



TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
MEETING DATE: AUGUST 18, 2025
FROM: MAEVE KLEMENT
SUBJECT: ANALYSIS OF HIGHWAY 49 RELINQUISHMENT FUNDS

RECOMMENDATION:

The funds received by the City of Sutter Creek from Caltrans when the bypass was put in has come up repeatedly during discussions of street projects with ACTC. Staff went back and looked at audits and records to produce a summary of the use of those funds. This is an information report with no recommended action.

BACKGROUND:

The City of Sutter Creek entered into the Highway 49 Bypass Relinquishment Agreement with the California Department of Transportation (CalTrans) on March 17, 2003. This agreement relinquished a portion of the State's Highway 49 to the City (Old Highway 49), and the City accepted Old Highway 49 in its existing condition and assumed responsibility for replacing the Sutter Creek bridge. The State paid \$3,049,000 to the City in 2007, with **\$1,948,000** paid for based on the estimated cost of the Main Street Bridge project at that time and **\$1,101,000** for repairs to Old Highway 49 / Main Street.

DISCUSSION:

Originally, the City recorded the amount received from CalTrans as restricted in a special revenue fund for the Main Street Bridge and deferred repairs to Old Highway 49.

For the Main Street Bridge project, the City received an additional \$1,800,000 in Federal grant money from CalTrans, accounting for 89% of qualified expenditures as acknowledged by the agreement. During fiscal year 2009/10, the City transferred \$354,559 from the Relinquishment Fund to the Main Street Bridge Fund to cover expenses that weren't covered by the grant.

Additionally, the City transferred \$200,000 from the Bypass Relinquishment Fund for the Broad Street Drain project, which contributed to the \$1,101,000 cost of agreed upon repairs to Old Highway 49.

Due to the financial challenges posed to the City during the economic downturn, on March 15, 2010, Council passed a resolution to loan funds from the Bypass Relinquishment Fund to other funds that had negative cash balances. These loans were extended to several City and Agency funds.

On January 20, 2015, the City passed Resolution 09-10-20 rescinding the original resolution restricting the funds of the Bypass Relinquishment Fund. City Council didn't obtain direct legal confirmation from CalTrans but consulted with legal counsel to determine that these funds were not restricted. Effective June 30, 2013, the following interfund loans were reflected instead as transfers, rather than loans, from the Relinquishment Fund:

Fund 17 Monte Verde Store	\$16,602.56
Fund 23 General Replacement Fund	\$28,304.00
Fund 57 HOME Grant Fund	\$10,901.58
Fund 58 Pool Refurbishment Project	\$18,665.06
Fund 59 Community Center Project	\$104,799.35
TOTAL	\$179,272.55

After Resolution 09-10-20 was passed, the City used additional Bypass Relinquishment funds in the following amounts:

Fund 01 the General Fund	\$351,761.00
Capital Projects Fund	\$76,958.00
Fund 44 Central Eureka Mine	\$54,457.00
Noble Ranch Golf Fund	\$51,022.00
Caltrans Street and Road Fund	\$38,481.00
Badger Street Bridge Grant Fund	\$38,976.00
Police Grants Fund	\$22,700.00
RDA Formation Fund	\$13,393.00
TOTAL	\$647,775.00

After 2013, the Highway 49 Bypass Relinquishment Fund was renamed the Reserve Fund (Fund 39) and was reported as committed for projects and purposes approved by Council. Transfers from the Reserve Fund to the General Fund reduced the General Fund deficit from \$1,322,739 to \$56,783.

In the 2014/15 fiscal year, the Reserve Fund closed when the City transferred the remaining \$701,771 balance to the General Fund.

BUDGET IMPACT:

The City received \$1,948,000 for the Main Street Bridge project. That project was completed with some of these funds and an additional grant. Any unused funds were assignable to the general fund. Those funds were assigned to a variety of other projects as outlined above.

The City also received \$1,101,000 for repairs to Old Highway 49 / Main Street. As a consequence of the economic downturn, most of the funds paid to the City in 2007 were not spent for that purpose. About \$630,000 was spent on street and storm drain projects. The remaining funds were used instead to reduce budget deficits in other City Funds. This was determined to be an allowable use and approved by the City Council in 2014.

ATTACHMENT:

- Two Letters from Cota Cole LLP discussing legal restrictions of the Highway 49 Bypass Relinquishment Fund
- Staff Report and Resolution 14-15-* Rescinding Resolution 09-10-20 and Restating the Use of Funds Originally Deposited to the Highway Relinquishment Fund