South Bay Cities Council of Governments

August 8, 2016

To: SBCCOG Board of Directors and City Managers

From: SBCCOG Steering Committee

Re: SBCCOG Concerns re: Metro's Proposed November Sales Tax Ballot Measure

Metro's response to Senator Mendoza reflects some of the concerns that SBCCOG has had with Metro's process and its program priorities in the proposed sales tax measure for the November 8, 2016 ballot. Staff is concerned that Metro continues to dismiss the issues that we have raised numerous times during development of the expenditure plan for the measure.

- The letter starts by once again saying that they considered all of the extensive feedback. We have continually said that this was not a transparent bottoms-up process: policies were added without warning at board meetings (3%, new West San Fernando Valley project). During monthly meetings with COG CEOs and during numerous public meetings, Metro received recommended changes in the plan. For the most part, Metro staff defended their plan and explained the outreach process to the public. But they didn't recommend any significant changes in response to the concerns raised by the cities and subregions. It was pretty much a one-way presentation at every meeting. Furthermore, at the Metro committee and board meetings, Metro staff described their recommended changes as "tweaks". There was very little substantive discussion of the alternatives raised and the Board discussion of the Expenditure Plan resulted in the sunset provision being eliminated from the measure in order to add new projects in the City of Los Angeles.

- Metro states that they intend to keep all of the Measure R commitments but they are already having cost overruns on the projects that they have completed and will have to refine costs on the projects that are going into final design and construction. In 2039, Measure R ends and the new sales tax would rise from 1/2-cent to a full cent. The new measure rules would then apply to the full cent until voters choose to end the tax with all of the new obligations too. To qualify a measure for the L. A. County ballot to end the tax would require a petition of 10% of L. A. County voters.

- Staff included an assumption in the 2009 Metro Long Range Transportation Plan that was adopted by the Board that local jurisdictions would contribute 3% of the baseline cost of a Metro rail project segment built within their boundaries if the segment includes a station. A 3% local contribution is a significant Board policy that should not be slipped in as a revenue assumption. Now the Metro Board has included the 3% requirement in the new sales tax ordinance. It is not clear if this provision applies only to projects that receive new sales tax revenues or to any new Metro rail line, regardless of the funding sources. Also, in apparent conflict with the provision in the new sales tax ordinance, the

Metro Board recently passed a motion allocating 100% of the 3% local contribution to first/last mile access projects related to a new station. These projects are not typically included in Metro's baseline rail project budgets. This is a clear example of how Metro Board policies can potentially modify ordinance language. The 3% requirement should never have been snuck into the ordinance. It should be a Metro Board policy that was publicly discussed (with the affected stakeholders at a minimum) and not a voter-approved requirement.

- While $2.21 billion in South Bay regional projects is a lot of money, Metro is claiming that this is equitable. $2.21 billion is approximately 2% of the $120 billion the new measure would generate over 40 years. For a reasonable return of sales taxes generated from the South Bay, the South Bay should have gotten 11.2% based on actual 2010 population, or 13-15% based on share of sales tax generated. (Metro has calculated the SBCCOG region's share at 10.4% which is still much higher than the rate of return.)

- Including the Airport Metro Connector project station at Aviation/96th Street in the City of L. A. in the South Bay regional list is wrong. The project is a system connectivity project and it is located in the Westside Area, not the South Bay.

- As we have repeatedly stated, since less than 1/3rd of the I-105 ExpressLane project length is in the South Bay, the project has little benefit to the South Bay. It is unlikely that many South Bay residents will use the I-105 ExpressLane to get to LAX and few South Bay commuters will travel east on the South Bay portion of the I-105 yet it is listed as a South Bay project.

- Recognizing that Measure R will sunset in 2039, SBCCOG recommended that Metro adopt a policy to complete its regional Measure R commitments and pay off Measure R debt before undertaking new regional projects. The Metro Board rejected this approach and added numerous new projects in the first two decades of the plan, effectively accelerating their delivery ahead of current commitments. Metro justified this audacious programming choice by saying that the investments were made based on performance evaluations and that no Measure R projects would be delayed. Metro showed that some Measure R projects would be accelerated a few years ahead of their original Measure R Expenditure Plan delivery schedules. However, adding new projects precludes the significant opportunity for acceleration of current Measure R projects using new sales tax revenues.

