



COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

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June 5, 2017

Honorable Board of Supervisors
Eric Rood Administrative Center
950 Maidu Avenue
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DATE OF MEETING: June 20, 2017

SUBJECT: Resolution to rescind resolutions 96-472 and 97-026 and establish a General Fund allocation for Roads Maintenance.

RECOMMENDATION: Approve the Resolution

FUNDING: Under current policy General Fund support for road maintenance and improvement is unstable and unpredictable because the calculation fluctuates with changes at the state level. This resolution will establish stable and predictable General Fund support. Expenses are included in the FY 2017/18 budget, and there is no new impact to the General Fund as a result of this resolution.

BACKGROUND: In March of 1996, the voters of the County of Nevada approved Measure F, dedicating half of discretionary Motor Vehicle License Fee (VLF) revenue to road maintenance activities, with the express intent of increasing the funding available for County-maintained roadways, including road maintenance, repair, enhancement, safety, and fire access.

On October 8th, 1996, the Board of Supervisors adopted Resolution 96-472 establishing the Motor Vehicle License Fee trust fund and directing the transfer thereto of half of all revenues received from the Vehicle License Fee and Vehicle License Collection accounts of the State Local Revenue Fund to be used toward road maintenance and improvements consistent with Measure F.

On January 21st, 1997 the Board of Supervisors adopted Resolution 97-026 establishing a methodology for calculating the amount of VLF Revenue obligated for road maintenance activities under Measure F.

Since the passage of Measure F, changes to state law that increased VLF for specific uses and affected the calculation of the Measure F obligation under resolutions 96-472 and 97-026 forced the County to seek state legislation on two occasions (SB636 in 2009 and AB1352 in 2011) in order to allocate funds as intended by Measure F.

In 2014, the State adopted Assembly Bill 85 (“AB85”) which made changes to the realignment structure related to implementation of the Affordable Care Act.

AB85 resulted in a sales tax/VLF swap, which was intended to hold counties harmless, but which had the consequence of impacting the Nevada County’s calculation of revenue available for Measure F Road Maintenance and improvement.

In 2015, the State adopted Senate Bill 79 (“SB 79”) which made changes to the Welfare and Institutions Code and the Revenue and Taxation Code to remove the local flexibility of VLF funds that had necessitated the AB85 swap.

SB79 requires that all VLF revenues be designated for specific uses which are inconsistent with Measure F and which create a conflict between State Law and the methodology established in Resolutions 96-472 and 97-026, leaving no VLF revenue available for Measure F.

Consistent with the intent of Measure F, a General Fund allocation will be a predictable and stable source of funding for County road maintenance and improvement that is not subject to machinations at the State level, nor fluctuations in the sales and values of motor vehicles.

The budgeted amount in FY 2016/17 of \$1,650,075 is consistent with the five year average of available Measure F funding. The amount proposed in the 2017/18 budget is \$1,691,250, a 2.5% increase over 2016/17, and is sufficient to meet the road maintenance and improvement objectives consistent with Measure F.

It is recommended that, commencing in FY 2018/19, the annual General Fund allocation be considered by the budget subcommittee and recommended for adoption by the full board through the normal budget process.

An inflation factor will be recommended to the Board unless departmental budgets are being adjusted based on reductions in available discretionary revenues, in which case no inflation factor will be recommended. If applicable, the recommended inflation factor will be the lesser of the following:

1. 2%
2. The Consumer Price Index for urban wage earners and clerical workers in the State of California for the previous twelve months ending in December as published by the California Department of Industrial Relations.

Due to the changes in State Law, excess General Fund money was transferred to the MVLF fund, with the total at the close of 16/17 projected to be \$265,000. The resolution directs the Auditor Controller to close the MVLF fund and transfer residual funds back to the General Fund. A quarter of the approved General Fund allocation for Roads will be transferred directly from the General Fund to the Roads fund at the end of each fiscal quarter.

Item Initiated and Approved by: Richard A. Haffey, County Executive Officer

Submittal Date: 6/5/2017
Revision Date: 6/5/2017