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\$7 Million Plan for Moraga's Roads

By Sophie Braccini

The Moraga Town Council plans to launch a significant pavement rehabilitation program for neighborhood streets. To that end, the council decided Jan. 23 to leverage about 50 percent of the revenue stream from the town's new 1 percent sales tax in order to raise \$7 million for the project.

This option was chosen over using the money as it trickles in, a pay-as-you-go alternative that would not have incurred any financial charges for the town but would have only been enough to maintain the roads at current levels without any visible improvements.

From the get-go staff said that the sales tax would be a way to start addressing the road problem, but that more money would be needed in the future. "We said that the sales tax would stop the bleeding, but not solve the problem," said Town Manager Jill Keimach. "By leveraging some of the money, we will show the community that we can improve the roads dramatically. Once we've proven to residents that we can make a difference, in five to six years, we'll look at other revenue measures or other financing opportunities."

Last fall the maintenance backlog was estimated at \$24 million and Moraga's roads were rated at the bottom of the scale.

There was some initial skepticism on the council about the leveraging mechanism. Vice Mayor Ken Chew asked about the cost of borrowing, and he was given a figure of roughly \$3 million, including an upfront envelope of \$200,000. Chew first indicated that, being financially conservative, he would favor a pay-as-you-go plan, especially since an initial large influx of money did not seem to have a positive impact on the long term.

Council Members Phil Arth and Mike Metcalf disagreed, stating that inflation was bound to come back and that the dollars to pay the debt would be much less valuable than dollars today. Additionally, Metcalf said that it was not a good idea to disappoint the public by just maintaining the roads at the level they are now. "Pay-as-you-go would not show any improvement over what we have now," he said. "Residents would be disappointed. We need to make some improvement so that people will say, 'that's pretty damn good.'"

Metcalf also said that he believes the City of Orinda, which also passed a sales tax measure in November, was leaning toward a pay-as-you-go plan. Orinda City Council Member Victoria Smith said recently that the city is still in the planning phase, and that the council is likely to take a fairly conservative approach.

Eileen Gallagher, of municipal finance underwriter Stone & Youngberg, explained that California law does not allow municipalities to pledge general funds for borrowing- instead, the town will use a lease structure.

Gallagher indicated that diverse factors will impact the rate the town receives. Under current conditions Moraga could get a rate of approximately 3.04 percent for a \$7 million loan over 20 years. This would cost \$500,000 per year, which is roughly half of what the tax is estimated to produce.

The sales tax will take effect in April and revenues should reach Moraga in July, so Gallagher estimated that the financing could be done over the summer.

Metcalf asked Public Works Director Edric Kwan what effects residents would see on the roads within three years. "Currently 30 percent of our roads are in good condition, 20 percent are fair, 40 percent are poor and 10 percent are very poor," answered Kwan. "After the 3-year plan we anticipate that 48 percent of the roads will be good, the number of fair roads will stay stable, the number of poor roads will decrease to 13 percent, and the very poor ones will increase to 21 percent." Council members were surprised to hear the latter figure, and Kwan explained that it makes more sense to maintain the better roads because failed ones cost so much more to reconstruct. He added that some of the very poor roads would still be addressed.

Finally, Metcalf and Wykle challenged the assumption that if roads are improved in the short term, they will degrade below current conditions within 20 years if no new funding source is found. "There are ways to maintain roads that are in good condition very inexpensively," said Metcalf. "Our philosophy was to stop the bleeding, make improvements and sustain it as long as we can."

Orinda reporter Laurie Snyder contributed to this article.

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