- The South Bay will have to pay the increased sales tax with little benefit from the projects that are Metro's regional priorities until the following projects open:
    - I-105 ExpressLane from I-605 to I-405 - opens in 2029 (only 1/3 of which is in our subregion
    - Metro Green Line extension from Redondo Beach to Torrance - opens in 2030 – this is an acceleration of 3 to 5 years and 2 ½ miles but with the new funding, it could have been built a lot sooner if newer projects weren't using up the new funds.
    - I-110 / I-405 Interchange and Ramp Improvements - opens in 2044
    - I-110 ExpressLane extension from SR-91 to I-405 - opens in 2046
    - I-405 South Bay Curve Improvements - opens in 2047

- In addition, the Metro Board unanimously added a West San Fernando Valley project to the plan at the June 23rd board meeting with no prior environmental analysis or performance evaluation or public discussion. And then, as a bone to the South Bay, the Board provided a proportionate increase in funding of $130 million for additional South Bay subregional projects to keep the sub-regional shares equitable with no detail (or limitation) on how or when the funds could be spent. Although the South Bay appreciates the additional $3 million per year in additional funding, we have no idea where the funds are coming from, whether the funds will be available for acceleration of current commitments and/or for new projects, and whether Metro or the SBCCOG will select the projects to be funded by the new allocation.

- As an example of Metro's fiscal irresponsibility, the Board added a new <u>$19 billion</u> 3-phase Sepulveda Pass Transit Corridor in the San Fernando Valley and Westside subregions. Phase 3 of the project from Westwood to LAX has only $65 million in funding programmed. Metro says the project will open in 2057 and touts the fact that the two subregions committed $2.8 billion (15%) of "their" subregional funding for Phases 1 and 2. Metro made no mention of the fact that the City of LA and Culver City also will have to contribute $600 million of the project costs from their "local" funds to comply with the 3% local share requirement of the new ordinance.

- Perhaps coincidentally, Metro acknowledges that it is more than <u>$19 billion</u> short of funding needed to deliver its Countywide program commitments. That's approximately 16% of the estimated $120 billion program over 40 years. But Metro assures voters that it is seeking "Local, State, and Other Funding" to "enable all Major Projects to be delivered expeditiously." Metro also notes that the matching funding assumed in the plan is "advisory and non-binding", but Metro assures voters that this "flexible" approach to securing these other funds "has been strategically successful for Los Angeles County in the past, and we expect that success will continue in the future."

- Metro's ballot measure language states as one of the measure's goals, "keep senior/disabled/student fares affordable". However, the transparent process does not mention that the expenditure plan of the new sales tax is predicated on a 33% farebox recovery. Today, the farebox recovery on the Metro system is no higher than 26%. Because the new measure is promising to "keep fares affordable", it will be very hard politically for the Board to raise fares and if they don't, they will not be able to fulfill the promises of the expenditure plan from this one factor alone.

- And possibly the most troubling - Metro can change any commitments funded with the new measure every ten years without consulting the voters or its regional partners. It merely has to consult with its "independent citizens' advisory committee" composed of members exclusively appointed by Metro.

- The ballot language is unclear and problematic. The exact form of the Proposition as it is to appear on the ballot is as follows:

  Los Angeles County Traffic Improvement Plan. To improve freeway traffic flow/safety; repair potholes/sidewalks; repave local streets; earthquake retrofit bridges; synchronize signals; keep senior/disabled/student fares affordable; expand rail/subway/bus systems; improve job/school/airport connections; and create jobs; shall voters authorize a Los Angeles County Traffic Improvement Plan through a ½ ¢ sales tax and continue the existing ½ ¢ traffic relief tax until voters decide to end it, with independent audits/oversight and all funds controlled locally?

  The last clause could be interpreted to say that a new ½ cent tax is authorized and the current Measure R tax continues until voters decide to end it. That would imply that the current Measure R sunset is removed and its rules would not be replaced with new rules for a unified one-cent tax on July 1, 2039. There is also no mention of an indefinite duration for the new measure. Among other things, this interpretation could prevent Metro from increasing the Measure R Local Return share to 20% after 2039.