

UKIAH STREETS

March 20, 2018

SUMMARY

Ukiah city streets are in a state of extreme disrepair. Residents consider good streets a basic service of local government and question why expensive alternative transportation projects, such as the Ukiah Rail Trail, are being built before the local streets are repaired. And they ask, “Why doesn’t the city street crew fix the streets?”

Ukiah voters felt so strongly about the deteriorating condition of the streets that they passed Measures Y and Z in November 2016 to address the problem. The 2017-18 Mendocino County Grand Jury explored the history of why this general sales tax was necessary and if the use of the funds will meet the expectations of the voters to fix the streets.

The grand jury learned that changes to state transportation funding, a lack of city funds for ongoing maintenance, and restrictive state contracting rules led to the current road situation. State funding previously used for general street repair is now primarily available, by application, for infrastructure projects that incentivize lower vehicle use for improved air quality. Mendocino Council of Governments (MCOG) applies for these state transportation grants. Currently these decisions are made with limited public input. They need to be brought before the public early in the application process and discussed openly to insure they meet the community’s priorities.

City administration, staff, and the current City Council intend to meet their commitment to use this general sales tax revenue as the public intended for the streets, barring unforeseen events. The City Council passed a resolution establishing their intent to be publicly open and transparent in the use of these funds.

Ukiah city residents expect to see the promised improvement to the streets as a result of the sales tax. The voters want assurance that the money collected is used for the intended purpose. The grand jury expects the city to uphold their commitment and encourages city residents to participate in budget and planning discussions.

BACKGROUND

In November 2016 the City of Ukiah voted to adopt ballot Measures Y and Z, which implemented a 1/2 cent sales tax to fund street maintenance, repair, and related infrastructure improvements. In response to community concerns, the 2017-18 Mendocino County Grand Jury investigated the following:

- Why have Ukiah city streets deteriorated to the extent they have?
- Why haven’t city road crews repaired the streets?
- Why was the street sales tax proposed as a general tax measure?
- What projects will the sales tax fund?
- What are other revenue sources for street repair?
- Why are other city projects being funded before the streets are repaired?
- What oversight has been implemented for the new Measure Y sales tax revenue?

APPROACH

The grand jury interviewed Ukiah City staff and members of the Ukiah City Council. The grand jury also reviewed court documents, the Ukiah budget, the 2016 Mendocino County and City Opinion Survey, the 2017 Mendocino County Regional Transportation Plan, the Ukiah city website, the California code, and other relevant state and city documents. Research included reviewing newspaper articles and records of the Ukiah City Council and MCOG meetings.

DISCUSSION



Deterioration of Ukiah Streets

The City of Ukiah is 4.7 square miles in size and has 53 miles of paved roadways. While the city has a resident population of approximately 16,000, the population swells during business hours to as many as 40,000¹, putting substantial use and resultant wear on the city streets and roads.

In 2016 MCOG determined that the majority of the city streets had an average Pavement Condition Index (PCI) of just 41, indicating that many were in poor or failing condition.

PAVEMENT CONDITION INDEX (PCI)		
70 – 100	Good to Excellent	No or little distress; typically lightly weathered; no treatments assigned if PCI > 90
50 – 69	At Risk	Light to moderate weathering, light load-related base failure, moderate linear cracking
25 – 49	Poor	Moderate to severe weathering, light to moderate levels of base failure, moderate to heavy linear cracking
0 – 25	Failed	Excessive weathering, moderate to heavy base failure, failed patches, extensive network of moderate to heavy linear cracking

According to Ukiah city staff the deterioration of the streets was the result of:

- The 2008 recession significantly decreased city revenues, causing staff layoffs and deferred maintenance.
- California redirected State Transportation Improvement Program (STIP) funds in 2010 from street maintenance to capital projects, thus eliminating funds previously available for local street maintenance.
- Increases in pavement construction and material costs raised maintenance expense.

¹ Statistics from Ukiah City Resolution No. 2016-34

Ukiah Street Crews

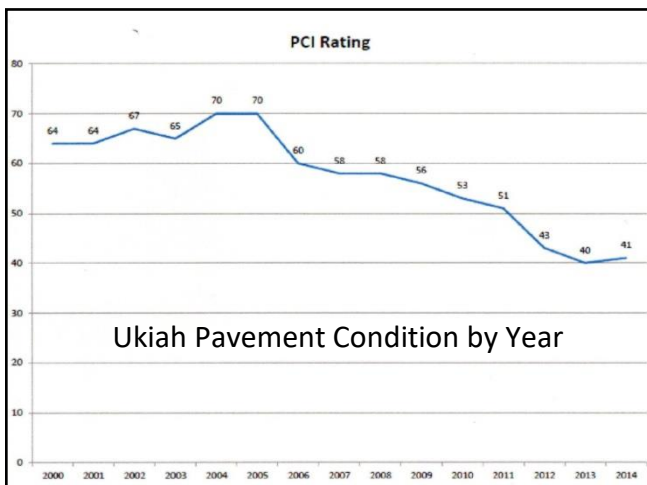
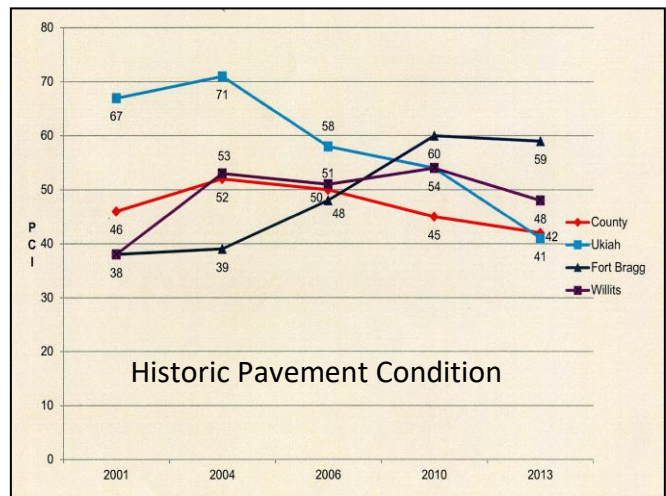
City residents question why city workers aren't repairing the streets. They see the city street crews painting signage and cleaning drains but not working on road repairs. However, the city is constrained by the California Uniform Public Construction Cost Accounting Act. As a result, any project valued over \$45,000 must go to bid and cannot be performed by city staff.

