

Vehicle Registration Fee Program Compliance Report

Reporting Fiscal Year 2016-17



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INTRODUCTION

In November 2010, Alameda County voters approved the Measure F Vehicle Registration Fee (VRF) to authorize the annual collection of a \$10 per vehicle registration fee. Vehicles subject to the VRF include all motorized vehicles (unless vehicles are expressly exempt). Six months after the Measure's approval, VRF fee collection began and in spring 2012, the first VRF distributions were allocated to eligible recipients.

The VRF Program allocates 60 percent of net fund receipts to local road improvements and repairs in Alameda County. The goal of this program is to support transportation investments to sustain the County's transportation network and reduce traffic congestion and vehicle-related pollution.

The VRF's Local Road and Repair Program is part of an overall strategy to finance transportation capital improvements intended to maintain and improve local streets and roads as well as a broad range of facilities in Alameda County (from local to arterial facilities).

The Alameda County Transportation Commission (Alameda CTC) maintains Master Programs Funding Agreements with fifteen jurisdictions eligible to receive VRF funds known as "Direct Local Distribution" (DLD) funds. Through the Master Program Funding Agreement (MPFA), Alameda CTC outlines specific requirements tied to eligible usage of VRF funds, and reporting requirements.

This Compliance Report provides a summary of fiscal year 2016-17 (FY 16-17) revenues and expenditures reported by VRF recipients. Recipients are required to submit annual audited financial statements and compliance reports that capture the recipients' use of DLD funds to Alameda CTC. The audited financial statements are completed by an independent auditor who reviews and provides an auditor's opinion on the recipient's compliance with standard accounting practices and financial reporting requirements of the master agreement.

The compliance reports include detailed reports on the recipient's use of funds and reporting deliverables such as the following:

- **Annual Revenues:** Documentation of annual DLD funds received from Alameda CTC.
- **Annual Expenditures:** Documentation of annual expenditures in sufficient detail to determine eligibility, performance, and use of funds
- **Newsletter:** Documentation of a published article that highlights the Measure B and Measure BB funded improvements.
- **Website:** Documentation of program information on the agency's website including a link to Alameda CTC's website.
- **Signage:** Documentation of the public identification of program improvements as a benefit of VRF funds.
- **Pavement Condition Index:** Documentation of the agency's Pavement Condition Index (PCI) to provide a frame of reference for the condition of their local streets and roads.
- **Timely Use of Funds Policy:** Documentation of agency's adherence to the DLD Timely Use of Funds policy.

VEHICLE REGISTRATION FEE PROGRAM REVENUES

Alameda CTC distributes VRF DLD funds on a monthly basis to local Alameda County jurisdictions and transit operators in support of their transportation programs. Distributions are based on formulas identified in the 2010 Measure F Transportation Expenditure Plan for the VRF Program.

This report summarizes the total Alameda CTC VRF distributions and recipient expenditures for fiscal year 2016-2017 (FY 16-17), from July 1, 2016 to June 30, 2017. All data within this report is based on jurisdiction submitted information included in FY 16-17 compliance reports and audited financial statements. The individual reports and audits are available for review online at:

http://www.alamedactc.org/app_pages/view/4135.

VRF Direct Local Distributions

From the start of the VRF Program distributions in spring 2012, program receipts and Alameda CTC's funding distributions have been consistent from year to year, with no significant growth or decline. Annually, Alameda CTC collects approximately \$12.0 million in VRF receipts. Approximately 60 percent of net VRF program funds are allocated to local jurisdictions as DLD funds to be used for locally prioritize transportation improvements that are directly benefit roadway related infrastructure.

In FY 16-17 Alameda CTC provided approximately \$7.5 million in VRF DLD funds to jurisdictions for their local streets and roads programs. In turn, the jurisdictions used the VRF funds in addition with other local revenue streams such as the Measure B and Measure BB transportation sales tax programs to implement projects and programs that support the growth and longevity of the transportation system.

