Los Angeles County
Metropolitan Transportation
Authority
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2nd REVISED
PLANNING AND PROGRAMMING COMMITTEE
JUNE 15, 2016
EXECUTIVE MANAGEMENT COMMITTEE
JUNE 16, 2016

SUBJECT: LONG RANGE TRANSPORTATION PLAN - POTENTIAL BALLOT MEASURE

ACTION: APPROVE PROPOSED LOS ANGELES COUNTY TRAFFIC IMPROVEMENT PLAN ORDINANCE

RECOMMENDATION

CONSIDER:

A. ADOPTING the **Ordinance, including Expenditure Plan,** to implement Los Angeles County's Traffic Improvement Plan through a transportation sales tax measure;

B. ADOPTING the Resolution requesting the Los Angeles County Board of Supervisors place the Ordinance on the ballot with specific ballot language for the November 8, 2016 countywide general election; and

C. AMENDING the Fiscal Year (FY) 2017 budget to add $10.9 million to fund election related and public information costs.

ISSUE

At the March 2016 Metro Board meeting, a Draft Potential Ballot Measure Expenditure Plan for a countywide transportation sales tax measure, as well as an ordinance outline and outreach plan, were presented. The outreach plan was a roadmap to educate the public about the draft Expenditure Plan and provide opportunities for public input, with engagement of three main community segments: the public, key stakeholders, and the media. The process included community meetings, briefings for elected officials, press conferences, online outreach, town hall meetings and more. The input was compiled and is presented separately this month in a report entitled "Potential Ballot Measure Public Input and Polling Results" (on the Planning and Programming and Executive Management Committee agendas). <u>One of the top themes that emerged during the public input process and public poll is to provide accessible, convenient and affordable transit for seniors, students and the disabled. While Metro has identified a new dedicated funding stream for this area, this funding can be increased in the future. As the agency evaluates the whole plan in the future, the Metro Board has</u>

the latitude to use funding from Transit Operations or Rail Operations areas for programs that serve seniors, students and the disabled based on growing need.

The Metro Board of Directors approved the release of the draft Plan for public review, and, if it is to be placed on the November 2016 ballot, must now adopt the Los Angeles County Traffic Improvement Plan Ordinance (Attachment A), including the Expenditure Plan, as well as the Resolution calling for an election (Attachment B). The June 2016 Metro Board of Directors Meeting is the last opportunity to approve these documents at a regularly scheduled Board Meeting to comply with the November 8, 2016 general election filing deadlines. Additionally, if the Metro Board of Directors adopts the Ordinance and the Resolution, the projected costs related to the election will need to be added to the FY 2017 Budget, as they are not currently included.

DISCUSSION

Background

The purpose of the Ordinance is to impose an additional one-half percent sales tax on July 1, 2017 and to replace the one-half percent sales tax originally authorized by Measure R after it expires on June 30, 2039. Such a combined sales tax measure is authorized by SB 767 (de León), which was passed on September 15, 2015, and signed by the Governor on October 7, 2015. The authorizing legislation requires that an expenditure plan be developed using a transparent process, including the most recent cost estimates. That Expenditure Plan is Attachment A to the Ordinance (attached to this report as Attachment A). The resolution (Attachment B) requests that the Los Angeles County Board of Supervisors place the sales tax on the November 2016 ballot. The resolution is a requirement to include Metro's special election ballot item with the countywide November 2016 general election.

Ordinance

The Ordinance is a statutory requirement developed to ensure integrity, stewardship, fiscal responsibility, accountability, and transparency for the Expenditure Plan. Modeled after Measure R, the Ordinance addresses changes to deal with improved oversight, a new program structure, no expiration provisions, and other lessons learned. The new program structure has four subfunds that are broadly the same as Measure R, with nine sub-categories. New categories in this Measure are: Metro State of Good Repair; Americans with Disabilities Act (ADA) Paratransit for the Disabled and Metro Discounts for Seniors and Students; and Active Transportation. Guidelines are required to be developed between November 2016 and July 2017.