During the 2008 recession Ukiah deferred maintenance as a way to use available city revenue to provide other services. The city street crew was reduced from nine workers to five full-time employees. The street crew maintains the "right of way," which includes such things as street signs, street trees, the storm drain system, and street markings. The street crew also removes graffiti, cleans up after traffic collisions, repairs or replaces items that are vandalized or damaged, removes weeds, and picks up animals that have been hit in the road.

The Path to Measures Y and Z²

All Mendocino County incorporated cities except Ukiah put special ballot measures up for city voters to allocate 1/2 cent sales tax revenues for local street repair. Willits implemented such a sales tax for street maintenance in 2003, Point Arena in 2004, and Fort Bragg in 2005 and 2013.³

With its roads in comparatively good shape in 2005, Ukiah instead passed Safety Tax Measure S for a 1/2 cent sales tax, which along with advisory Measure T, was to be used for police, fire and emergency medical services.⁴



In the meantime, Ukiah streets deteriorated from an average PCI of 67 in 2001 to an average poor rating of 41 in 2016, with 2/3's of the city streets in poor to failing condition. A council member informed the grand jury that poor road conditions were voiced as a major concern of voters in 2014. A February 2016 MCOG survey confirmed that residents considered street deterioration serious and

² Illustrative graphs are from the City of Ukiah and are enlarged in Attachment 1.

³ The Willits and Point Arena measures were approved under the provisions of California Revenue and Tax Code §7286.24, and the Fort Bragg measures under California Revenue and Tax Code §7285.91.

⁴ Measure S passed with 69.4% of the vote. This tax was extended until voter repeal by the passage of Measure P on November 4, 2014 with a 76% "yes" vote.

would support a local 1/2 cent sales tax dedicated to street repair and maintenance.

At the April 6, 2016, Ukiah City Council meeting four issues were discussed:

- What sales tax % should be recommended, 1/2 or 3/4 cent, for street repairs?
- Should the ballot measure be specific or general?
- Should the measure have a sunset, or end date?
- That baseline funding should be maintained so that the additional 1/2 cent sales tax revenue does not supplant general fund investment in the streets.

City staff commented that making the ballot measure a special tax legally bound to a dedicated use was not warranted as demonstrated by the successful application of revenue in the Measure S Safety sales tax. It was argued that there should be no sunset clause, because there is no expectation that the state will increase funding to cities in the future for street maintenance.

The Council passed a motion directing staff to prepare a resolution to place on the November 8, 2016, ballot a 1/2 cent general sales tax measure for street repair with no sunset date. As a general tax measure, Measure Y would require a simple majority vote. Accompanying Measure Z was an advisory measure that the sales tax revenue be used exclusively for street repair, maintenance, and related infrastructure improvements. The full text of the measures can be found in the Glossary at the end of this report.

On June 1, 2016, the Ukiah City Council unanimously adopted Resolution 2016-34 *Establishing an Expenditure Plan for Public Works and a Mechanism to Make an Annual Review on Measure Y Revenues and Expenditures*. (See Attachment 2) This resolution maintains the general fund baseline allotment to public works for streets. It also ensures annual and publicly accessible budget review of Measure Y revenues and expenditures. The Council stated they did not want a perception of a “shell game” and the resolution provided a path to transparency of the collection and use of these sales tax funds.

On November 8, 2016 Measure Y passed with 51.5% of the vote; Measure Z passed with 64.8%.

A Bump in the Road: Taxpayers Association Lawsuit

The 51.5% passing of Measure Y with its advisory Measure Z brought the attention of the taxpayer rights group, the Howard Jarvis Taxpayers Association (HJTA). HJTA has argued that general tax measures with companion non-binding advisory measures are “nothing more than a blatant attempt by local government officials to circumvent the two-thirds vote requirement for special taxes”⁵ set forth in Article XIII C of the California Constitution.

In the November 2016 election, 51 of 59 general sales tax measures in California passed, but only 15 of 30 special sales tax measures requiring a 2/3’s supermajority passed.⁶

⁵ “How to Defeat Local Sales Tax,” Howard Jarvis Taxpayers Association, July 2004, page 2.

⁶ “Record Number of Local Sales Tax Hikes Take Effect Saturday,” Kathleen Pender, San Francisco Chronicle, March 28, 2017

On January 6, 2017, HJTA filed a complaint against the City of Ukiah in Mendocino County Superior Court seeking to invalidate the tax increase proposed by Measures Y and Z. The lawsuit contended that the use of the tax for a particular purpose means that it is really a special tax requiring a 2/3's approval.

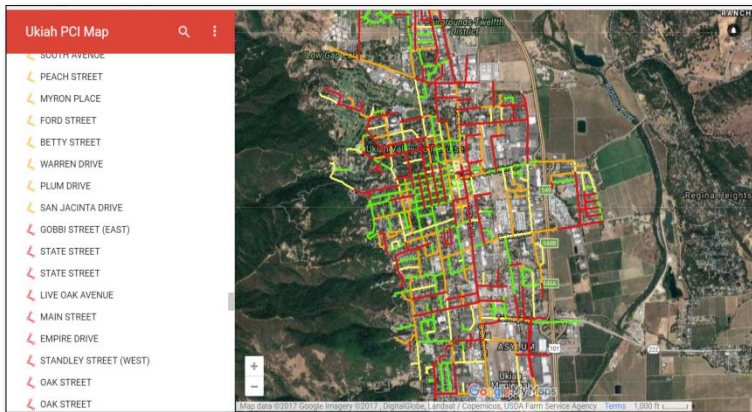
In its response, the City of Ukiah denied HJTA's allegations and moved that the lawsuit be dismissed. The city put forth a number of affirmative defenses, including that HJTA had failed to file a specific legal action (reverse validation) and other required procedures within the statutory time limit.⁷ On May 1, 2017, the Superior Court granted the city's motion to dismiss on procedural grounds. HJTA agreed not to appeal the ruling.

