

APPENDIX A

Mendocino County Transportation Sales Tax Expenditure Plan

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Prepared by

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Summary

This Plan will guide the use of more than \$80 million in locally raised and locally controlled transportation funds. The revenue will be generated through the passage of the Mendocino County Transportation Measure, a ½ cent sales tax, if approved by the voters in the November 8, 2016 election.

Why does Mendocino County need a transportation sales tax?

Our transportation system is in crisis. Mendocino Pavement Condition Index (PCI) is at score of 32 out of 100. There is not enough money available to maintain our roads. We are falling farther behind each year. Existing sources of revenue are simply inadequate because our needs have increased while funding has not. A sales tax is one of the only means of raising money that we can do ourselves. Presently, existing road funds combined with “extra” contributions from the County’s General Fund and sporadic state and federal grants and bonds have produced an average \$2 million towards pavement condition improvement. In 2014, the Board of Supervisors committed to designate a line item in the budget, for corrective maintenance and funded it with \$2 million from a combination of available funds. When normal road revenues were reduced, the Board has contributed General Fund dollars without tapping into routine maintenance funding levels so that this new line item does not supplant existing maintenance. **About a Dedicated \$80 million** (Dedicated \$2.7± million per year) would be raised over the 30-year life of a ½ cent tax. Recent state revenue proposals include potential opportunities for leveraging of additional funds from State sources if local agencies do “Self Help” sales tax. With this measure there could be \$80 million spent to improve the PCI of surfaced roads in Mendocino County over the next 30 years (roughly \$2.7 million per year).

What will this plan do for me?

- Local street and road maintenance and repairs will be significantly increased on busiest paved roads that people drive daily.
- While these funds will not be spent on gravel roads, or a third of the sealed roads that are very low volume and serve few parcels, the fact that additional funds will be used on the busy roads will leave more existing funds for routine maintenance for the low volume and gravel road system.

We already pay taxes for roads. Where does that money go?

It goes to roads. Unfortunately, it is not enough, and hasn’t been for years. Gas taxes have not increased since 1994, so buying power has decreased while road use has gone up dramatically.

What about development? Will newcomers pay for new roads?

Yes. Subdividers must build their own roads to accepted standards. Then, the County Supervisors vote them into the County Maintained System.

How can I be sure the money will be spent well?

The money will be put into the Road Fund as defined and reserved under existing State Law. This is a special account that can only be spent on transportation. The County reports Road Fund revenues and expenditures to the public in the State Controller’s Office Annual Road Report, which is currently prepared for the County by the State Controller’s Office.

How will the money be spent?

The Expenditure Plan provides for investments in two categories. Each category will receive a percentage share of sales tax revenues. County Staff, Engineering, Construction Contract Management and Administration costs will be directly applied to the stated Pavement Preservation & Corrective Maintenance activities that meet PCI Improvement goals. No part of the revenues will be allocated for general administration.

<u>Category</u>	<u>Percent Share</u>	<u>Expenditure (30 years)</u>
1. Pavement Preservation	50 %	\$40 million
2. Corrective Maintenance	50 %	\$40 million

Background

Our transportation infrastructure is overburdened as our demand to travel continually increases. This comes as no surprise to the people who live or work in Mendocino County. Transportation issues are consistently identified as a primary concern of County residents.

There is no single solution to our transportation problems, and there is no single source that can fully fund all of our mobility needs. Transportation projects in Mendocino County are funded in a variety of ways, including local shares of gas tax and property tax, grants from federal and state government, and other means. However, current funding will not be adequate to maintain the existing transportation system and will not keep pace with the growth in demands of an increasingly mobile Mendocino County over the coming 30 years.

One of the few avenues for funding that can be directly controlled by Mendocino County residents is a transportation sales tax. While the sales tax will not close the funding gap, it provides a significant opportunity to improve our transportation system.

This Transportation Sales Tax Expenditure Plan outlines a program for spending a half-cent (½-cent) increase in sales taxes, to be entirely dedicated to transportation purposes in Mendocino County. This plan is intended to provide a high degree of accountability, while maintaining the flexibility needed to respond to emerging transportation issues over a 30-year period.

Becoming a “Self-Help” County could help Mendocino get a share of state sources of funding. While a sales tax alone will not solve all of our transportation problems, implementing a transportation sales tax, approved by two-thirds of the voters of Mendocino County, opens new opportunities for leveraging or matching our local money with state sources that require a local share. Using leveraging, our local sales tax has the potential of generating more funding from outside sources than the amount generated locally, while setting Mendocino County on a course of independence that will allow us to determine our own priorities for transportation projects.

