

TRANSPORTATION COMMITTEE REPORT relative to Measure M Local Return funding.

Recommendations for Council action:

1. REQUEST the City Attorney, with assistance from the City Administrative Officer (CAO) and the Department of Transportation (LADOT), to prepare and present an ordinance establishing a Measure M Local Return Fund prior to July 1, 2017 when the Measure M sales tax becomes effective.
2. INSTRUCT the CAO, with the assistance of the LADOT, to negotiate the terms of Project Agreements with the Los Angeles County Metropolitan Transportation Authority (Metro) for the City to make payments of required three percent contributions on specified Metro Measure M projects and to report back to the Council and Mayor for approval, and with said negotiated Project Agreements to include options for the City to:
 - a. Receive credit towards required contributions for any costs related to the regional projects that are absorbed by the City as an in-kind credit.
 - b. Address amounts due of over \$10 million on a given fiscal year through the issuance of Measure M Local Return revenue bonds, or if applicable, through multiple fiscal year (FY) payments to Metro for issuance of Measure M Local Return revenue bonds on behalf of the City (Council File No. 16-0395).
3. ADOPT a policy to designate 60 percent of the annual Measure M Local Return revenue (derived from the 0.5 percent sales tax) toward the Vision Zero Program to include:
 - a. New Traffic Signal Construction Program focused on Tier 1 signals with the highest volume of crashes that have resulted in death and serious injury.
 - b. Vision Zero Project Implementation for projects and improvements on the High Injury Network.
 - c. Vision Zero Safety Awareness and Community Engagement Program.
 - d. Establishment of a Vision Zero Planning and Design Team.
 - e. Accounting, reporting and fund Administration.
4. ADOPT the following policies:
 - a. A policy to dedicate 10 percent of Measure M Local Return revenue (derived from the 0.5 percent sales tax) for upgrades and expansion of the City's bicycle infrastructure consistent with the City's Mobility Plan 2035.
 - b. A policy to dedicate 20 percent of Measure M Local Return revenue (derived from the 0.5 percent sales tax) for median island and curb extension improvements, including but not limited to bus bulbs, curb extensions, pedestrian refuge and median

islands.

- c. A policy to dedicate 10 percent of Measure M Local Return revenue (derived from the 0.5 percent sales tax) for sidewalk repair and reconstruction on Vision Zero High Injury Network Project Corridors, funding for this program to be supplemental to the City's existing sidewalk repair and reconstruction financial commitments.
5. DIRECT the LADOT and Bureau of Street Services (BSS) to prepare and present a work program reflective of the policy recommendations contained herein.
 6. NOTE and FILE:
 - a. The February 12, 2016 Motion (Blumenfield - Koretz) relative to ensuring the San Fernando Valley and other areas of the City receive their fair share of funding from a Local Return Program for the proposed 2016 ballot measure (Council File No. 16-0187).
 - b. The April 6, 2016 Motion (Buscaino - Englander - Wesson - Bonin) relative to establishing a policy that would dedicate at least two-thirds of the City's share of future Local Return Funding towards the reconstruction and rehabilitation of the City's streets that are in D and F condition.
 - c. The February 28, 2017 Joint CAO and Chief Legislative Analyst (CLA) report relative to Measure M Local Return Funding.

Fiscal Impact Statement: The CAO and CLA report that the Measure M sales tax will become effective on July 1, 2017, with partial year City local return cash receipts of \$42 million anticipated for FY 2017-18. In 2018-19, the first full year of receipts, approximately \$58.9 million may be available for appropriation. Adoption of the recommendations contained in the February 28, 2017 Joint CAO and CLA report, attached to the Council file, would provide annual funding of approximately \$39.3 million for failed street repair and \$19.6 million for other transportation needs.

Community Impact Statement: None submitted.