While the lawsuit was ongoing, the city began collecting the new sales tax and put the funds into an escrow account. With the judgement, the funds were released and available for street repair.

Planned Use of Revenue

The city currently uses the Pavement Condition Index (PCI) as a tool to set priority for street repair. Depending on the extent of damage, the city uses three types of maintenance:

- Slurry seal coat to maintain roads in good condition
- Thin or thick overlay of asphalt to repair roads in fair or poor condition
- Reconstruction pavement replacement for those roads that are beyond repair



If a street is beyond repair and needs to be excavated and repaved, it is no longer in the PCI range, and city administrators will determine the order of reconstruction.

An interactive map of the city's streets showing their status is available online under the Master Pavement Rehabilitation Program project section on the city website: <http://www.cityofukiah.com/streets/>

The only major work currently using Measure Y revenue is the reconstruction and maintenance of Airport Boulevard, which the city agreed to complete to improve access to the Redwood Business Park for the new Costco store.

Work was also started, and stopped at the time of this writing, on the city-owned segment of Brush Street. Additionally, a \$250,000 project has been approved to construct the sidewalk and repave East Smith between Main and Mason Streets.

At the January 31, 2018, City Council workshop, Measure Y funds in excess of \$1.6 million have been proposed for slurry seal, street overlay, and pedestrian improvements of a number of city streets.

⁷ City of Ukiah website: <http://www.cityofukiah.com/hjta-v-city-of-ukiah/>

According to the city budget, “debt service on new infrastructure borrowing” is covered by Measure Y funds. (See Attachment 3)

The 2016-17 city budget lists planned street projects. (See Attachment 4) As of the writing of this report, street repair started and was later suspended on Washington, Observatory, and Luce Avenues. All are in failed condition and the reconstruction has been planned for several years. This includes reconstruction of the street surface, replacement of sewer and water lines, and installation of new ADA sidewalk corners. According to the city, these street improvements are not funded by Measure Y revenue. The completed sewer and water lines were financed by their own revenue sources. The grand jury was told by city staff that work ceased because the contractors were needed to work on areas damaged by the October 2017 fires and that the street work will resume in the spring.

Current Funding Sources for Street Maintenance and Repair

Sales tax. Measure Y is expected to bring in approximately \$2.9 million this 2017-18 fiscal year. Pursuant to Resolution 2016-34 Measure Y funds should be supplemented annually with at least an additional \$350,000 from the city’s general fund.

State Gas Taxes⁸

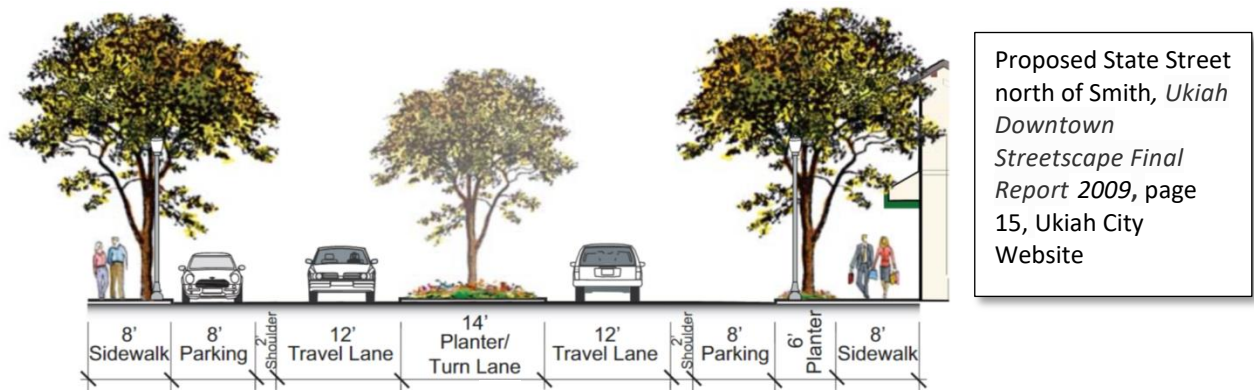
- Highway Users Tax Account (HUTA) is from the gas taxes set prior to November 1, 2017, with Ukiah projected to collect \$377,722 in fiscal year 2017-18.
- The additional new gas tax and vehicle registration fee legislation, Senate Bill 1, passed this year and effective November 1, 2017, is estimated to bring Ukiah an additional \$91,452 for fiscal year 2017-18.
- Total gas taxes in fiscal year 2018-19 are estimated for streets to be \$659,211.

IBank Loan. A \$4 million state loan was borrowed by the city in 2017 for the Redwood Business Park road reconstruction and Costco traffic mitigation projects. The principal and interest will be paid by Measure Y funds.

The **State Transportation Improvement Program (STIP)** is a state project capitalization funding that was formerly used for general street maintenance and repair. It now provides for specific new infrastructure grants. Grant projects include the 2009 Ukiah Downtown Streetscape plan, or “road diet,” which will modify traffic circulation, including narrowing State Street in downtown from four lanes to two lanes, plus planned left turn lanes in the center. The current plan includes widening sidewalks, adding trees, street lights, and street furniture; and improving pedestrian crossings with curb ramps and bulb outs.⁹ To date, \$1.3 million in STIP funding and \$1 million from the Highway Safety Improvement Program has been spent on this project’s development. Phase 1 construction is scheduled to begin in 2019 with approved funding from STIP. Phase 2, which extends the road diet and street alterations, is also scheduled and STIP funded as indicated in the table below. Approximately \$4.8 million has been approved for this project based on cost estimates from 2009. Details can be found on the city website.

⁸ Information provided by the City of Ukiah.

