



## MEMORANDUM

**TO:** City Council

**FROM:** Bill Robeson, Assistant City Manager/Director of Public Works  
Nicole Valentine, Director of Administrative Services

**BY:** Shannon Sweeney, City Engineer

**SUBJECT:** Senate Bill 1 Projects for Fiscal Year 2025-26

**DATE:** April 8, 2025

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### **RECOMMENDATION:**

- 1) Adopt a Resolution adopting a list of projects for Fiscal Year 2025-26 funded by Senate Bill 1;
- 2) Authorize the Director of Administrative Services to submit the Resolution to the California Transportation Commission (CTC); and
- 3) Make findings that adopting the Resolution is not a project subject to the California Environmental Quality Act (CEQA) because the adoption in itself has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

The City's allocation of SB1 funding for FY 2025-26 is projected to be \$481,366. This funding will be utilized to maintain the City's streets. With this allocation, and the City's Gas Tax funding of \$536,664, the total funding available from the State for street and road maintenance is \$1,018,031. A comprehensive 12-year expanded Pavement Management Plan (City Street repairs) and schedule that utilizes Measure E-24 Sales Tax funds will be presented to the Council in April.

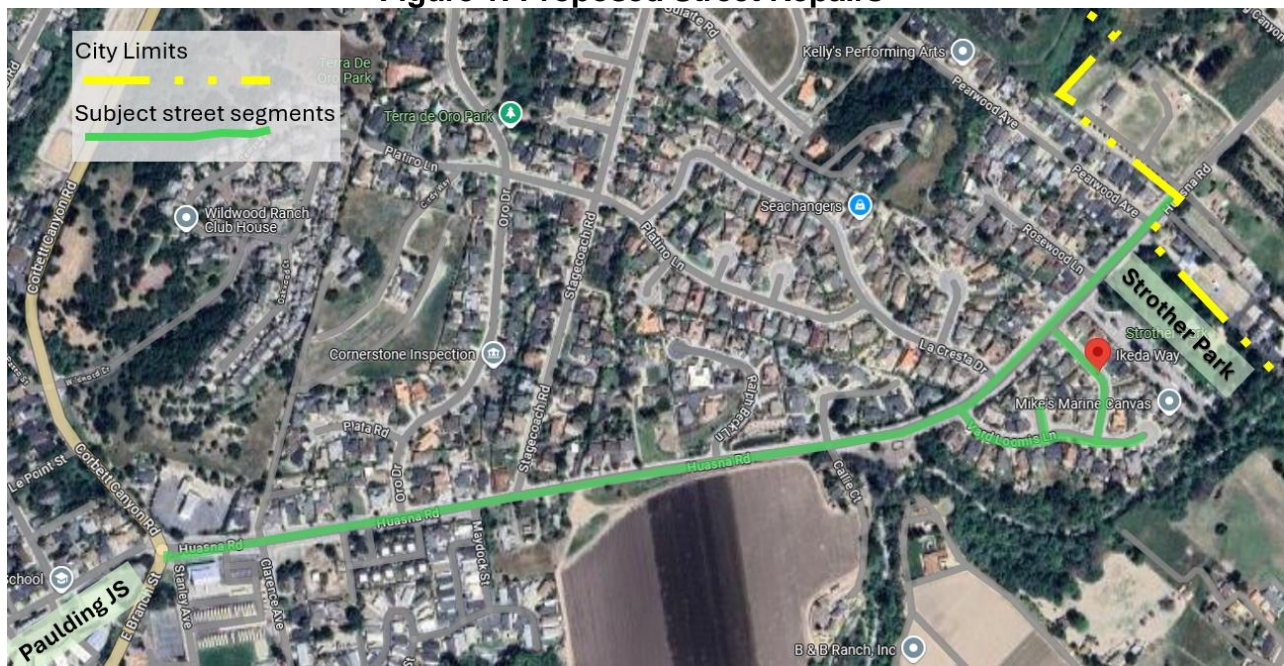
### **BACKGROUND:**

On April 28, 2017, the Governor signed SB1, known as the Road Repair and Accountability Act of 2017. SB1 increases gasoline taxes and vehicle registration fees to address deferred maintenance on the State highway system and the local street and road system. These additional taxes are deposited by the State Controller into the Road Maintenance and Rehabilitation Account (RMRA). A portion of this funding is apportioned by formula to eligible cities and counties, including Arroyo Grande, pursuant to California Streets and Highways Code (SHC) Section 2032(h), and are to be used for basic road

maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

Because SB1 emphasizes accountability and transparency in transportation funding, programming and use of the funds is contingent on recipient cities and counties providing annual project reporting. Per SHC Section 2034(a)(1), prior to receiving any RMRA funding, cities and counties must submit a list of projects, adopted by Resolution, to be funded with the RMRA funds. The streets that are proposed for repairs/overlay treatments using SB1 funding are Huasna Road and the Ikeda Way neighborhood shown on Figure 1 and to be included in its 2025 Street Repairs Project.

**Figure 1: Proposed Street Repairs**



**ANALYSIS OF ISSUES:**

SHC Section 2030(b) provides several types of projects and uses for RMRA funding that include, but are not limited to, the following:

- Road Maintenance and Rehabilitation
- Safety Projects
- Railroad Grade Separations
- Complete Streets Components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project
- Traffic Control Devices
- Matching funds to State or federal funds for projects under this subdivision

Pursuant to SHC Section 2037, a city or county may spend its apportionment of RMRA funds on transportation priorities other than those outlined in SHC Section 2030 if the city or county's average Pavement Condition Index (PCI) meets or exceeds 80. The City of Arroyo Grande's PCI is less than 80, therefore, this year's RMRA funds must be spent on the transportation priorities listed above.

The City maintains its approximately 68 miles of streets through two mechanisms: (1) the City's in-house street crew that provides daily efforts to keep streets functional, such as pothole repair, and (2) capital projects as part of its plan to provide long term maintenance and repair. Based on the SHC, the City can use its RMRA funds for either of these services. Historically, the City has utilized its RMRA funds to augment the City's plan for upcoming roadway rehabilitation projects as opposed to allocating the funds to the City's in-house street maintenance program. This has been staff's recommendation to the City Council due to uncertainties that would be created by a decline in RMRA revenues or a possible repeal of SB1. In these events, it would be less impactful to cut a specific long-term project or a portion thereof than to reduce the City's in-house street maintenance program. Since the in-house street maintenance program addresses constant, immediate short- and medium-term street safety issues (e.g., debris removal, potholes, skin patching, re-striping, storm water and drainage repairs, etc.), funding must be readily available for those more immediate needs.

In accordance with SHC Section 2036, the City must maintain its existing commitment of local funds for street purposes to remain eligible for allocations of RMRA funds. This commitment is generally referred to as Maintenance of Effort. To receive these RMRA funds, each year the City must expend from its General Fund for street purposes in an amount not less than the annual average of General Fund expenditures during fiscal years (FY) 2009-10, FY 2010-11 and FY 2011-12, as reported to the State Controller's Office, pursuant to SHC Section 2151. For Arroyo Grande, the annual amount that must be spent from the General Fund for street purposes is \$1,431,971. The City complies with this requirement using General Fund and Local Sales Tax Fund.

Additionally, SHC Section 2034(a)(1) details the requirement that cities and counties must comply with when submitting their list of proposed projects to the CTC to be funded with RMRA funds each fiscal year. The requirements include:

1. Adopt the proposed project by Resolution at a regular public City Council meeting;
2. Describe the proposed project and its location;
3. Develop a proposed schedule for the project's completion; and
4. Estimate the useful life of the improvement.

The State has provided an estimate of \$481,366 in FY 2025-26 RMRA funding available to the City. It is recommended these RMRA funds be used to augment the City's plan.

**ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Adopt a Resolution approving a list of projects to be funded by SB1 in Fiscal Year 2025-26;
2. Do not approve a Resolution approving a list of projects to be funded by SB1 in Fiscal Year 2025-26 and request further information;
3. Modify staff's recommendation and adopt a Resolution approving a list of projects to be funded by SB1 in Fiscal Year 2025-26; or
4. Provide other direction to staff.

**ADVANTAGES:**

Submitting projects to the CTC will allow the City to receive RMRA funds. The projects will help to protect the Cities investment in its roadway system.

**DISADVANTAGES:**

None identified at this time.

**ENVIRONMENTAL REVIEW:**

Adopting the Resolution is not a project subject to the California Environmental Quality Act (CEQA) because the adoption in itself has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**ATTACHMENT:**

1. Proposed Resolution