

Agenda Report

TO: CITY COUNCIL **DATE:** February 27, 2006
FROM: CITY MANAGER
SUBJECT: SUPPORT FOR AN INITIATIVE TO CLOSE THE PROPOSITION 42 "LOOPHOLE" THEREBY SECURING LOCAL TRANSPORTATION FUNDS

RECOMMENDATION

It is recommended that the City Council:

1. Adopt the attached resolution to support a measure to secure local transportation funding, and
2. Authorize the Mayor to send correspondence to the appropriate authorities stating Pasadena's position.

BACKGROUND:

In 2002, nearly 70% of California voters passed Proposition 42 – dedicating the existing state sales tax on gasoline to fund transportation projects for congestion relief, road repairs, transit, and safety improvements. Proposition 42 includes a provision that allows the legislature and Governor to divert funds to non-transportation expenses. The state used this provision in two out of the last three budget years to fund other state needs. Nearly \$2.5 billion in these sales taxes on gasoline have been diverted to non-transportation expenses since 2002. As a result, state and local agencies have had to delay or stop safety improvements, congestion relief projects, road repairs and other pressing transportation needs.

A coalition of business, labor, local government, and community leaders is collecting signatures to qualify a constitutional amendment for the November 2006 ballot. If qualified and passed by the voters, this measure would:

- Prevent the Governor and Legislature from diverting the sales taxes on gasoline to non-transportation expenses;

- Require the State to reimburse the \$2.5 billion in transportation funds previously diverted. It allows 10 years for repayment to avoid any immediate fiscal impact, and;
- Permit the issuance of bonds by state and local agencies repaid by revenues derived from the sales tax on gasoline.

Passage of this measure would provide a stable funding source for state and local agencies responsible for transportation improvements, and allow cities such as Pasadena to:

- Fix the most hazardous intersections;
- Relieve traffic congestion through road repairs, transit projects, and intersection improvements; and
- Repair crumbling roads, fill potholes, and improve older roads, overpasses and bridges.

To qualify for the November 2006 ballot, a total of 598,105 valid signatures are required.

FISCAL IMPACT:

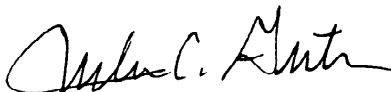
In fiscal year 2006, staff estimates that Pasadena will receive \$642,000 in Proposition 42 funds. During the two fiscal years in which the funds were suspended, the City lost an estimated total of \$1.2 million in funding. Passage of this initiative will protect the City of Pasadena's annual allocation for future years and allow the City to appropriate these funds on much needed capital transportation projects.

Respectfully submitted,



CYNTHIA J. KURTZ
City Manager

Prepared and approved by:



Julie A. Gutierrez
Assistant City Manager

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA IN SUPPORT OF A MEASURE TO SECURE LOCAL TRANSPORTATION FUNDING

WHEREAS, the City of Pasadena engages in periodic capital improvement assessments and planning relating to the condition of its transportation infrastructure; and

WHEREAS, the City is concerned that it is not able to maintain its transportation infrastructure consistent with public works best practices because of limited funding availability; and

WHEREAS, constraints on the City's ability to fully fund local transportation infrastructure projects adversely affect residents, visitors, and businesses within the City; and

WHEREAS, the City had anticipated receiving monies for this purpose as the result of Proposition 42, approved by the state's voters in March 2002, which dedicated the state sales tax paid on gasoline to state and local transportation infrastructure projects and programs; and

WHEREAS, Proposition 42 contains a provision that allows the state to transfer the sales tax on gasoline to non-transportation state purposes during times of fiscal need; and

WHEREAS, as a result, some \$2.5 billion in Proposition 42 monies has been spent over the past three years for non-transportation purposes; and

WHEREAS, a measure is being circulated to qualify a constitutional amendment for the November 2006 ballot that would ensure that future revenues raised by Proposition 42 are dedicated to state and local transportation projects only; and

WHEREAS, the measure also requires the state to reimburse the \$2.5 billion in funds previously spent on non-transportation expenses to be repaid in 10 years; and

WHEREAS, ensuring that Proposition 42 revenues are used solely for transportation projects, along with the reimbursement of prior revenues, will greatly assist the City of Pasadena in meeting its street maintenance obligations to the benefits of its residents, visitors, and businesses.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena supports a constitutional amendment to ensure that Proposition 42 revenues are used exclusively for state and local transportation projects, and that revenues previously used to offset non-transportation purposes be reimbursed.

Adopted at the _____ meeting of the City Council on the _____ day
of 2006, by the following vote:

AYES:

NOES:

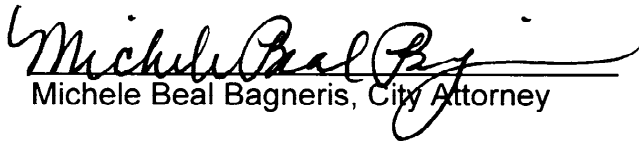
ABSENT:

ABSTAIN:

Attest:

Jane Rodriguez, City Clerk

Approved as to Form:


Michele Beal Bagneris, City Attorney