

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: May 17, 2017

TO: Honorable Members of the City Council

FROM: Sharon M. Tso *SM TSO* Assignment No.: 17-05-0557
Chief Legislative Analyst

SUBJECT: Summary of Senate Bill 1 and Measure M Funding

CLA RECOMMENDATION: Note and File, inasmuch as this report is for informational purposes.

SUMMARY

On May 12, 2017, during the Budget and Finance Committee's deliberations of changes to the 2017-18 Proposed Budget, relative to the Vision Zero and Street Reconstruction Program, members requested information on the new revenues from voter-approved sales tax revenues for transportation (Measure M) and a State legislative measure for transportation projects and programs (Senate Bill 1). As instructed, the following is a summary of each revenue source with attachments that provide further detail:

Measure M - The Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors is expected to adopt the final guidelines at their June 2017 meeting. The tax will begin to be collected on July 1, 2017 and the City expects to receive \$42M in 2017-18 beginning in October. The funds are flexible and support a wide variety of transportation projects and programs, however, a maintenance of effort requirement states that funds are to be used to augment, not supplant, existing local revenues being used for transportation purposes. The Department of Transportation's Vision Zero Safety Countermeasures for 2017-18 all appear to be eligible for Measure M funding.

Senate Bill 1 "The Road Maintenance and Rehabilitation Program" - there is no current timeline for the development of the program guidelines by the State. The apportionment and usage of gas tax funds is provided through various formulas in accordance with numerous sections of the Streets and Highways Code and through annual federal legislation relative to the Surface Transportation Program. New revenue from Senate Bill 1 will be phased-in beginning November 1, 2017 with expected City receipts of \$28.1M in 2017-18. It is anticipated that the eligible programs and projects will not significantly differ from those allowed under the existing gas tax expenditures with the notable exception of a maintenance of effort requirement that was included in the legislative language. It appears that, generally, safety countermeasure projects included in the Vision Zero program for 2017-18 would be eligible for SB 1 funds. Absent formal guidelines and further detail on the nature of the Department's proposals, however, a final determination of eligibility cannot be made at this time. Additionally, funding may be contingent upon submission and approval of a capital plan for the use of the funds.

In summary, while the City awaits final program guidelines, SB 1 may be slightly more restrictive due to the definition of a project, as well as the required submission of a Council-



approved project list. It appears, however, that proposed expenditures will be eligible for both funding sources.

Relative to the issue of timing of new receipts versus expenditures, SB 1 funds will be deposited in the Special Gas Tax Improvement Fund, which has an existing cash balance. The Measure M Local Return Fund will be established on July 1st with no cash balance. Therefore, a short-term Reserve Fund loan may be required based on expenditure plans for proposed programs and projects.

Attachment 1 (Summary of Measure M, Gas Tax, and SB 1 funding)

SMT:msr

ATTACHMENT 1

Draft Measure M Guidelines

To be adopted by the Metro Board in June 2017
Expected Receipt of Funds – Beginning October 2017 (\$42M)

Street and Road - planning, right of way and utility acquisition, engineering and design, administration, construction, improvement, maintenance, and operation of public streets and roads, bridges, highways and exclusive public mass transit guide ways, and their related public facilities for non-motorized traffic, including the mitigation of their environmental effects, improvements to capture, convey, infiltrate, and/or treat urban runoff and storm water, and all costs associated with property acquisition for such purposes

Complete Streets - comprehensive, integrated transportation network with infrastructure and design that allows safe and convenient travel along and across streets for all users, including pedestrians, users and operators of public transit, bicyclist, persons with disabilities, seniors, children, motorists, users of green modes, and movers of commercial goods.

Green Streets, including storm drains (no more than 33 1/3% may be spent in any fiscal year).

Traffic Control Measures - signal synchronization, transportation demand management (TDM), transportation systems management (TSM), intelligent transportation system (ITS), new traffic signals, traffic signal modification, signalization of turns, traffic management center, and traffic safety. Funds may NOT be used to alter system/signal timing that was implemented under a traffic forum project/grant.

Active Transportation - any non-motorized, human-powered mode of transportation, such as walking, bicycling, rolling, skating or scooting.

