

South Bay Cities Council of Governments

October 24, 2019

To: SBCCOG Board of Directors

From: Jacki Bacharach, Executive Director
Steve Lantz, Transportation Director

Subject: Sub-Regional Sales Tax Sources for Transit Capital Funding

Adherence to Strategic Plan:

Goal A: Environment, Transportation, and Economic Development. Facilitate, implement, and/or educate members and others about environmental, transportation, and economic development programs that benefit the South Bay. Strategy 5 – Actively pursue opportunities for infrastructure funding for member agencies.

BACKGROUND

In 2008 the voters of L. A. County approved Measure R, a one-half cent sales tax increase throughout L. A. County with revenues collected through 2039. Measure M, approved in November 2016, increased the countywide sales tax by an additional half-percent. The Measure M sales taxes will increase to one cent in 2039 upon the termination of Measure R and will be collected indefinitely at one percent unless the measure is repealed by L. A. County voters.

The two sales tax measures include five South Bay sub-regional revenue streams:

- The Measure R South Bay Ramp and Interchange Improvements: I-405, I-110, I-105, SR-91 Program (known as the South Bay Highway Program or SBHP) - \$906 million by 2039;
- The Measure M Highway Operational Improvements Multi-Year Sub-Regional Program (HOIP) - \$500 million in M + \$600 million in “Other” sources by 2057;
- The Measure M Transportation System and Mobility Improvement Program I (TSMIP I) - \$293.5 million by 2032;
- The Measure M Transportation System and Mobility Improvement Program II (TSMIP II) - \$350 million by 2057; and
- The South Bay Sub-Regional Equity Program (SREP) - \$130 million from M and “Other” sources by a date to be determined.

Funding in the Measure R and Measure M Ordinances is assigned to specific line items on an Appendix A Expenditure Plan. The Expenditure Plans assign funding specific to each line item from two sub-funds, one for highway capital projects and programs and the other for transit capital projects and programs. The SBHP, HOIP and the two TSMIPs are assigned highway funds only. The SREP is assigned highway and transit funds.

MEASURE R DECENNIAL SUB-FUND TRANSFER OVERVIEW

Because of the highway sub-fund limitations, South Bay transit capital projects have not been deemed eligible to date. However, beginning in 2019, the Measure R Decennial Highway/Transit Sub-Fund Transfer provision provides an opportunity to fund high-priority transit projects in addition to high priority highway projects in the South Bay.

In developing the Measure R and Measure M Ordinances, the Metro Board recognized the potential likelihood that highway and transit priorities within individual sub-regions could change over the course of the legislative lifespans of the ordinances, especially during the outlying decades of each ordinance. The Board incorporated specific policies and processes in the Measure R and M ordinances that allow a once-a-decade transfer of funds between the Highway and Transit Sub-funds of each Measure. A 2/3 affirmative vote of the Metro Board is required to transfer the funds between the Highway and Transit sub-funds. A provision in Section 11 of the Measure R Ordinance reads as follows:

“...Not more than once in any ten (10) year period commencing after the year 2019, Metro may adopt an amendment transferring Net Revenues between the Transit Capital Sub-fund and the Highway Capital Sub-fund.”¹
(See footnote¹ for details of the Measure R amendment process.)

The first Measure R transfer can be authorized starting in 2020. A similar sub-fund transfer provision in Measure M would allow transfer of Measure M Sub-Regional funds between the Highway and Transit Sub-fund accounts after 2027.

SUBREGIONAL EQUITY FUNDS

Metro also could fund some South Bay transit capital projects by accelerating a portion or all of the \$130 million in Measure M South Bay SREP funds. The SREP is the only funding category assigned both highway and transit sub-funds.

Metro programmed the SREP funds in its Long Range Transportation Plan to be available post-2039 when Measure R expires and Measure M rises to one cent. However, the Metro Board subsequently accelerated availability of SREP funds in the West San Fernando Valley and San Gabriel Valley for first-decade transit projects. Based on that precedent, South Bay SREP funding could be accelerated by the Metro Board for either highway or transit projects.