FY 16-17 VRF Direct Local Distributions	
VRF DLD Program	Amount
Local Streets and Roads	\$7,452,819
Total	\$7,452,819



VRF EXPENDITURES

Vehicle Registration Fee Direct Local Distribution Program Expenditures

The VRF program is in its sixth full fiscal year of implementation. In FY 16-17, approximately \$7.2 million in VRF funds were spent on local road improvements and maintenance activities. This is equivalent to the prior fiscal year's expenditures reported by the DLD recipients. Total DLD expenditures may vary each year due to fluctuating maintenance needs and implementation schedules. VRF funded improvements include pavement rehabilitation programs, street overlays, traffic signals improvements, and curb ramp enhancements. These improvements maintain the transportation system in Alameda County to make travel safer for motorists, bicyclists, and pedestrians. VRF funds continue to be an instrumental source of revenues to maintain a state of good repair of Alameda County's roadways.

See the following chart for more information on VRF DLD fund balances, revenue, and expenditures in FY 16-17.

FY 16-17 VRF Revenues, Expenditures, and Fund Balances

Agency/ Jurisdiction:	16-17 Starting VRF Balance	16-17 VRF Revenue	16-17 VRF Interest	16-17 VRF Expended	16-17 Ending VRF Balance
ACPWA	\$795,013	\$731,191	\$4,149	\$899,528	\$630,825
City of Alameda	\$620,460	\$336,579	\$486	\$500,000	\$457,525
City of Albany	\$127,231	\$80,212	\$0	\$158,690	\$48,753
City of Berkeley	\$825,140	\$509,112	\$3,918	\$300,895	\$1,037,275
City of Dublin	\$215,224	\$276,584	\$2,338	\$286,630	\$207,516
City of Emeryville	\$131,081	\$49,763	\$1,160	\$2,600	\$179,404
City of Fremont	\$949,487	\$1,080,334	\$12,706	\$1,518,047	\$524,480
City of Hayward	\$1,046,299	\$776,620	\$10,563	\$812,647	\$1,020,835
City of Livermore	\$750,278	\$425,074	\$2,673	\$23,391	\$1,154,634
City of Newark	\$256,004	\$210,735	\$1,283	\$264,995	\$203,027
City of Oakland	\$2,389,868	\$1,795,282	\$5,575	\$2,928,444	\$1,262,281
City of Piedmont	\$3,185	\$47,632	\$12	\$45,897	\$4,931
City of Pleasanton	\$395,672	\$361,625	\$3,640	\$0	\$760,937
City of San Leandro	\$636,938	\$428,403	\$2,343	\$495,834	\$571,850
City of Union City	\$424,964	\$343,673	\$5,760	\$140,409	\$633,988
Total	\$9,566,844	\$7,452,819	\$56,605	\$8,378,007	\$8,698,261

Notes:

1. The table above reflects total VRF financials reported on the Audited Financial Statements and Compliance Reports.
2. Revenue and expenditure figures may vary due to number rounding.
3. The City of Albany's figures reflect the most current available data from the city.