⁹ *Ukiah Downtown Streetscape Improvement Plan Final Report*, July 1, 2009, <http://www.cityofukiah.com/projects/downtown-streetscape/>



Other STIP funding includes the project development for a Low Gap-North Bush Street intersection roundabout and a traffic signal at Gobbi Street and Waugh Lane.

**Currently STIP Programming
On Local Street and Road Systems**

Project	Agency	Construction Yr	STIP Funding (\$ in 1000s)	Additional Need
Gobbi Street/Waugh Lane Intersection	Ukiah	18/19	\$644	
East Side Potter Valley Road Reconstruction	County	19/20	\$7,300	
Low Gap Road/North Bush Street Intersection Roundabout (Project Development only funded)	Ukiah	TBD	\$115	\$781
Ukiah Downtown Streetscape & Road Diet, Phase I	Ukiah	17/18	\$1155	
Ukiah Downtown Streetscape & Road Diet, Phase II	Ukiah	20/21	\$1,369	
Total			\$ 8,059	

2017 Mendocino County Regional Transportation Plan, page 47

Other Transportation Grants

Ukiah has received grant money to fund a number of alternative transportation projects. For example, the Rail Trail, originally estimated to cost \$600,000, ended up costing more than \$1.6 million. It was funded by grants from Caltrans and MCOG, as well as the city’s share of the state’s gas tax revenue to cover cost overruns. The underlying grant intent was to promote bicycle commuting. Ukiah was recently awarded an additional \$1.8 million Urban Greening Grant from the California Natural Resources Agency to extend the Rail Trail from Clara Avenue to Brush Street. The City Council also approved \$250,000 from a 2016 State Active Transportation Program grant to fund the design and preparation of Phase 2 of the Rail Trail, which will extend it south from Gobbi Street to Commerce Drive.

Budget Oversight

Resolution 2016-34 approved by the City Council put in place a Measure Y expenditure plan. Initially, after passage of the measure, the city website had a dedicated section for Measure Y. This has been eliminated and street repair information is now found under the Master Pavement Rehabilitation Program (MPRP) project tab.

The city holds open budget workshops annually at the beginning of the year. The public is encouraged to attend. The budget is a public document that is available online on the Ukiah city website. It contains a summary of how Measure Y funds are projected to be used and has a

“dashboard” page¹⁰ that generally lists revenues and expenditures. (See Attachment 2 for the whole page) The dashboard for the 2017-18 budget, shows revenue and expenditures derived from 2015-16 projections.

Fiscal Year 2015-16 Recommended Uses and Projects	Project No.	Cost	General Revenue Share	Other Financing Sources	Recommended Measure Y Share	Total Funding
Redwood Business Park Road Improvements	13001	\$ 7,333,000	\$ -	\$7,150,907	\$ 182,093	\$ 7,333,000
Debt service on new infrastructure borrowing	13001	425,707	-	-	425,707	425,707
Enhanced Public Works capacity - personnel		118,787	-	-	118,787	118,787
Enhanced Public Works capacity - operations		315,018	-	-	315,018	315,018
Misc street engineering, maintenance, and repair		1,271,302	912,560	-	358,742	1,271,302
Reserve for future street maintenance and repair projects		1,521,611	-	-	1,521,611	1,521,611
		\$ 10,985,425	\$ 912,560	\$ 7,150,907	\$ 2,921,958	\$ 10,985,425

The highlight shows the projected Measure Y revenue, The “Other Financing Sources,” above, are not itemized here, but documentation shows \$4 million from the IBank loan and \$3.3 million from an “interfund” loan. The grand jury could not easily make sense of where all revenues came from and on what projects they are being spent. Also, the grand jury did not see reference to the city’s Resolution 2016-34’s annual \$350,000 baseline general fund allocation to road repair.

A draft updated dashboard with estimated totals for the current 2017-18 fiscal year was made available to the grand jury but has not, as this writing, been posted online. (Attachment 5)

FINDINGS

- F1. The city streets deteriorated due to deferred maintenance beginning with the recession of 2008.
- F2. The current use of the Pavement Condition Index as a tool for the selection of streets promotes impartiality in the order of streets to be repaired.
- F3. State road funding redirection created a need in Ukiah for revenue for local street maintenance and repair that led to the passage of a 1/2 cent sales tax.
- F4. The reason for proposing a general tax measure rather than a special tax measure for the street maintenance sales tax was that its likelihood of success is statistically greater.
- F5. Because Measure Z is not legally binding, the use of a general sales tax generated by Measure Y may be used by the City Council at their discretion for other purposes.
- F6. The city is striving for transparency of the sales tax revenue expenditure.
- F7. The budget dashboard falls short of the intent to make the Measure Y sales tax revenue and expenditures transparent.

¹⁰ Page BB54 of the 2017-18 Budget Book, Attachment 3

- F8. The Resolution 2016-34 commitment to a baseline general fund revenue for streets is not evident in the Measure Y dashboard.
- F9. The reasons for the fall 2017 stoppage in major scheduled road repair, such as on Luce, Washington, Observatory Avenues, and Brush Street, have not been adequately explained to the public at large.
- F10. The public has an opportunity to review next year's budget and future spending plans and express their ideas and concerns at city workshops.
- F11. Redirection of state transportation funding has resulted in funding for alternatives to vehicular projects instead of needed street repair and maintenance.
- F12. The Ukiah City Council, MCOG, and city residents may have different priorities in applying for state transportation grants, such as the Ukiah Downtown Streetscape, Low Gap roundabout, and the Rail Trail.
- F13. The budget for the Ukiah Downtown Streetscape approved in 2009 is likely inadequate for construction costs a decade later.