3% Local Contribution

The Ordinance also includes new provisions for the 3% local contribution to major transit capital projects. The rationale for the contribution is that local communities with a station receive a special benefit due to the direct transit service that is above and beyond the project's benefit to the County as a whole. Due to Metro's inability to consistently enforce the 3% contribution to the projects in the Measure R structure, there has been difficulty in securing federal funding without increased assurances. The Ordinance includes provisions that allow development of a mutual agreement between a jurisdiction and Metro. The agreements shall be in accordance with guidelines adopted by the Board. These guidelines will include provisions that allow for local jurisdictions to meet all or a portion of their 3% local contributions through investments in active transportation and first/last mile investments that are included in the Project scopes, consistent with station area plans jointly developed by Metro and affected jurisdictions. The Ordinance will seek the ability to withhold up to 15 years of local return funds from this new measure only for local agencies that fail to reach a timely agreement with Metro on their 3% contribution. Local return funds from Proposition A, Proposition C, and Measure R are not subject to withholding. As defined in the Ordinance, the local funding contribution shall be paid by each incorporated city, and the County of Los Angeles for those projects in unincorporated areas, based upon the percent of the project's total centerline track miles to be constructed within that jurisdiction's borders if one or more stations are to be constructed within the borders of that jurisdiction. In some cases, principally in smaller cities, the default withholding of 15 years of local return from only this new measure will be less than a formal 3% contribution. In these cases, the cities involved can elect to default with no other impact, thereby lowering their contribution to less than 3%.

The 3% local funding contribution represents up to $830 million in funding outside of the direct sales tax revenues critical to support the accelerated project delivery schedules and geographic equity identified in the Final Expenditure Plan. Absent the 3% local funding contribution, projects may have to be delayed until other Long Range Transportation Plan (LRTP) identified revenues are available. This could create regional inequity and subsequently require the increased use of LRTP identified funds in subregions beyond those captured in the optimal subregional targets. An agreement approved by both Metro and the governing board of the jurisdiction shall specify the total project cost as determined at the conclusion of preliminary engineering (30% plans), the amount to be paid by the local jurisdiction, and a schedule of payments. Once approved, the amount to be paid by the local jurisdiction shall not be subject to future cost increases.

Expenditure Plan

Staff evaluated the feedback received during the review period and revised the plan where possible, with several timing adjustments when financially feasible. The revisions made to the March 24, 2016 Metro staff recommendation all originated from the Metro Board of Directors or with various stakeholder groups. The most significant changes made were to:

- Eliminate the 2057 end date to the ordinance to enable project acceleration and more local return;
- Add funding for Local Return from Metro administrative costs in FY 2018 (1%) and later in FY 2040 (3%) from capital program funding; and
- Make the 1% Regional Rail increase in FY 2040 a "shall" instead of a "may", provided that regional rail operators meet specific performance standards pre-established by the Metro Board of Directors.

These changes were made as a response to the most frequently heard requests from stakeholders during the comment period. Eliminating the horizon end date of the Draft Potential Ballot Measure Expenditure Plan provides more funding for the plan, which can be leveraged for earlier project delivery in a fiscally responsible manner. By not limiting the tax to 40 years, less aggressive debt assumptions can be made to deliver the proposed plan. It also allows flexibility for Metro to respond to future unforeseen conditions, while properly maintaining safe and reliable infrastructure in perpetuity within Los Angeles County.

Local Return Increase

Local Return was increased by 1% of net revenues in FY 2018 and 3% of net revenues in FY 2040, for a total of 20%. These funds will be from Metro administrative funds (1%), and Transit or Highway Capital funds as determined prior to FY 2040 by the Metro Board of Directors (3%). As a consequence of a no sunset term, this increase can occur with no impacts to the schedules of current projects in the Expenditure Plan, as listed in Attachment A. This revision addresses the concerns of stakeholders who want to know how their neighborhoods will directly benefit from this measure, separate from the issues of countywide congestion relief measures. By placing 20% of the net tax measure funds into the hands of the local cities for improvements, voters will see even greater improvements to the transportation infrastructure in their own neighborhoods, such as street repair, pedestrian and bicycle facilities, and transit. These two Local Return increases (1% in FY 2018, and another 3% in FY 2040) will result in $3.4+ billion added to local streets, roads, and transit services. Of note, Local Return is to be used to augment, not supplant, existing local revenues beings used for transportation purposes.

