services Director

MS
GB
SE