



**CITY OF PACIFICA  
COUNCIL AGENDA SUMMARY REPORT**

**3/13/2017**

**SUBJECT:**

Excess ERAF for 2016-17

**RECOMMENDED ACTION:**

Move to take the following actions related to Fund 30 Excess ERAF: appropriate \$83,000 to the Pacifica Resource Center for fiscal year 2017-18 and \$3,000 to the Pacifica Beach Coalition to support its Earth Day 2017 event; allocate \$2 million as City matching funds for a grant for the 310-330 Esplanade Infrastructure Preservation project; and acknowledge the remainder as a source of funding needed to meet storm repair and mitigation obligations.

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**STATEMENT OF ISSUE:**

The City has received its allocation of funds known as “Excess ERAF” for 2016-17 and staff is presenting this information to Council tonight in order to bring forward the actions needed to complete the City Council’s previous direction to grant funding to the Pacifica Resource Center and the Pacifica Beach Coalition as well as allocate funds needed to continue storm repairs and mitigation projects

**BACKGROUND/DISCUSSION:**

**History**

San Mateo County is one of the very few counties in the State to have Excess Education Augmentation Revenue Funds (“Excess ERAF”). The explanation of how this funding is derived and then distributed is complicated. (See footnote for more detail.)

City records date back to 1999-00 in terms of the history of Excess ERAF and show the amount we received each year has ranged from a low of \$0 in 2003-04 to a high of \$1.7 million in 2014-15.

Starting in 2011, San Mateo County advised cities and other agencies to begin treating these revenues as “one-time funds” and not to include them in the operating budget as ongoing revenues because the funds are not expected to continue indefinitely. City staff began to phase in this approach by under-budgeting the expected full amount. However until fiscal year 2014-15, our budgets relied heavily on this source of funds (i.e., \$1.3 million was included in the 2013-14 Budget).

In the 2014-15 Budget, Excess ERAF funds were not included in the General Fund for operations. Instead, Council directed that if we received the funds, that they be treated as one-time monies and segregated in a “special revenue” fund, outside of the General Fund, for appropriate use at Council’s discretion. Each year since then, staff has presented an update on the funding allocation and made recommendations for fund use to match Council priorities.

The report before Council tonight brings forward the total received for this fiscal year, provides an opportunity for Council’s direction to provide grant funds to the Pacifica Resource Center (\$83,000) and co-sponsor the Pacifica Beach Coalition’s Earth Day event (\$3,000); and allocate the remainder to address City matching grant needs for storm repairs and mitigation projects.

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<sup>1</sup> The County collects property taxes and deposits a portion into ERAF to fund K-12 schools and community colleges. Excess ERAF is the revenue that remains after all schools receive funding that meets the State mandated funding levels. Excess ERAF revenues, prior to the dissolution of Redevelopment, were to be returned to the taxing entity (City) from which it was collected. The recent legislation dissolving Redevelopment Agencies (RDA) changes how property taxes are distributed for school funding and eventually eliminates Excess ERAF and its subsequent distribution to cities.

**Excess ERAF 2016-17**

San Mateo County contacted the City last month with news that we would be receiving a total of \$1,648,047 this fiscal year. There are no strings attached to this fund-the Council can appropriate the monies in whatever way they deem to be in the community’s best interest.

**Fund Use**

As the Council is aware, the City has many financial needs including repairs to failing infrastructure, repayment of inter-fund loans identified in 2014, and economic development-related projects, etc. In addition, these funds have become the City’s de facto emergency fund for storm damage including City matching funds for grants.

Prior to the storms of 2016, the Council appropriated funds from Fund 30 toward high priority City projects including the purchase of property needed to complete the Coastal Trail and matching funds needed for Phase I of the Palmetto Streetscape project. We then received reimbursement grant funds for most of the trail property purchase and identified another source of funds for most of the Palmetto project.

**❖ Fund 30 Balance as of January 2017**

In October 2016, as part of the report to Council on sea level rise and storm impacts, I asked staff to “true-up” Fund 30 to determine the remaining unencumbered balance as we looked ahead to meeting new obligations. Since that time, Council also used these funds to demolish the apartment building at 310 Esplanade Ave. Here’s a recap of the dollars:

Starting Balance - October 2016	\$2,082,584
Matching funds for State grants to repair 2016 storm damage at 12 sites	- \$650,000
Demolition of apartment building located at 310 Esplanade Ave.	- <u>\$330,000</u>
Remaining Balance - January 2017	\$1,102,584

**❖ Storm Repair & Mitigation Project Funding Obligations**

In addition, there are three large scale repair or mitigation projects that are currently under consideration and for which the US Army Corps of Engineers is conducting a “Federal Interest Determination” study now. The studies began in January 2017 and will be completed in approximately 4-6 months. At that time, the USACE will determine whether or not to proceed with conducting feasibility studies for each project.

If the feasibility studies are conducted, the costs are estimated at \$600,000 each and must be shared equally between the USACE and the City. The third step of the USACE consideration process would be design and construction. Costs associated with this phase are split 65% USACE and 35% non-Federal funds from the City or other sources.