Public Transit Services - proposed new or expanded transit or paratransit services to address unmet transit that are compatible with the existing service(s).

Public Transit Capital - bus/rail improvements, maintenance, and transit capital. Jurisdictions must coordinate bus stop improvements with affected transit operators.

Transit Oriented Community Investments (TOC) - TOCs represent a comprehensive approach to creating compact, walkable and bikeable places in a community context, rather than focusing on a single development site, particularly around transit. Measure M funds must leverage private and other public funds to create TOCs.

Transportation Marketing - promotional signage, literature, or other project marketing material that is part of Measure M project outreach or marketing activity, Jurisdictions are encouraged to include a notation indicating that Measure M funding was used to fund the project.

Planning, Engineering and/or Study, Congestion Management Program (CMP) – planning, coordination, engineering and design costs incurred toward implementing an eligible project.

Transportation Administration. Expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs.

Local Funding Contributions. Measure M LR funds may be used as matching funds for other federal, state, or local sources, including the 3% contribution for major Metro projects.

Maintenance of Effort Requirement: funds are to be used to augment, not supplant, existing local revenues being used for transportation purposes. Jurisdictions must maintain their individual existing local commitment of funds, for current transportation projects and services. In addition to

implementing new Measure M eligible projects and programs, jurisdictions may use funds to supplement existing Measure M eligible projects and programs should current grant funding that supports the operations of a program sunset, or if there is a current or projected funding shortfall.

Existing Gas Tax Funds (\$83.7M)

Eligible Construction Projects: can be defined as the building or rebuilding of streets, roads, bridges, ferries, and acquisition of rights-of-way or their component parts to a degree that improved traffic service is provided and geometric or structural improvements are effected. It also includes allocated administration and engineering necessarily incurred and directly related to the above. Construction work includes four categories:

New Construction—A construction that substantially deviates from the existing alignment and provides for an entirely new street or roadbed for the greater parts of its length.

Reconstruction—A construction involving realignment or the use of standards well above those of the existing element, whereby the type or the geometric and structural features are significantly changed.

Preventative Maintenance— Includes, but is not limited to, roadway activities such as joint and shoulder rehabilitation, heater re-mix, seal coats, corrective grinding of PCC pavement, and restoration of drainage systems.

3R Work— All other work which does not fall into the above defined categories for new construction, reconstruction, or preventative maintenance and typically involves the improvement of highway pavement surfaces through resurfacing, restoration, or rehabilitation. It is generally regarded as heavy, non-routine maintenance designed to achieve a ten-year service life. Maintenance can be defined as the preservation and upkeep of a street or road constructed condition, and the operation of a street or road facility and its integral services to provide safe, convenient, and economical highway transportation.

SB 1 - The Road Maintenance and Rehabilitation Program Guidelines to be developed by the California Transportation Commission Expected Receipt of Funds – Beginning March 2018 (\$28.1M)

General Eligibility: Funds made available by the program shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects. Funds made available by the program shall be used for projects that include, but are not limited to, the following:

- Road maintenance and rehabilitation
- Safety projects
- Railroad grade separations
- Complete street components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project
- Traffic control devices

Funding may be contingent upon the submission and approval of a capital plan for the use of these funds.

Maintenance of Effort Requirement:

Section 2036 (a) - Cities and counties shall maintain their existing commitment of local funds for street, road, and highway purposes in order to remain eligible for an allocation or apportionment of funds pursuant to Section 2032.

Section 2036 (b) - In order to receive an allocation or apportionment, the city or county shall annually expend from its general fund for street, road, and highway purposes an amount not less than the annual average of its expenditures from its general fund during the 2009–10, 2010–11, and 2011–12 fiscal years. For purposes of this subdivision, in calculating a city's or county's annual general fund expenditures and its average general fund expenditures for the 2009–10, 2010–11, and 2011–12 fiscal years, any unrestricted funds that the city or county may expend at its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street, road, and highway purposes shall be considered expenditures from the general fund. One-time allocations that have been expended for street and highway purposes, but which may not be available on an ongoing basis may not be considered when calculating a city's or county's annual general fund expenditures.