Revenue

The transportation sales tax will be ½ %; that is an additional ½ cent on each dollar of unincorporated sale of taxable goods and services. Over the 30-year duration of the tax, it is estimated that \$80 million would be raised. Expenditures described in this plan are based on this estimate, but actual expenditures will depend on the actual revenues received, which could be more, or less.

It is expected that additional revenues will be attracted to Mendocino County because of its status as a “Self-Help” County. These would come in the form of state dollars that would otherwise not come to this county. It is hoped additional funds could come to Mendocino County, based on the experiences of other counties which have sales taxes specifically for transportation.

Expenditure Categories

The Expenditure Plan provides for investments in two categories. Each category will receive a percentage share of sales tax revenues. Up to one percent of the revenues can be allocated for plan administration.

<u>Category</u>	<u>Percent Share</u>	<u>Expenditure (30 years)</u>
1. Pavement Preservation	50 %	\$40 million
2. Corrective Maintenance	50 %	\$40 million

Descriptions of program categories follow.

Pavement Preservation

Fifty percent (50%) of the funds will be allocated to this program. The Mendocino County Board of Supervisors is the decision maker for allocating these funds based on a yearly plan presented at a public Board Meeting which considers specific road segments and the most effective treatment.

Presently, the Mendocino County Department of Transportation (MCDOT) performs preventive maintenance treatments using varying methods of surface preservation:

- 1) Standard chip seals consist of one layer of emulsion (oil mixed in water) and crushed rock (chips) placed on the roadway. When the water dries out the seal hardens (brakes) to a thin surface. This treatment is the least expensive; thus covers the most roads per dollar, but is more acceptable in rural settings. This treatment is designed to last approximately 5 years. Low volume roads all over the County, however, exist with this treatment applied approximately over 20 to 30 years.
- 2) Double Chip seal is just like the standard above except two layers of emulsion and crushed rock are used to produce a thicker more durable treatment. This is needed on badly deteriorated roads where additional material is needed to fill cracks and accomplish the preventive goals described above. MCDOT has selected an asphalt emulsion designed with a rejuvenator additive in the oil, which will react with the weathered surface on our existing pavement and better bridge the seal over existing cracks. This treatment should last approximately 7 years.

Rubberized Chip Seal consists of a three-layer application (Cape Seal). The first layer is a slurry seal of emulsion and sand that is intended to fill large cracks. The middle layer is rubberized chip (crushed rock coated in oil and melted rubber) or “seal layer” (wearing surface). The last layer is a fog seal of thick black emulsion. This method works better in urbanized areas as there are few loose rocks and a smoother “asphalt like finish” but not as smooth as a new pavement. This treatment is hoped to last approximately 15 years.

The chief purpose for seal work is to provide a preventive maintenance treatment to existing paved surfaces within the County Road System and extend the useful life of those surfaces. The County’s existing road system is a very valuable asset and preventing deterioration to the point where complete reconstruction is necessary is much more cost effective in the long run. Preventing water from entering through cracks and softening the underlying roadbed is a major objective of a seal project. Furthermore, the new chips of stone provide an improved wearing surface with better skid resistance. Chip seals, unlike asphalt pavements, have no structural strength in the overall support of wheel loads – they only seal the surface – the underlying material carries the load. The chip seal project will be applied to surfaced roads only. Areas of road where the underlying base has failed will be treated with full thickness asphalt “dig outs” with structural strength for the overall support of wheel loads together with the base underneath.

Costs of these treatment methods will vary during the 30 year time period but MCDOT estimates that 15-20 miles of cape seal (triple layer) – OR – 31-43 miles of chip seal could be accomplished with these funds each year. However, because the treatment needs to be repeated at 5 to 15 year intervals, depending on conditions, an average net treatment of 30 miles per year and 300 miles of the total 685 centerline is expected to be treated. So, not every road will get program funds. However, routine maintenance funds will be freed up and will allow better patching on those low volumes surfaced road segments as well as the gravel road segments.

Corrective Maintenance

Fifty percent (50%) of the funds will be allocated to this program. The Mendocino County Board of Supervisors is the decision maker for allocating these funds based on a yearly plan presented at a public Board Meeting which considers specific road segments and the most effective treatment. This program is known in the industry as Resurfacing, Restoration and Rehabilitation (RRR) projects – such projects range from “full depth reclamation” to thick overlays such as application of new pavement at thickness of 3 inches Hot Mix Asphalt (HMA) which is proven to last 21 years in moderate traffic loads.