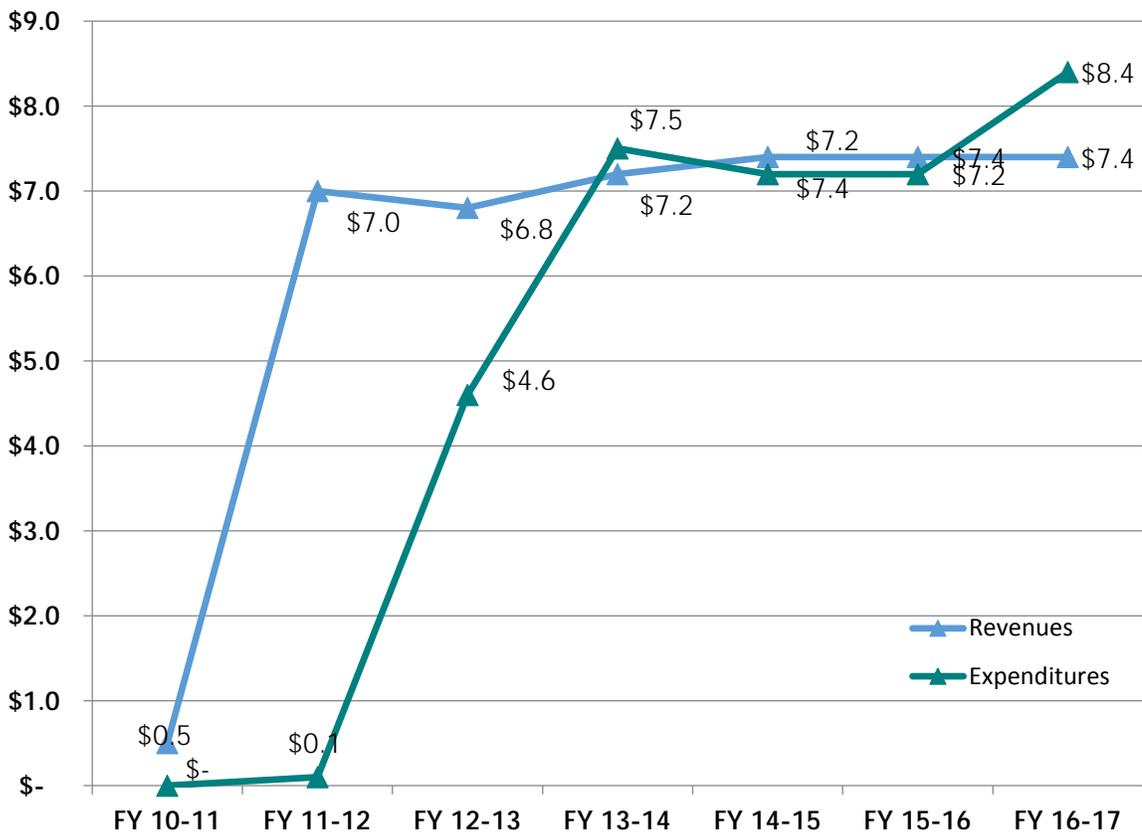
VEHICLE REGISTRATION FEE REVENUE AND EXPENDITURE TRENDS

Vehicle Registration Fee DLD Revenue and Expenditure Trends

Alameda CTC has distributed approximately \$43.7 million in DLD funds to eligible cities and Alameda County since the start of the VRF program in 2011. Each year, Alameda CTC receives approximately \$12.0 million in receipts, of which approximately \$7.0 million (60 percent) is allocated directly to the cities and Alameda County. The VRF program currently contains six fiscal years of funding distributions and jurisdictions are expending on average \$7.6 million in the last three fiscal years on roadway improvements.

Annual expenditures are supporting Alameda County's roadway network to ensure street conditions are maintained and safe for public use. Program expenditures continue to be invested in slurry seal, pavement rehabilitation, and pothole repair programs.

VRF DLD Revenue and Expenditure Trends
FY 10-11 through FY 16-17 (Dollars in Millions)

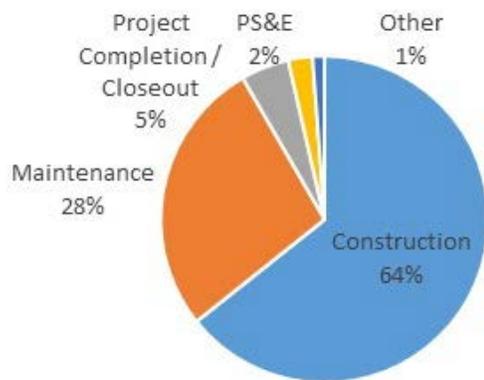


DETAIL OF EXPENDITURES

Per the VRF Local Streets and Roads Implementation Guidelines, the VRF Local Road Improvement and Repair Program funds are eligible for capital improvements for surface streets and arterial roads, including maintenance and upkeep efforts of local streets. VRF funding may be also used for improving, maintaining, and rehabilitating local roadways and traffic signals. Projects and activities designed to incorporate a Complete Streets practice that makes local roads safe for all modes, including bicyclists, pedestrians, and accommodation for transit are also eligible VRF expenses.

In FY 16-17, the jurisdictions reported \$8.4 million in VRF expenditures that supported local roadway and complete streets improvements. Of those total expenditures, \$8.1 million directly funded street and roads projects and the remaining \$0.3 million funded improvements such as bicycle and pedestrian and transit improvements related to streets and roads.

Detail of Expenditures by Project Phase



Project Phase	Dollars in Millions	Percentage
1 Construction	\$ 5.4	65%
2 Maintenance	\$ 2.3	27%
3 Project Closeout	\$ 0.4	5%
4 PS&E	\$ 0.2	2%
5 Other	\$ 0.1	1%
Total Expenditures	\$ 8.4	100%

VRF funds support local transportation improvements through various project phases. This includes initial planning/project scoping, environmental review, construction, maintenance and operational activities, and project close-out. The jurisdictions perform ongoing road maintenance and safety enhancements to provide residents with improved roadway conditions.