In summary, the possible City obligations for the three projects follow:

- **310-330 Esplanade Infrastructure Preservation.** Bluff face reinforcement/revetment of the 300 block of Esplanade Ave. between the Oceanaire Apartment Homes (formerly Lands End Apts) and the Bluffs at Pacifica Apartments. The goal of this project is to protect the adjacent street and utilities.
  - Federal Interest Determination = \$50,000; City portion = \$0
  - Feasibility Study (estimated) = \$600,000; City portion would be half or \$300,000
  - Estimated construction cost = \$4 million; City portion for construction plus the planning and other costs (estimated) = \$2 million
  
- **Milagra Creek Outfall Retrofit.** Repair and relocation of the Milagra Outfall pipe located just south of the San Francisco RV Park on Palmetto Ave. The outfall is part of the watershed drainage system for Milagra Creek.
  - Federal Interest Determination = \$50,000; City portion = \$0
  - Feasibility Study (estimated) = \$600,000; City portion would be half or \$300,000
  - Estimated construction repair cost = \$1.2 million; repairs are covered by a combination of insurance, California Disaster Assistance Act grant and matching City funds. Full mitigation efforts would benefit from USACE assistance.
  
- **Beach Boulevard Seawall Repair.** Permanent repair or replacement of the northern section of the Beach Blvd. sea wall and promenade. The portion of the sea wall and promenade that is north of the Pacifica Pier was constructed using a retaining wall configuration that has been undermined by wave and storm action periodically over the years.
  - Federal Interest Determination = \$50,000; City portion = \$0
  - Feasibility Study (estimated) = \$600,000; City portion would be half or \$300,000
  - Estimated construction cost = unknown; staff has not determined an estimated cost in part because the solution to the continued problems with the sea wall has not been determined. This project is where the USACE’s help is most needed by the City.

❖ **Funding for Community Organizations -- \$86,000**

In the past, the City has provided funding to a number of organizations that provide services to the community. Over the past few years, we have indicated that funding would likely be discontinued in the future because of budget pressures (since expenditures continue to grow

faster than revenues). At the conclusion of the 2014-15 budget process, Council indicated that if Excess ERAF monies were received in 2015, it would consider funding the two organizations. During the development of successive budgets, the Council again treated these two requests in the same manner:

<b>Organization Name</b>	<b>Amount</b>
Pacifica Resource Center	\$83,000
Pacifica Beach Coalition	\$3,000
	<u>\$86,000</u>

Staff is recommending that Council allocate funding to these two groups.

**Summary and Funding Balance**

In summary, the City has many more needs for funding than funding available and the El Nino storm damage sustained by the City last year added greatly to the list of funding needs. Fortunately we have had help from US Congresswoman Jackie Speier, Senator Jerry Hill, Assembly member Kevin Mullin, and Supervisor Don Horsley, all of whom championed our grant requests and led to our requests being viewed favorably (as initially reported to the Council on October 10, 2016). Their efforts have also been invaluable to our receiving technical assistance from the US Army Corps of Engineers as announced in January 2107.

In addition to meeting the matching funds requirements for the grants (none cover 100% of costs), staff recommends two community organization requests be approved and that grant funds be made available-\$83,000 for Pacifica Resource Center and \$3,000 for Pacifica Beach Coalition-as discussed in this report.

The following table summarizes the actions in this report:

Remaining Balance - January 2017	\$1,102,584
New Allocation of Excess ERAF - February 2017	<u>\$1,648,047</u>
Subtotal	\$2,750,631
Allocation for Pacifica Resource Center and Pacifica Beach Coalition	(\$86,000)
Allocation for 310-330 Esplanade Infrastructure Preservation	<u>(\$2,000,000)</u>
Balance March 2017	\$664,631

As described above, the City may be asked by the USACE for matching funds to conduct the feasibility studies associated with the three large scale repair/mitigation projects. Staff recommends that the balance of funds available shown here, \$664,631, be reserved for this purpose. The USACE’s timing means that the Council may need access to these funds at the beginning of the new fiscal year 2017-18.

**COUNCIL ACTION RECOMMENDED:**

Move to:

- (1) appropriate \$83,000 to the Pacifica Resource Center and \$3,000 to the Pacifica Beach Coalition as grants from Fund 30 Excess ERAF to support their activities effective now; and

- (2) allocate \$2 million from Fund 30 Excess ERAF as the City match for the CDAA grant for the 310-330 Esplanade Infrastructure Preservation project as indicated by Council in October 2016; and
- (3) acknowledge an outstanding likely need for matching funds for USACE feasibility studies in early Fiscal Year 2017-18.

**FISCAL IMPACT:**

The City has been notified to expect approximately \$1.65 million in Excess ERAF monies for 2016-17. With Council's action to grant the funding requests made by the Pacifica Beach Coalition and the Pacifica Resource Center in the total amount of \$86,000 and appropriate the remaining funds as described in this report, there will be a remaining balance of \$664,631. These funds may be needed in early fiscal year 2017-18 as matching funds for USACE feasibility studies.

**ORIGINATED BY:**

City Manager's Office

**ATTACHMENT LIST:**