



CITY COUNCIL AGENDA REPORT

MEETING DATE: FEBRUARY 17, 2009

ITEM NUMBER: _____

SUBJECT: LETTER OF SUPPORT FOR ECONOMIC STIMULUS

DATE: FEBRUARY 5, 2009

FROM: PUBLIC SERVICES DEPARTMENT

PRESENTATION BY: PETER NAGHAVI, DIRECTOR, DEPARTMENT OF PUBLIC SERVICES

**FOR FURTHER INFORMATION CONTACT: MELANIE EUSTICE, MANAGEMENT ANALYST
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RECOMMENDATION:

1. Authorize the submittal of a letter of support for the Economic Federal Stimulus Program including funding for a variety of infrastructure projects.
2. Consider taking a legislative position on the preferred method for administration of the program.

BACKGROUND:

On January 28, 2009, the US House of Representatives passed their version of the Economic "Stimulus Plan" (HR 1), the American Recovery and Reinvestment Bill of 2009, which would invest an estimated \$550 billion in targeted projects with the goal of creating jobs and assist in stimulating the economy. The US Senate released their version of the American Recovery and Reinvestment Act of 2009 (S 336) in the last week of January. At the time of the preparation of this report, the Bill has not yet been in print and, therefore, details and specific criteria are not known to staff. However, the Bill will have a large component focused on rebuilding key transportation and other infrastructure facilities.

In anticipation of this opportunity, the City has submitted two relatively identical lists to both the California Department of Transportation (Caltrans) and the Orange County Transportation Authority (OCTA) identifying transportation projects that could quickly move into construction with the award of federal funds.

ANALYSIS:

The City is well positioned to directly receive and administer economic stimulus funds in accordance with restrictions and guidelines that will be identified through legislation. More than 20 projects, totaling over \$38 million in construction cost, have been identified by staff that are currently under design to be shelf ready for construction. These projects have been submitted for consideration to both Caltrans and OCTA in an effort to ensure inclusion in potential future awards. However, it has not been determined how funds would

be distributed and/or administered. As a result, organizations at the Federal, State, regional, and local levels are engaging in the legislative process to lobby for control and allocation of funds.

While the final dollar amount and delivery method of any economic recovery package will ultimately be developed by the Congress, the City can work to have projects “ready to go” to compete for funding and could offer support to regional, State, and/or Federal bodies to ensure that transportation and infrastructure remain a priority in the economic stimulus effort.

OCTA, Caltrans, the California Association of Counties (CSAC), and the League of Cities are each legislatively pursuing various funding methods and are seeking support from Cities. Below is a brief description of the proposed funding methods:

Orange County Transportation Authority

On January 7, 2009, staff attended a legislative meeting held by OCTA and received the Draft Guiding Principles for the Implementation of an Economic Stimulus Package. Through the effort of their lobbyist, OCTA is participating in both Federal and State Ad Hoc discussions to secure legislation that would guarantee the distribution and administering authority of funds to regional bodies, such as OCTA.

On January 20, 2009, OCTA issued a request for letters of support (Attachment 1) for their legislative efforts in relation to pursuing economic stimulus funds and presented the Economic Recovery Actions and Guiding Principles for Implementation (Attachment 2) to the OCTA Board of Directors on January 26, 2009.

State of California /California Department of Transportation

The State is also lobbying to act as the lead agency in the administration of stimulus funds. One proposal is to allocate funds through the Surface Transportation Improvement Program (STIP), which would identify project eligibility and distribute funds on formulaic basis. There is concern from OCTA that the State would hold onto the funds and direct them to the State Highway Operations and Protection Program (SHOPP) rather than pass the funds through to the regional bodies.

League of Cities & California Association of Counties

Through a joint effort, the League of Cities and CSAC are legislatively advocating that the transportation stimulus funds should be divided into thirds and then distributed equally between the Cities, Counties, and the State.

In addition to a letter of support for the stimulus effort, the City could choose to submit a letter taking a position on a preferred funding distribution method. Due to significant budget shortfalls and the risk of the State imposing a complex and lengthy process in their mandates, Staff recommends that OCTA would be the preferred entity to administer this program.

ALTERNATIVES CONSIDERED:

The City Council could choose to not to take legislative action regarding the economic stimulus effort.

FISCAL REVIEW:

As of the date of this report, the American Recovery and Reinvestment Bill of 2009 would allocate \$30 billion to the highway program, which would bring \$2.8 billion to California. OCTA estimates that under this distribution, they could receive anywhere from \$59.6 million to \$105.9 million.

LEGAL REVIEW:

No legal review is required.

CONCLUSION:

The American Recovery and Reinvestment Bill of 2009 would invest an estimated \$550 billion in targeted projects with the goal of creating jobs and assist in stimulating the economy. While the effort began with the primary focus of public infrastructure and transportation, in the current bill, only 5% of funds are now allocated for infrastructure. There is an opportunity for the City of Costa Mesa to participate legislatively in the shaping of the economic stimulus package should the City Council decide to take a legislative position supporting new funding for transportation infrastructure and/or supporting the efforts of a regional or state body in ensuring the best method for the distribution of funds to help ensure a fair allocation to the City.

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 Finance Director
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ATTACHMENTS: 1 [Request for Letters of Support, OCTA](#)
 2 [Economic Recovery Actions and Guiding Principles for Implementation, OCTA](#)