RECOMMENDATIONS

- R1. The city continue to use the Pavement Condition Index as the primary criterion to select streets for maintenance and repair. (F1, F2)
- R2. The City of Ukiah expand the process of making Measure Y information accessible and transparent. (F3-8, F10)
- R3. City staff include in the Measure Y dashboard a list of specific revenue sources and expenditures by the next budget. (F3, F6-8, F10)
- R4. City staff update the Measure Y dashboard at least quarterly and make it publicly available. (F3-8)
- R5. City staff reinstate the Measure Y project tab on the city website no later than July 2018. The tab information should show ongoing and current street repair projects, scheduling timelines, and updated revenue and expenditures. (F3-9)
- R6. The city create an informational on-the-street bulletin board in a downtown location, such as in front of the Convention Center, expressly for city announcements and schedules of public meetings and workshops. (F3-10)
- R7. To assure that the city priorities match the residents' preferences, the city make more effort to enable public input early in the planning process for grant funded projects. (F10-13)
- R8. The city listen and respond to public input, such as by creating a designated public comment page for each project and recognizing media comments. (F10-13)

R9. In accordance with the intent of Measure Z, the city not spend Measure Y sales tax revenue on any grant funded project, for example on the Downtown Streetscape, Rail Trail, and Low Gap-Bush roundabout. (F11-13)

RESPONSES

Pursuant to Penal Code §933.05, responses are *required* from the following individuals:
From the following governing bodies:

- Ukiah City Council (All Findings and All Recommendations)

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Pursuant to Penal Code §933.05, responses are *requested* from the following individual(s):

- Ukiah City Manager (All Findings and All Recommendations)
- Ukiah Director of Public Works (All Finding and All Recommendations)
- Ukiah Director of Finance (F6-8,10,13) (R2-4)

GLOSSARY

California Uniform Public Construction Cost Accounting Act (CUCCAC) (1983)

These procedures are set forth in the State Public Contract Code sections. Under the code, local agencies can use their own workforce to perform projects up to \$45,000 or by negotiated contract or purchase order. Projects over \$45,000 and up to an estimated \$175,000 may be let to contract by the informal bidding procedures. Public Works projects over \$175,000 will be subject to formal bidding procedures.

Dashboard

A visual display of information organized on a single screen so that it is easy to read and can be monitored at a glance.

Highway Users Tax Account (HUTA)

Funds from the state motor vehicle fuel taxes flow into this account.

IBank (Infrastructure and Economic Development Bank)

This state bank offers public financing for public infrastructure and private development.

Master Pavement Rehabilitation Program (MPRP)

This is the City of Ukiah's program for making decisions for improving the quality of Ukiah's streets. The condition of streets is regularly evaluated and efforts made to sustain good streets and to repair or replace others.

Mendocino Council of Governments (MCOG)

The Regional Transportation Planning Agency for our countywide region. MCOG disburses state and federal funds for transportation and provides regional planning. MCOG is overseen by a board consisting of two Mendocino County supervisors, a countywide public appointee, and one council member from each of the four incorporated cities.

Pavement Condition Index (PCI)

Every three years each street in Ukiah is evaluated by MCOG and given an objective number rating.

Road Maintenance and Rehabilitation Account (RMRA)

The account for the additional 12 cent gas sales tax revenue from Senate Bill 1, California state legislation effective November 1, 2017, for infrastructure and highway improvement.

State Transportation Improvement Program (STIP)

STIP is California's investment plan for state transportation money and is updated every two years. Any capital project may be included from new roadways, highway expansion, to bike trails and rail lines. Every county receives a designated amount of STIP funding.

Tax Measures in California

- **General Tax Measure:** "General tax" means any tax imposed for general governmental purposes, and which are deposited into the entity's general fund. These taxes require approval by a simple majority, plus one, of voters.
- **Special Tax Measure:** Under Article XIII C of the California Constitution: "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote." These tax measures are to be dedicated to a specific purpose.

Ukiah City Measure Y: Ballot measure passed in the general election of November 8, 2016.

"Shall Ordinance No. 1165 be adopted to impose as a general tax an additional transaction (sales) and use tax of one-half of one percent within the city limits of the City of Ukiah to fund essential City services, including street repair and maintenance? Such tax increase is estimated to raise \$2,470,000 annually at a rate of .5%. The duration of the tax will continue unless or until the tax is repealed by majority vote in a municipal election."

Ukiah City Measure Z: Ballot measure passed in the general election of November 8, 2016.

"Shall street repair and maintenance and related public infrastructure improvements be the exclusive use of the revenues from an additional .5% sales tax in the City of Ukiah and add to and not replace current spending for street maintenance and repair?"

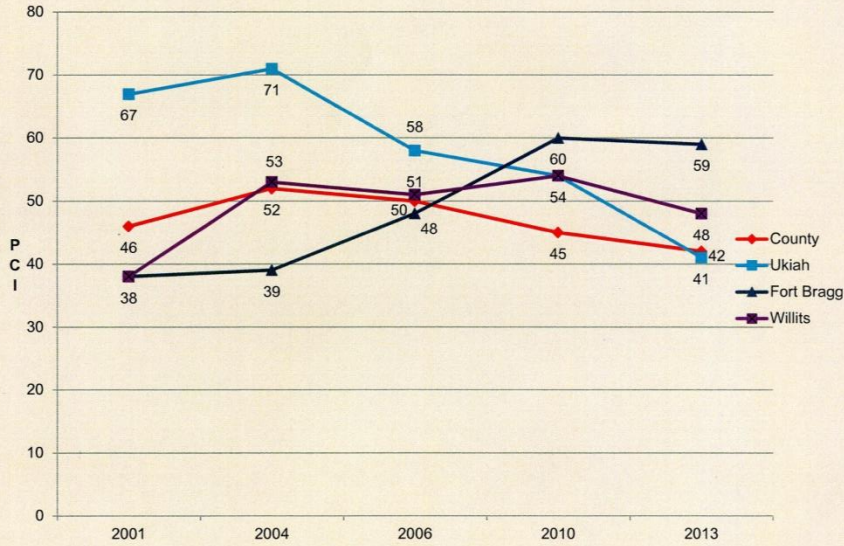
ATTACHMENTS

1. City provided charts regarding historical PCI
2. Resolution 2016-34 *Establishing an Expenditure Plan for Public Works and a Mechanism to Make an Annual Review on Measure Y Revenues and Expenditures*
3. Measure Y Dashboard, Page BB54, Ukiah 2017-18 Budget Book
4. City of Ukiah Budget 2017-18 Capital Expenditures BB55
5. Draft Updated Measure Y Dashboard for FY2016-18