In FY 16-17, \$5.4 million in VRF funds supported construction projects throughout Alameda County. These improvements included road

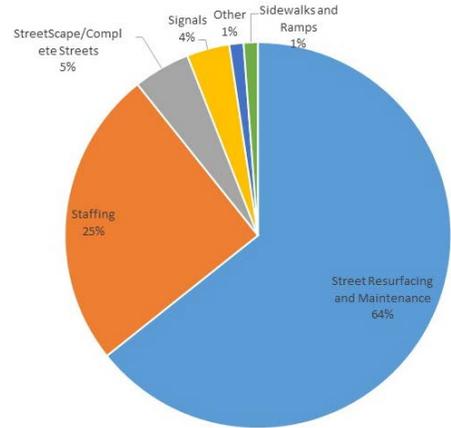
rehabilitation projects, slurry seals, and other maintenance activities to maintain and improve local roadways. An additional \$2.3 million was expended on street maintenance and repair activities. Recipients reported closing out prior fiscal year pavement projects in the amount of

\$0.4 million. The remaining \$0.3 million in VRF expenditures supported project development work for the next fiscal year's improvements. These expenditures help improve Alameda County's transportation infrastructure by improving, maintaining, and rehabilitating local roads.

Detail of Expenditures by Project Type

By project type, VRF funds were expended on improvements that not only directly benefit the roadway infrastructure, but also on subsidiary elements such as safety improvements for bicyclists and pedestrians as part of an overall complete streets program to make transportation safe and accessible to all modes.

In FY 16-17, by project type jurisdictions expended the majority of the \$8.4 million in expenditures on street resurfacing and maintenance (\$5.4 million). The remaining \$3.9 million in expenditures include bicycle safety enhancements, new sidewalks, upgraded curb ramps, and pedestrian crossing improvements.



Expenditures by Project Type
(Dollars in Millions)

1	Street Resurfacing	\$ 5.4	64%
2	Staffing	\$ 2.1	25%
3	Complete Streets	\$ 0.4	5%
4	Signals	\$ 0.3	4%
4	Sidewalks & Ramps	\$ 0.1	1%
5	Other	\$ 0.1	1%
Total Expenditures		\$ 8.4	100%

PERFORMANCE MONITORING

As required by the program, DLD recipients shall document expenditure activities and report on the performance of VRF funded activities through the Annual Program Compliance Reporting process, or through other Alameda CTC performance and reporting processes as they may be requested, including but not limited to the annual performance report, annual program plan, planning monitoring reports.

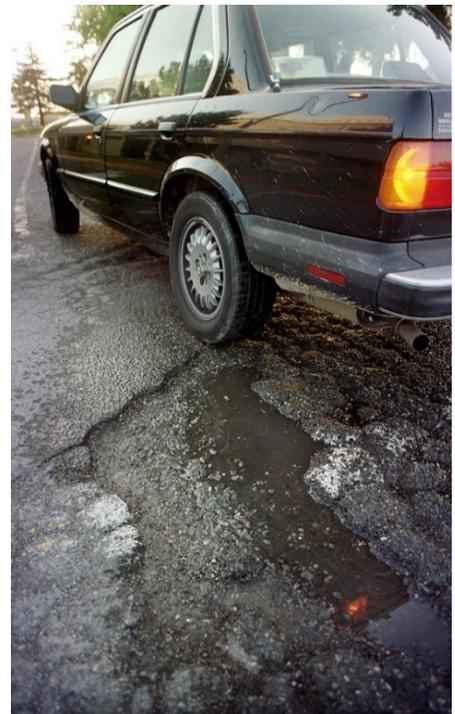
The VRF performance measures reviewed through the Annual Program Compliance Reporting process is identified in the table below.

VRF Performance Measures	
Performance Measure	Performance Metric and Standard
Capital Project and Program Investment Amount expended on capital projects and programs by phase (design, row, con and capital support) and by key corridors	Investment into capital projects and programs is greater than funding program administration (outreach, staffing, administrative support)
Pavement State of Repair	Maintain a city-wide average Pavement Condition Index of 60 (Fair Condition) or above.

Capital vs Administrative Investments

Alameda CTC monitors the level of investment into capital project related activities vs administrative staffing for program implementation. Tangible long term improvements i.e. capital projects are the desired expenditures amongst the DLD program. Thus, a majority of annual expenditures are expected to go towards capital investments.