(Also referred to the Public Works and Gang Reduction and Budget and Finance Committees)

Summary:

On May 25, 2016, the Transportation Committee considered two Motions relative to Measure M Local Return Funding. Specifically, according to the first Motion (Blumenfield - Koretz; Council File No. 16-0187), since Fall 2012, the Metro has explored the feasibility of pursuing a November 2016 transportation ballot measure. In December 2015, the Metro Board approved a performance metric evaluation process to evaluate whether to include and how to sequence new projects to be used as a guide in making recommendations regarding the potential acceleration of existing Measure R projects. The ultimate decision on whether to move forward with a ballot measure is expressly reserved for the Metro Board, which will likely occur in June 2016. Many residents in the San Fernando Valley believe that the 2008 county sales tax known as Measure

R, did not adequately or fairly address the Valley's needs. The area is desperate for more transit service, better connectivity, access to rapid transit, and new infrastructure projects that would provide meaningful mobility options. It is critical that when Metro considers the expenditure of future transportation dollars for Los Angeles County, the San Fernando Valley receive its fair share.

According to the second Motion (Buscaino - Englander - Wesson - Bonin; Council File No. 16-0395), the Metro Board recently approved a Draft Expenditure Plan on how to grow and improve our region's growing transportation system. If approved, the Plan will be funded through a half-cent sales tax that is expected to generate \$120 billion over 40 years. In addition to 36 major highway and transit projects, the Plan also includes a "Local Return" element that would be allocated to each jurisdiction in the County based on population. Since streets are used by transit users, bicyclists, and motorists, it is appropriate for the City to allocate a significant portion of any Local Return revenue to restoring streets that are currently in "D" and "F" condition.

The Board is expected to vote on a final plan in June 2016 for placement on the November 2016 ballot. The City has the largest local street and sidewalk network in the country. Together, streets and sidewalks comprise the most basic infrastructure components of the local transportation system, and both are in dire need of improvement. Nearly a third of all streets are in poor condition and a 2013 report from an independent third party, Harris and Associates, estimates the cost to bring all streets into a state of good repair is \$3.86 billion.

The City's current funding of the pavement preservation program, which focuses on less expensive preservation methods like slurry seal, is simply not enough to cover the costs of restoring streets in "poor" condition (grade "D" with a PCI range of 41-55 or "F", PCI range of 0-40). These streets must be completely reconstructed at a cost as high as \$2.5 million per mile. Without additional funding, it is not feasible to improve the overall pavement condition of our street network within a reasonable timeframe.

After consideration and having provided an opportunity for public comment, the Committee moved to continue this matter. Subsequently, on March 29, 2017, the Transportation Committee considered a February 28, 2017 Joint CAO/CLA report in response to the two above Motions. According to the CAO/CLA, in 2016, the two above Motions were introduced relative to the use of new transportation funding from a potential transportation sales tax ballot measure. This ballot measure was entitled "Measure M," placed on the November 2016 ballot, and approved by the voters. It will become effective on July 1, 2017. The Metro Board of Directors will adopt guidelines regarding Multi-Year Subregional Programs that will be funded by Measure M. It is anticipated that a draft of the guidelines will be released in March 2017 for public comment with expected adoption in June 2017.

According to Metro, the Measure M sales tax is expected to generate \$120 billion over 40 years. In addition to 36 major highway and transit projects, a portion of the Measure M sales tax revenue will be allocated to local jurisdictions based on population (local return). Partial year City local return cash receipts of \$42 million are anticipated for FY 2017-18. In 2018-19, the first full year of receipts, approximately \$58.9 million may be available for appropriation. Expenditure of these funds must be done in accordance with eligible uses defined by Measure M. Therefore, the creation of a new City fund is recommended to administer Measure M local return revenue and expenditures.