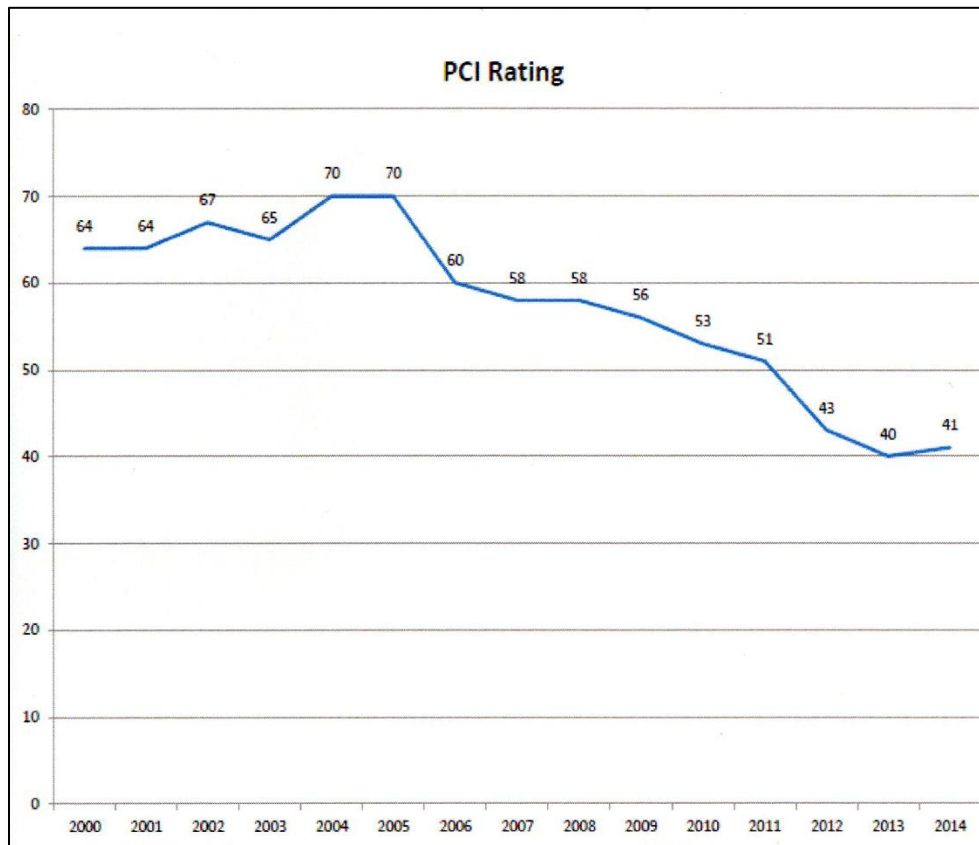
Reports issued by the Mendocino County Grand Jury do not identify individuals interviewed. Penal Code §929 requires that reports of the grand jury not contain the name of any person or facts leading to the identity of any person who provides information to the civil grand jury.

ATTACHMENT 1

Historic PCI for All Agencies



PCI Rating



ATTACHMENT 2
RESOLUTION NO. 2016-34

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH ESTABLISHING AN EXPENDITURE PLAN FOR PUBLIC WORKS AND A MECHANISM TO MAKE ANNUAL REVIEW ON THE MEASURE Y REVENUES AND EXPENDITURES

WHEREAS:

1. The City of Ukiah is 4.7 square miles in size, but is surrounded by additional urban areas and residential subdivisions within an unincorporated portion of Mendocino County. The Ukiah Valley is the most populous portion of Mendocino County, containing, at least, two-thirds of the total county population; and
2. The California Department of Finance estimates the population of the City of Ukiah ("City") at 16,186 as of January 1, 2016; and
3. As such during business hours, the City population swells to perhaps as many as 40,000 people, including people who work, shop and receive services in Ukiah; and
4. Ukiah also is located on U.S. Highway 101, which is the major north-south highway west of Interstate Highway 5, and links southern California to Northern California and Oregon; and
5. In 2003, due to the State of California's budget deficit, the City's general fund revenues were decreased significantly; and
6. As a result, the City was faced with substantial deficits for fiscal years 2004-2005, which required lay-offs and other reductions in expenditures for public works in the City; and
7. In 2008, the nation, State of California, and the City of Ukiah, experienced a recession which significantly reduced city revenues from sales taxes. Due to these budget deficits, the City's general fund revenues were significantly decreased; and
8. This unanticipated nation-wide recession forced the City of Ukiah to eliminate open positions, layoff personnel, and reduce general fund budgets; and
9. As the economy improved, and General Fund revenues have been restored to the levels prevailing before the 2008 recession, the City of Ukiah has worked to improve public works services to the Ukiah community; and
10. However, pavement maintenance costs are increasing at the same time as State and Federal funds are decreasing; and
11. State funds previously dedicated to street maintenance have been reduced or eliminated; and
12. Gas Tax funds fluctuate with the economy and are an unreliable and insufficient source of funds; and
13. Of the City's 53 centerline miles of pavement, 67% are in poor or failed condition; and
14. Like the City's 1.5% share of the current 8.125% sales tax, all sales taxes produced by Measure Y must remain in the City of Ukiah. This tax revenue cannot be taken away by the State of California. Although enacted as a general tax which can lawfully be used for any municipal purpose, the City Council has and by this resolution will continue to place the Measure Y Sales Tax revenue in a designated account within its budget and financial statements so that its use for street repair, maintenance, reconstruction, and other mandated improvements can be reviewed, audited and accounted for; and

15. In addition, it is the intent of this resolution to commit the City to maintain the amount of general fund revenues supporting street maintenance at or above current levels.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. EXPENDITURE PLAN: While the revenue received by the City from Measure Y Sales Tax is unrestricted general fund revenue, by this resolution, the City Council commits to using these revenues to provide street repair, maintenance, reconstruction, and any mandated improvements as a result of that maintenance and reconstruction.