In FY 16-17, jurisdictions implemented approximately \$8.4 million in local road improvements and repairs to make Alameda County's transportation system safer, accessible, and maintained. Of these expenditures, 99% were directly related to capital investments while the remaining 1% were put towards administrative investments that supported the delivery of the local VRF programs.



Pavement Condition Index

As a key performance measures for local streets and roadways, Alameda CTC requires jurisdictions to report on the state of good repair for their roadways. This is measured through a city-wide average of pavement condition analysis called the Pavement condition index (PCI). PCI index ranges from 0 to 100, with 0 representing a failed road and 100 representing a brand-new facility. Pavement conditions are measured on the scaled noted in the table below.

Pavement Condition Index Scale	
Scale	Description
Very Good-Excellent (PCI = 80-100)	Newly constructed for resurfaced pavement with few signs of distress.
Good (PCI = 70-79)	Pavement requiring mostly preventive maintenance and showing only low levels of distress.
Fair (PCI = 60-69)	Pavement at the low end of this range is significantly distressed and may require a combination of rehabilitation and preventive maintenance.
At Risk (PCI = 50-59)	Deteriorated pavement requiring immediate attention, including rehabilitative work.
Poor (PCI = 25-49)	Pavement showing extensive distress and requiring major rehabilitation or reconstruction.
Failed (PCI = 0-24)	Extremely rough pavement

Alameda CTC’s performance metric for DLD LSR recipients requires a minimum PCI of 60 (Fair Condition) for local roadways. Most DLD recipients are maintaining this fair condition threshold, or have indicated a commitment and action plan to rehabilitate their most deteriorated roadways in their jurisdiction to bring their PCI to standard. Many factors affect a city’s or county’s PCI score. These include pavement age, climate and precipitation, traffic loads and available maintenance funding.

Countywide PCI Conditions	
Agency/ Jurisdiction:	FY 16/17
ACPWA	71
City of Alameda	71
City of Albany	59
City of Berkeley	59
City of Dublin	85
City of Emeryville	79
City of Fremont	71
City of Hayward	70
City of Livermore	76
City of Newark	76
City of Oakland	56
City of Piedmont	64
City of Pleasanton	78
City of San Leandro	56
City of Union City	82

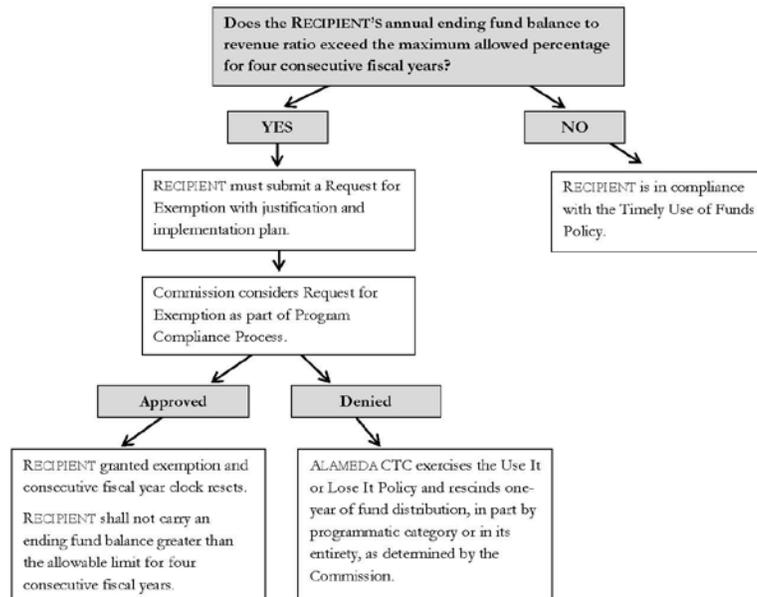
TIMELY USE OF FUNDS POLICY

In 2016, Alameda CTC adopted an updated Timely Use of Funds Policy on DLD funds to encourage the expeditious use of funds across all DLD recipients.

POLICY INTENT: The intent of the Timely Use of Funds Policy is to encourage Vehicle Registration Fee recipients to expend voter-approved transportation dollars expeditiously on transportation improvements and operations that the public can use and benefit from immediately.

POLICY: DLD recipient shall not carry a fiscal year ending fund balance greater than 40 percent of the Direct Local Distribution revenue received for that same fiscal year for four consecutive fiscal years, by funding program. Non-compliance with this policy may invoke rescission penalties per the Use it or Lose It Policy.