CALL FOR PROJECTS

In order to determine our future identified needs for funds for both highway and transit projects in the South Bay, a call for projects has begun. Projects are due October 31. When we have all submittals which will include multi-year funding requirements, the SBCCOG staff will bring back to the Transportation Committee and Board of Directors a recommendation as to whether there should be any transfer and if so, how much. Also, there have already been some timely

¹ Section 11 (A) Metro may amend this Ordinance, including Attachment A, with the exception of Section 11, for any purpose, including as necessary to account for the results of any environmental review required under the California Environmental Quality Act of the individual specific projects listed in Attachment A. Any such amendments shall be approved by a vote of not less than two-thirds (2/3) of the Metro Board of Directors. Metro shall hold a public meeting on proposed amendments prior to adoption. Metro shall provide notice to the Los Angeles County Board of Supervisors, the city council of each city in Los Angeles County, and the public of the public meeting and proposed amendments and provide them with a copy of the proposed amendments, at least 30 days prior to the public meeting. Amendments shall become effective forty-five days after adoption.

projects identified that could benefit from the accelerated availability of the Sub-Regional Equity funds. That will be part of the recommendation as well.

It should be remembered that this is a zero sum exercise. Transferring Measure R SBHP funds from the highway sub-fund to the transit sub-fund would reduce available SBHP highway funding by the amount of the transfer. However, the passage of Measure M significantly increased and extended the availability of sub-regional highway funding available in the South Bay.

The Measure R decennial transfer provisions provide an option for the SBCCOG Board to determine whether the member agencies want to seek approval by the Metro Board to transfer a yet-to-be determined amount in Measure R South Bay Highway Operational Improvement Funds to enable funding of high-priority transit capital projects.

SBCCOG should request Metro to establish a policy that creates a transfer account that retains funds for each transit capital project that allows completion of the project and any unforeseen circumstances. . The Metro policy should allow the transferred SBHP funds to be transferrable between projects to accommodate unforeseen project scope or budget changes. Once the transit projects are complete, unused transferred SBHP funds should revert to the Highway Sub-Fund.

FUND-TRANSFER PROJECT APPLICATION DEVELOPMENT

Because local jurisdictions, Caltrans and Metro are developing candidate projects to be initiated using Measure R and M sub-regional funding as soon as July 2020, it is important for the SBCCOG to determine whether it wants to initiate the transfer process immediately after the October 25, 2019 project application deadline for the 2020 Metro Budget Request process. To understand the potential magnitude of the transfer and its potential reduction in sub-regional highway project funding, SBCCOG staff is encouraging potential project lead agencies to submit both highway capital projects that qualify under current SBHP, HEOI, and TSMIP eligibility policies and transit capital project applications that would qualify for SREP funding and for SBHP funds should the transfer be approved.

The following steps would be needed for the SBCCOG and Metro to approve the transfer:

1. During September and October 2019, SBCCOG staff will collaborate with South Bay local jurisdictions, Caltrans and Metro to develop a list of candidate transit capital projects that could be considered for approval by the SBCCOG Board within the current SBCCOG's Metro Budget Request "Call for Projects" process.

In November 2019, the SBCCOG Board should decide whether it wishes to request Metro to accelerate the Measure M SREP funds and/or to transfer the SBHP funds from the highway sub-fund to the transit sub-fund.

2. Metro should determine which Metro Staff is responsible for administering the SBHP Sub-Fund Transfer Program. SBCCOG and the designated Metro administrator should determine if there is concurrence on the eligibility of candidate transit projects and specify any transit projects for which there is disagreement between the SBCCOG and

Metro staff to the SBCCOG Board prior to the SBCCOG Board recommending the projects for Metro Board approval.

3. If the SBCCOG Board and Metro approve a not-to-exceed amount of the acceleration and/or transfer funding to be used for South Bay transit projects, the Metro Board must approve the fund transfer by a 2/3 majority vote. (Projects in the SBCCOG's annual Metro Budget Request will be approved in a separate action by a simple majority vote.)
4. Once it is known if the acceleration and transfer funds are available, SBCCOG staff will work with Metro, Caltrans and the local jurisdictions to develop a prioritized list of South Bay highway and transit projects that includes ongoing projects and new projects recommended for development and implementation over the next decade.
5. For Metro to approve the SBCCOG's annual Metro Budget Request in April 2020, the SBCCOG must approve and submit the FY 2020 Metro Budget Request at its February 2020 meeting.
6. In April 2020 the Metro Board would be asked to approve the SBCCOG Metro Budget Request including the Measure R Transfer-funded transit capital projects approved by SBCCOG in February.

RECOMMENDATION

The Transportation Committee should review, discuss, and provide direction on the above processes and policies to the SBCCOG Board.