On May 25, 2016, the Transportation Committee (Committee) considered the above two Motions and directed the CAO/CLA, in coordination with LADOT and other affected departments, to report in regard to:

- a. Providing Measure M estimated City local return revenue.
- b. Providing estimated City 3 percent local contribution amounts for Metro Measure M rail construction projects located in the City.
- c. Providing a recommended expenditure plan for Measure M local return revenue to address capital improvements, street reconstruction, and rehabilitation for streets that are in "D" and "F" condition (failed streets).
- d. Identifying opportunities to leverage Measure M local return monies with state and federal grant dollars, as well as options for the City to bond against future revenues.
- e. Providing a priority list of operational and capital needs from the Departments of Public Works and LADOT with consideration to existing commitments.
- f. Assessing the feasibility of allocating Measure M local return revenue equally among all of the Council Districts and other options that would provide for a fair share distribution of this revenue source.
- g. Providing a summary of available information relative to the City's expenditure of transportation sales tax funds and the resources necessary to undertake a more detailed analysis as to the specific distribution of transportation projects and programs.

Representatives from the CAO and CLA provided an overview of their responses to the Committee's requests. First, in regard to measure M estimated City Local Return Revenue, based on information obtained from Metro, of the expected revenue from Measure M. Revenue will be initially derived from a 0.5 percent sales tax, which will increase to 1 percent FY 2040 to offset the FY 2039 sunset of the Measure R .5 percent sales tax. The Measure M local return will be 17 percent of net revenues beginning in FY 2018 and potentially 20 percent of net revenues beginning in FY 2040. Local return will be allocated to cities based on population. The first year estimate of local return generated for the City is \$56.4 million, but because of the timing between the collection of the revenue and its allocation to and receipt by the City, partial year cash receipts will occur during FY 2017-18. Local return is to be used to augment, not supplant, existing local revenues used for transportation purposes.

In regard to providing estimated City 3 percent local contribution amounts for Metro Measure M rail construction projects located in the City, the CAO/CLA stated that according to Metro, the estimated total amount necessary to meet the City's obligation for major transit projects is approximately \$490.2 million, in 2015 dollars. It is expected that the specific timing and amounts to be paid will be negotiated with Metro and will be impacted by actual project budgets and schedules, and potentially, by the guidelines to be developed by Metro. A complete detailing of the specific contribution amounts is provided in Attachment B of the February 28, 2017 Joint CAO/CLA report.

Third, in regard to providing a recommended expenditure plan to use Measure M local return funds for capital improvements, street reconstruction, and rehabilitation for streets that are in "D" and "F" condition (failed streets), the City's current metric for measuring the condition of the street systems is the use of the Pavement Condition Index (PCI), which employs a unit of measure from 0 to 100. The City has used this measurement to determine the impact of the annual Pavement Preservation Program, which primarily focuses on streets rated A, B and C. The BSS State of the Streets Report for 2015 reports a system-wide PCI of 62. Since streets are used by vehicles of all types including transit users, bicyclists, and motorists, it is appropriate for the City to allocate a significant portion of any local return revenue to restoring streets that are currently in "D" and "F" condition (failed streets). In February 2014, the Save Our Streets LA Proposal (SOSLA) submitted by Councilmembers Buscaino and Englander established a goal of repairing all failed streets within the City at an estimated cost of \$3.86 billion while providing an additional \$640 million for sidewalk repairs. The SOSLA proposal was based upon a proposed new revenue stream of over \$240 million per year. Although two-thirds of Measure M local return is much less annually, the SOSLA proposal can still provide a roadmap for an on-going program that addresses failed streets.

Fourth, in regard to Identifying opportunities to leverage Measure M local return monies with state and federal grant dollars, as well as options for the City to bond against future revenues, the CLA/CAO, in conjunction with the LADOT, BSS, and Bureau of Engineering provided an overview of a number of grant opportunities and are listed in the February 28, 2017 joint report. Additionally, the CAO/CLA provided a priority list of operational and capital needs to include existing commitments.

After consideration and having provided an opportunity for public comment, the Committee moved by a 3-2 vote to recommend approval of the recommendations as detailed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

TRANSPORTATION COMMITTEE

MEMBER VOTE

BONIN: YES
KORETZ: NO
HUIZAR: YES
MARTINEZ: YES
RYU: NO

ARL
3/29/17

-NOT OFFICIAL UNTIL COUNCIL ACTS-