DLD recipient may seek an exemption from the Timely Use of Funds Policy through the Annual Program Compliance reporting process. DLD recipients must demonstrate that extraordinary circumstances have occurred and provide a timely expenditure plan that would justify the exemption.



Exemption requests must be submitted to Alameda CTC and approved by the Commission.

IMPLEMENTATION AND MONITORING OF THE TIMELY USE OF FUNDS POLICY

The Timely Use of Funds policy applies to fiscal year 2016-17 DLD funds. As such, this year’s analysis serves as the first year of implementation of the Timely Use of Funds Policy. Recipients have until fiscal year 2019-20 to reduce their fund balances to under the 40 percent allowable level. Through the Annual Program Compliance reporting process, Alameda CTC will monitor the DLD recipient’s annual ending fund balance to revenue received ratio, cumulatively across the DLD recipient programmatic categories by fund program, to verify policy compliance.

The fund balances across the VRF DLD program has decreased from the prior year from \$9.6 million to \$8.7 million. This is a positive step to declining fund balances within the program, and demonstrates the recipients’ commitment to implementing transportation improvements in their localities. However, despite the decrease in balance, there still remains \$8.7 million in fund balances, and several jurisdictions are currently exceeding the allowable 40 percent threshold allowed by the Alameda CTC’s Timely Use of Funds Policy. The following summary table notes the current balance to revenue ratio for each recipient.

DLD Recipient’s Ratio of Ending Fund Balance to Annual Revenue	
Jurisdiction	Ratio
Alameda County	86%
City of Alameda	136%
City of Albany	61%
City of Berkeley	204%
City of Dublin	75%
City of Emeryville	361%
City of Fremont	49%
City of Hayward	131%
City of Livermore	272%
City of Newark	96%
City of Oakland	70%
City of Piedmont	10%
City of Pleasanton	210%
City of San Leandro	133%
City of Union City	184%

The ending balances are reportedly noted as being a byproduct of the following:

1. Project delivery / project implementation delays: Jurisdictions cited limited staff resources or staffing changes, local changes in the program deliver strategy of projects i.e. changing local priorities, and prioritizing the delivery of major capital projects instead of annual maintenance and operational programs as reasons for unspent or accumulating fund balances.
2. Limited large expenditures in the current year due to focus on pre-construction work: Jurisdictions noted within their capital programs, the annual focus for fiscal year 2016-17 was primarily on design work, which require professional services or staff time that is not as costly compared to construction contracts. Jurisdictions intent to implement construction projects over the following fiscal year to draw down the balances.
3. Timing of expenditures occurring with construction season i.e. expenditures already incurred but captured in subsequent year's financials. In some cases, the ending fund balance reflects funds that are not yet expended, but are encumbered into construction contracts that are schedule to be expended/implemented, or contracts that have work already performed, but not yet charged to the individual VRF accounts in the current fiscal year. Once these contracts go into implementation, the fund balances are expected to decrease.

As jurisdictions are addressing the ending fund balances over the course of the next three fiscal years, Alameda CTC will monitor the drawdown of the fund balances and seek additional information from recipients that appear to have potential issues with increasing transportation expenditures and drawing down their fund balances.

As a one year snapshot for fiscal year 2016-17, most jurisdictions hold an ending fund balance that exceeds the 40 percent allowable threshold. The target annual ending balance and the amount each recipient is over is included in the following table.

