



CITY COUNCIL STAFF REPORT

TO: City Council

DATE: May 12, 2025

DEPARTMENT: Public Works Department

PREPARED BY: Chantell O'Neal, Assistant Director, Engineering

PRESENTER: Chantell O'Neal, Assistant Director, Engineering

AGENDA TITLE: Overview and Direction Regarding FY 2025-26 Local Streets and Roads (LSR) Annual Distribution and the Health of the Street Sales Tax Revenue Account

RECOMMENDATION

Receive the report on the Local Streets and Roads (LSR) program annual distribution and provide direction on how to allocate the FY 2025-26 LSR funds so that staff can prepare a resolution for adoption by City Council adoption on May 27, 2025 meeting. The Resolution must be submitted to the state by July 1, 2025, in order for the City to remain eligible to receive its annual allocation.

SUMMARY

The City of Fort Bragg qualifies as a *Self-Help City* under the LSR Program due to the voter-approved local sales tax restricted for street repair and maintenance. This qualifies the City to receive a fair share distribution under the Local Streets and Roads program.

The State Board of Equalization has estimated that Fort Bragg's FY 2025-26 allocation will be **\$188,354.00**. To receive these funds, the City must adopt and submit a resolution to the state by **July 1, 2025**, detailing the projects and uses of the funds in accordance with program requirements.

Staff will prepare the required resolution for the May 27, 2025 City Council meeting. We request direction at tonight's meeting regarding how Council would like to allocate these funds so this item can be placed on the consent calendar.

BACKGROUND

The Local Streets and Roads Program was established under SB 1 – The Road Repair and Accountability Act of 2017 – to fund road maintenance, safety improvements, and rehabilitation projects throughout California. As part of the program:

- Funding is distributed through Road Maintenance and Rehabilitation Program (RMRP) based on formulas and eligibility.
 - Self-help cities are prioritized for funding based on their commitment to invest local revenue into street infrastructure.
 - Eligible uses include maintenance and rehabilitation, safety projects, traffic control devices, and drainage repairs, among others.
- Further program information is available at the State Controller's website:
https://www.sco.ca.gov/aud_road_maintenance_sb1.html

The City of Fort Bragg has received and programmed LSR funds every year since 2017. The funds have historically been used to reimburse staff time and materials for city crews performing RMRP-eligible street and road maintenance projects in compliance with state laws and guidelines.

PROPOSED OPTIONS FOR FY 2025-26 LSR FUNDS

Staff is requesting Council direction on how to program the upcoming allocation. Options include:

1. **Continue past practice:** Reimburse city staff time and materials for RMRP-eligible work performed in-house.
2. **Fund the Stop-Gap Pavement Repair Project:** this focused repair effort to prolong pavement life in failing sections is described further in attachment 3 as part of this overall report.
3. **Cover equipment purchases:** Contribute toward the cost of equipment for the Maintenance Crew to self-perform asphalt and pavement work (discussed in attachment 4).
4. **Apply toward a programmed capital project:** Use for the 2025 or 2027 streets project programmed in the Capital Improvement Program.
5. **Explore other eligible uses:** Brainstorm additional potential uses that meet LSR criteria.

The selected approach will be reflected in the May 27, 2025 Resolution to ensure timely submission to the state.

PROGRAM REQUIREMENTS FOR RESOLUTION

To comply with LSR program guidelines, the Resolution must include:

- A brief, non-technical project description
- Project location(s)
- Estimated schedule for completion
- Estimated useful life of the improvement(s)

These requirements are outlined in SB 1 and further clarified in the Streets and Highways Code, as well as the State Controller's program guidelines.

FISCAL IMPACT: STREET SALES TAX FUND REVIEW AND RESERVES

In order to better understand the potential uses of these funds, below is an overview of the current Street Sales Tax Revenue Account, upcoming expenditures, and related funds.

- The current fund balance in the Street Sales Tax Fund is \$1,249,578 as of 4/30/25.
- The estimated future cost from the Streets Sales tax fund for the 2025 Pavement Preservation Project (based on the engineers estimate and the LPP programmed funds) is \$1,245,000. This amount does not include funds expended in previous fiscal year which was \$233,000 for the projects design.
- The estimated cost from the Streets Sales tax fund account for the 2027 Roadway Revitalization Project (based on a rough order of magnitude estimate and the LPP programmed funds) is \$1,664,000.
- Based on the direction provided by Council at the Mid-Year Budget Review on March 20, 2025, another \$800,000 of unassigned funds may be programmed toward upcoming streets work.
- The FY 2025-26 estimated LSR allocation of **\$188,354.00** will be incorporated into the City's FY 2025-26 budget upon approval.

This financial picture is important for Council to consider as part of the broader discussion on funding priorities for road maintenance and equipment investment.

NEXT STEPS

- Staff will return on **May 27, 2025**, with a Resolution for Council consideration and adoption.
- Direction provided tonight will determine the recommended use of LSR funds in that Resolution.
- Upon adoption, the City will submit the required materials to the State by **July 1, 2025**, preserving Fort Bragg's eligibility.