A. Accounting for Public Works Revenue. In each fiscal year commencing with the 2016-2017 fiscal year, for purposes of accounting for the use of these revenues, the City shall continue to credit to an account or fund in the City's budget and financial records, to be designated by the Finance Director, all of the Measure Y Sales Tax revenue.

B. Minimum level of Street Maintenance Funding. In addition to the revenue from measure Y, the City shall continue the current level of spending from the general fund on street maintenance and repair, which is \$350,000 per fiscal year. The level of street maintenance funding based on current spending shall be adjusted every year in March and will be effective on July 1st of the new fiscal year. The adjustment shall be calculated by the City Engineer and will be based on the construction cost index history as reported by the Engineering News Records (ENR). The base line will be March 2015; at that time the ENR index was 9972. If the index ceases to exist, the City Engineer shall propose a replacement index to be adopted by the City Council. Nothing in this resolution prevents the City Council from establishing a higher level of street maintenance funding.

2. ANNUAL REVIEW OF MEASURE Y REVENUES AND EXPENDITURES. Every year after the Effective Date of this Resolution, the Measure Y revenues and expenditures will be reviewed by City Council and will be available to review by the public through the City's budget document and website.

3. ACCOUNTING FOR MEASURE Y SALES TAX REVENUE. All Measure Y Sales Tax revenues and all interest on said revenues shall be credited to the designated fund or account and shall be designated for use in accordance with this Resolution.

PASSED AND ADOPTED ON JUNE 1, 2016, BY THE FOLLOWING ROLL CALL VOTE:

AYES: Councilmembers Crane, Mulheren, Doble, Brown, and Mayor Scalmanini

NOES: None

ABSENT: None

ABSTAIN: None

Stephen G. Scalmanini, Mayor

ATTEST:

Kristine Lawler, City Clerk

June 2, 2016

Argument in Favor of Measure Y Street Repair and Maintenance Sales Tax

YES on Measure Y will address the problem of failing streets in Ukiah.

- Of the City's 53 centerline miles of pavement, 67% are in poor or failed condition.
- Pavement maintenance costs are increasing at the same time as funds are decreasing.
- State funds previously dedicated to street maintenance have been reduced or eliminated.
- Gas Tax funds fluctuate with the economy and are an unreliable and insufficient source of funds.

YES on Measure Y will provide a reliable revenue source dedicated to the repair and maintenance of the streets we use every day and this money CANNOT be touched by the State.

Measure Y will provide a steady revenue source for maintenance, reconstruction, and any mandated improvements to our streets. This new revenue will be in *addition* to the current funding for street repair from the City's General Fund, ensured by a City Council adopted resolution that maintains funding for street repair from the General Fund at the current level.

Revenue generated by Measure Y will be reviewed annually by the City Council and will be available for public review in the City's annual budget, published on the City's website.

Measure Y is the *only* tool available to make necessary and significant improvements to our failing streets. Other local cities — including Willits, Fort Bragg, and Point Arena — have already adopted similar measures with success.

Yes on Measure Y makes it easier to drive on City streets, enhancing our quality of life and improving safety.

Join your fellow residents and vote YES on Measure Y to eliminate crumbling streets in Ukiah. /s/

Ukiah City Council

Stephen G. Scalmanini, Mayor Jim
O. Brown, Vice-Mayor Kevin
Doble
Maureen Mulheren
Douglas F. Crane

ATTACHMENT 3

CITY OF UKIAH
ANNUAL BUDGET

FISCAL YEAR 2017-18

Measure Y

Fiscal Year 2017-18 Recommended Measure Y Uses

Measure Y: Transaction and Use Tax

Measure Y, passed by a simple majority (50% plus 1) of Ukiah voters in November of 2016, is a general (unrestricted) transaction and use tax. A general, unrestricted tax is one that can be used to fund any program, function, service, or project at the discretion of the City Council. It is not a special, restricted tax, which would require approval of two-thirds of the voting public. Measure Z, passed in conjunction with Measure Y, was a distinctly separate, advisory Measure Y, indicating the voting public's preference for the use of Measure Y proceeds. The language for the two ballot measure was as follows:

Ballot Measure "Y":

Shall Ordinance No. 1165 be adopted to impose as a general tax an additional transaction (sales) and use tax of one-half of one percent within the city limits of the City of Ukiah to fund essential City services, including street repair and maintenance? Such tax increase is estimated to raise \$2,470,000 annually at a rate of .5%. The duration of the tax will continue unless or until the tax is repealed by majority vote in a municipal election.

Advisory Measure "Z":

Shall street repair and maintenance and related public infrastructure improvements be the exclusive use of the revenues from an additional .5% sales tax in the City of Ukiah and add to and not replace current spending for street maintenance and repair?

Street Maintenance and Repair	2017-18
Budget amount, 2016-17 (base year), net related transfers in	\$ 912,560 (a)
Recommended amount, 2017-18	9,463,814 (b)
Increase (decrease) from base year (b) - (a)	\$ 8,551,254 (c)

Estimated Revenue	2017-18
Measure Y: Transaction and Use Tax	\$ 2,921,958 (d)
Additional resources	7,150,907 (e)
Total available for street maintenance and repair (d) + (e)	\$ 10,072,865 (f)

Analysis	2017-18
Amount available for additional maintenance and repair (f) - (c)	\$ 1,521,611 (g)
General fund base commitment amount (a)	\$ 912,560 (h)
Total recommended amount appropriated to street maintenance and repair (b) + (g) + (h)	\$ 10,985,425 (i)