Timely Use of Funds Monitoring Ratio of the Ending Balance to Annual Revenue Received					
Vehicle Registration Fee			Policy Compliance Targets		
Jurisdiction:	16-17 VRF Revenue	16-17 Ending VRF Balance	Ratio Balance to Revenue	Target 40% Balance	Actual Balance Overage
ACPWA	\$ 731,191	\$ 630,825	86%	\$ 292,476	\$ 338,349
Alameda	\$ 336,579	\$ 457,525	136%	\$ 134,632	\$ 322,893
Albany	\$ 80,212	\$ 48,753	61%	\$ 32,085	\$ 16,668
Berkeley	\$ 509,112	\$ 1,037,275	204%	\$ 203,645	\$ 833,630
Dublin	\$ 276,584	\$ 207,516	75%	\$ 110,634	\$ 96,882
Emeryville	\$ 49,763	\$ 179,404	361%	\$ 19,905	\$ 159,499
Fremont	\$ 1,080,334	\$ 524,480	49%	\$ 432,134	\$ 92,346
Hayward	\$ 776,620	\$ 1,020,835	131%	\$ 310,648	\$ 710,187
Livermore	\$ 425,074	\$ 1,154,634	272%	\$ 170,030	\$ 984,604
Newark	\$ 210,735	\$ 203,027	96%	\$ 84,294	\$ 118,733
Oakland	\$ 1,795,282	\$ 1,262,281	70%	\$ 718,113	\$ 544,168
Piedmont	\$ 47,632	\$ 4,931	10%	\$ 19,053	
Pleasanton	\$ 361,625	\$ 760,937	210%	\$ 144,650	\$ 616,287
San Leandro	\$ 428,403	\$ 571,850	133%	\$ 171,361	\$ 400,489
Union City	\$ 343,673	\$ 633,988	184%	\$ 137,469	\$ 496,519
Total	\$ 7,452,819	\$ 8,698,261			

COMPLIANCE DETERMINATION FOR FISCAL YEAR 2016-17

For the FY 16-17 reporting year, VRF recipients submitted compliance reports and audited financial statements that complied with the Measure F (VRF) Expenditure Plan and agreement requirements. From these reports and follow-up correspondences with the individual recipients, Alameda CTC has determined that the VRF DLD recipients are in compliance with the reporting, expenditure requirements, and Timely Use of Funds policy for expenses incurred in FY 16-17. Note the City of Albany's reports are still under review at the time of this report, and from initial review, Alameda CTC has determined the agency to be in preliminary compliance.





FUTURE REPORTING AND COMPLIANCE MONITORING

Alameda CTC will continue to monitor the recipients' compliance with the Measure F (VRF) Expenditure Plan and funding agreement requirements through future compliance reporting processes.

The focus of future reports will include:

- Monitoring the drawdown of existing fund balance
- Performance monitoring of the use of funds
- Monitoring consistency with Expenditure Plan requirements
- Verifying compliance with the timely use of fund requirements
- Verifying recipient's completion of general reporting obligations

VEHICLE REGISTRATION FEE LOCAL ROAD IMPROVEMENT AND REPAIR PROGRAM FISCAL YEAR 2016-17 PROGRAM PERFORMANCE HIGHLIGHTS

- **Alameda County:** Rehabilitated over twenty-six miles of pavement to extend pavement life and reliability.
- **City of Alameda:** Resurfaced fourteen lane miles of pavement across the city's local streets and roads including upgrading ADA ramps, replacing striping, crack sealing, and pothole repair.
- **City of Albany:** Slurry Seal, cape seal, surface rehabilitation of selected road segments (approximately one mile) as part of the Albany Pavement Program
- **City of Berkeley:** Restriping/reconfiguration of Hearst Ave. to improve access and safety for bicyclists, pedestrians, and transit riders. Includes repaving, new signal at Hearst/LeRoy, new sidewalk to close gap between LeConte and Euclid, and buffered and parking-protected bike lanes.
- **City of Dublin:** Updated and maintained over 100 traffic signals to improve traffic circulation and management.
- **City of Emeryville:** Completed work in administering the VRF program
- **City of Fremont:** Completed pavement rehabilitation projects amounting to six million square feet of repairs throughout the city.
- **City of Hayward:** Completed about 2.2 mile of structural repair of streets in including repair of deteriorating pavement.
- **City of Livermore:** Repair existing deficiencies in storm drains and culverts under City roadways
- **City of Newark:** Performed overlay of various streets with asphalt concrete on over 350,000 square feet.
- **City of Oakland:** Resurfacing/State of Good Repair of 3.2 lane miles of roadways through the city.
- **City of Piedmont:** Citywide improvements included 70 LF curb, gutter, sidewalk and pavement markings, bike lanes, signs and crosswalks, project completion & closeout.

- **City of Pleasanton:** No expenditures reported in fiscal year 2016-17 due to large capital expenditures in the next fiscal year.
- **City of San Leandro:** Performed street sealing, repair and resurfacing on over twelve lane miles of city streets.
- **City of Union City:** As part of the H Street improvements installed rain gardens, pavers, bulb outs.

For complete Performance Reporting, refer to Alameda CTC website at:
http://www.alamedactc.org/app_pages/view/9863.



Alameda County Transportation Commission

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