Costs of these treatment methods will vary during the 30 year time period but MCDOT estimates that 7 miles of RRR projects could be accomplished with these funds each year. However, because the treatment needs to be repeated at 30 year intervals an average net treatment of 10 miles per year or 150 miles of the total 685 centerline is expected to be treated. So, not every road will get program funds. However, routine maintenance funds will be freed up and will allow better patching on those low volumes surfaced road segments as well as the gravel road segments.

Administration

Authority and Governance

Assembly Bill (AB) 2119, by Assembly member Mark Stone (D-Monterey Bay), became law on January 1, 2015. It aims to help counties improve infrastructure which they are responsible for maintaining.

“County residents who live in unincorporated areas deserve to have a say about approving ballot measures that will pay for safe roads and clean water,” said Stone. “This bill will help counties respond to the needs of county residents who don’t live in cities.”

Specifically, AB 2119 allows a county to introduce a sales tax ballot measure for unincorporated areas. If the qualified voters from the unincorporated areas of the county approve the ballot measure, the revenues could be applied to road maintenance, sewer and water pipe improvements, and other infrastructure needs. As a result of this bill, which amended Section 7285 of the Revenue and Taxation Code, all existing state and local ballot measure passage requirements apply to sales tax measures placed on the ballot.

Cities have the ability to place a measure on the ballot that is voted on only by city residents who would be affected by the measure. When counties place a measure on the ballot that would only apply to unincorporated areas, however, it is considered by all county voters, including those who live in cities. Unincorporated areas make up more than 50 percent of many California counties.

In approving this tax, the voters will authorize the five members of the Mendocino County Board of Supervisors to review and approve an annual Pavement Preservation and Corrective Maintenance Plan.

Staffing and Administration Expenses

The total cost of salaries and benefits for administrative MCDOT employees will not exceed the normal cost rate of any of the existing programs. MCDOT in conjunction with the State Controller's Office (SCO) prepares an annual road report, identifying the total expenditures for administration, as well as other costs associated with all road funding. The SCO also conducts an annual audits of the Road Fund. These funds shall be reported and audited in the same way.

Duration of Tax

The duration of the tax will be 30 years. It will begin on January 1, 2017 and will end on January 1, 2047.

Use of Funds

Sales tax proceeds will be used to pay for transportation purposes, specifically the programs and categories outlined in this Expenditure Plan, and may not be used for any other purpose. Local jurisdictions may not redirect monies currently being used for transportation purposes to other purposes and then replace the redirected funds with dollars provided by this tax.

Amendments to the Plan

The Board of Supervisors may annually review and propose amendments to the Expenditure Plan to provide for the use of additional federal, state, or local funds, to account for unexpected revenue, or to take into consideration unforeseen circumstances. Amendments to this Plan will require a majority vote (3 of 5 members) of the Board of Supervisors, following a noticed regular meeting of the Board of Supervisors but can never redirect funds for any purpose other than “County Road Purposes” as defined in the California Streets and Highway Code.

Annual Budget

An Expenditure Plan Budget will be adopted as part of the County Budget each year. The Budget will estimate the expected sales tax receipts and planned expenditures.

Bonding Authority

The Board of Supervisors will be authorized to use bond financing as an alternative to “pay as you go” financing. The Board of Supervisors will have the authority to issue bonds payable from the proceeds of the tax for the construction of needed transportation improvements. The Board of Supervisors, in allocating the annual revenues from the tax, will be responsible for meeting all debt service requirements prior to allocating funds for other projects.

Establishment of Special Accounts

The County Road Fund is a restricted account subject to local and State audit and is a proper point for deposit and carry over of these funds.

Accountability

This plan has been designed to provide accountability to the taxpayers and maximum opportunity for public involvement.

Public Proceedings

All business of the Board of Supervisors is conducted in an open and public meeting process. All decisions will be conducted in compliance with the Brown Act, also known as the “Open Meeting Law”, which requires that meetings of public bodies must be open and public, and actions may not be secret. The Board of Supervisors will also ensure that adequate public involvement has been included in the preparation of all plans and budgets.

Audit

The existing annual State Road Report process provides for a well-established method whereby County Staff works with the California State Controller’s Office auditor(s) to report and audit all restricted Road Funds including this additional sales tax revenues and expenditures, ensuring that they are made in accordance with existing law.