Fiscal Year 2015-16 Recommended Uses and Projects	Project No.	Cost	General Revenue Share	Other Financing Sources	Recommended Measure Y Share	Total Funding
Redwood Business Park Road Improvements	13001	\$ 7,333,000	\$ -	\$ 7,150,907	\$ 182,093	\$ 7,333,000
Debt service on new infrastructure borrowing	13001	425,707	-	-	425,707	425,707
Enhanced Public Works capacity - personnel		118,787	-	-	118,787	118,787
Enhanced Public Works capacity - operations		315,018	-	-	315,018	315,018
Misc street engineering, maintenance, and repair		1,271,302	912,560	-	358,742	1,271,302
Reserve for future street maintenance and repair projects		1,521,611	-	-	1,521,611	1,521,611
		\$ 10,985,425	\$ 912,560	\$ 7,150,907	\$ 2,921,958	\$ 10,985,425

ATTACHMENT 4

CITY OF UKIAH
ANNUAL BUDGET
Capital Expenditures¹

FISCAL YEAR 2017-18

Street and Rights-of-Way

Capital Improvement Program
Expenditure Plan - Current
Fiscal Year 2016-17

Project Name	Project Code	Status	Percent Complete	Funding Source					Total Program Cost	Expended 2016-17	Carry Forward/ Rebudget	Requested 2017-18	Comments							
				General	Electric	Water	Wastewater	Other												
STREETS AND RIGHTS-OF-WAY																				
Special Project Reserve Fund 251																				
2 Smith Street Sidewalk - curb, gutter, pavement	15030	In progress	0%	-	-	-	-	21,951	21,951	9,676	9,896	31,847	In design phase.							
2 Street reconstruction (Luce, Washington, Observatory)*	15031	In progress	60%	-	-	-	-	661,019	661,019	-	-	661,019	Funds will be expended when street reconstruction begins.							
Congestion Relief Fund 510																				
2 Slurry Seal Various Streets	15027	In progress	0%	-	-	-	-	200,000	200,000	-	200,000	200,000	Ready to go out to bid.							
2 Overlay Streets		In progress	0%	-	-	-	-	200,000	200,000	-	200,000	200,000	In planning phase.							
2 Smith Street Sidewalk, Curb, Gutter, Pavement		In progress	0%	-	-	-	-	250,000	250,000	-	250,000	250,000	Finalizing design.							
STIP Augmentation Fund 507																				
1 Gobbi/Waugh Traffic Signal		In progress	0%	-	-	-	-	112,000	112,000	-	112,000	112,000	MCOG pending.							
SB 325 Reimbursement Fund 508																				
2 City Speed Zone Reports		In progress	0%	-	-	-	-	40,000	40,000	-	40,000	40,000	MCOG pending.							
State STIP Fund 509																				
2 N. State St. & Empire Dr/Ford Rd. Signal Coordination		In progress	0%	-	-	-	-	25,000	25,000	-	25,000	25,000	MCOG pending.							
Total				\$	-	\$	-	\$	-	\$	1,509,970	\$	1,509,970	\$	9,676	\$	836,896	\$	1,519,866	

(continued)

ATTACHMENT 5

**CITY OF UKIAH
MEASURE Y ANALYSIS
DRAFT**

**Fiscal Years 2016-17 and 2017-18
Recommended Measure Y Uses**

Measure Y: Transaction and Use Tax

Measure Y, passed by a simple majority (50% plus 1) of Ukiah voters in November of 2016, is a general (unrestricted) transaction and use tax. A general, unrestricted tax is one that can be used to fund any program, function, service, or project at the discretion of the City Council. It is not a special, restricted tax, which would require approval of two-thirds of the voting public. Measure Z, passed in conjunction with Measure Y, was a distinctly separate, advisory Measure Y, indicating the voting public's preference for the use of Measure Y proceeds. The language for the two ballot measure was as follows:

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Advisory Measure "Z":

Shall street repair and maintenance and related public infrastructure improvements be the exclusive use of the revenues from an additional .5% sales tax in the City of Ukiah and add to and not replace current spending for street maintenance and repair?

Street Maintenance and Repair	2016-17	2017-18	Total	
Budget amount, 2016-17 (base year), net related transfers in	\$ -	\$ 912,560	\$ 912,560	(a)
Recommended amount	-	9,463,814	9,463,814	(b)
Increase (decrease) from base year (b) - (a)	\$ -	\$ 8,551,254	\$ 8,551,254	(c)
Estimated Revenue				
	2016-17	2017-18	Total	
Measure Y: Transaction and Use Tax	\$ 528,057	\$ 2,690,581	\$ 3,218,638	(d)
Additional resources	-	7,150,907	7,150,907	(e)
Total available for street maintenance and repair (d) + (e)	\$ 528,057	\$ 9,841,488	\$ 10,369,545	(f)
Analysis				
	2016-17	2017-18	Total	
Amount available for additional maintenance and repair (f) - (c)	\$ 528,057	\$ 1,290,234	\$ 1,818,291	(g)
General fund base commitment amount (a)	\$ -	\$ 912,560	\$ 912,560	(h)
Total recommended amount appropriated to street maintenance and repair (b) + (a) + (h)	\$ 528,057	\$ 10,754,048	\$ 11,282,105	(i)

Revised with latest sales tax estimates for 2017-18. Costco sales tax revenue removed.

DRAFT

Fiscal Year 2017-18 Uses and Projects	Project No.	Cost	General Revenue Share	Other Financing Sources	Recommended Measure Y Share	Total Funding
Redwood Business Park Road Improvements	13001	\$ 7,333,000	\$ -	\$ 7,150,907	\$ 182,093	\$ 7,333,000
Debt service on new infrastructure borrowing	13001	425,707	-	-	425,707	425,707
Enhanced Public Works capacity - personnel		118,787	-	-	118,787	118,787
Enhanced Public Works capacity - operations		315,018	-	-	315,018	315,018
Misc street engineering, maintenance, and repair		1,271,303	912,560	-	358,743	1,271,303
Reserve for future street maintenance and repair projects		1,818,291	-	-	1,818,291	1,818,291
		\$ 11,282,105	\$ 912,560	\$ 7,150,907	\$ 3,218,638	\$ 11,282,105