Acceleration

Accelerating projects was a clear desire of the public that we heard in our outreach. The elimination of the 40-Year horizon year of 2057 has the following benefits, even after accounting for the Local Return and Regional Rail revisions discussed above:

- Two Council of Government Programs valued at $165 M in the Las Virgenes Malibu area are accelerated for geographic equity;
- 42 years of total acceleration is achieved for projects valued at $9.4 B (2015 $'s);
- Two new projects are added to the plan and are valued at $3.9 B;
- Three project upgrades are included later in Plan (beyond 2060) to synch them up with the mode (LRT or HRT) used in the performance metrics evaluation; and,

The specific accelerations made possible by the revised Plan are shown in Table 1, a summary of the Expenditure Plan schedule changes:

Table 1: Summary of Expenditure Plan Schedule Changes:

Project and Planning Area		BEFORE: Draft 40-Yr. Potential Ballot Measure for Public Review (3/24/2016)		AFTER: No Sunset Potential Ballot Measure Staff Rec's (as of 6/6/2016)		Summary of Notes Below: 2 COG programs accelerated for equity; 42 yrs of acceleration, proj. value $9.4B; 2 new projects added, value $3.9B; and, 3 project upgrades later in Plan.
Project:	**Subregion**	**Start**	**Open**	**Start**	**Open**	
Las Virg./Malibu ATP etc.	LVM	FY 2018	FY 2057	FY 2018	FY 2032	FY '32 opening for geo. equity: LVM had no major projects in 1st 15 yrs.
Las Virg./Malibu Hwy. Eff.		FY 2018	FY 2057	FY 2018	FY 2032	
Orange Line BRT Improve.	SF	FY 2024	FY 2028	FY 2019	FY 2025	5 year acceleration to optimal schedule
West Santa Ana ~~Segment 1~~	GC	FY 2023	FY 2029	FY 2022	FY 2028	1 year acceleration ~~(CEQA only helps)~~
Green Line Ext. to Torrance	SB	FY 2031	FY 2035	FY 2026	FY 2030	5 year acceleration in new Plan
West Santa Ana ~~Segment 2~~	GC	FY 2038	FY 2047	FY 2032	FY 2041	6 year acceleration with New Starts
I-5 from I-605 to I-710	GC	FY 2041	FY 2047	FY 2036	FY 2042	5 year acceleration in new Plan
Crenshaw Northern Ext.	W	FY 2049	FY 2055	FY 2041	FY 2047	8 year acceleration in new Plan
Lincoln Blvd. BRT	W	FY 2050	FY 2054	FY 2043	FY 2047	7 year acceleration in new Plan
Green Line East to Norwalk	SC	FY 2051	FY 2057	FY 2046	FY 2052	5 year acceleration in new Plan
Gold Line Eastside Ext. 2nd	SC	Not Included in 40 Year Plan		FY 2053	FY 2057	Adds 2nd Alignment in new Plan
High Desert Multi-Purpose Corridor - LA County Seg.	SC			FY 2063	FY 2067	Adds LA County segment to Plan
Orange to Gold BRT to LRT	SC	Perf. Model based on higher mode (LRT/HRT, not BRT)		After FY 2060		Later Conversion to Light or Heavy Rail Transit (LRT/HRT) Noted in New Plan
Vermont Corridor to HRT	SC					
Lincoln Blvd. BRT to LRT	SC					

The four technical factors influencing the summary of the Expenditure Plan Schedule Changes in Table 1 above include:

- Delivery approach (including project readiness);
- New funding availability through "no sunset";
- Environmental review assumptions (may be expedited using CEQA); and
- Performance modeling ratings

Additional Acceleration

Additional acceleration requests for the first 50 year period were considered but were not possible due to our recommendation to fund higher Local Return and Regional Rail percentages in the Plan. In light of these requests, we are recommending that the Metro Board of Directors consider criteria for later acceleration through the decennial comprehensive assessment process, examples of which could include:

- Improved metrics compared to other projects as projects are refined and approach shovel readiness;
- Project readiness compared to stalled projects that are delayed due to funding or environmental clearance issues, for example:
    - Available local funding such as supplemental local sales tax ballot measure;
    - Available private investment when their funding assumes such P3 investment;
    - Unique qualities that attract federal funding such as access to health care and affordable housing development opportunities; and
    - Ease of property acquisition or use due to available right of way and/or municipal or Metro-owned properties.

The Ordinance does provide for schedule acceleration based upon a 2/3 vote of the Metro Board, as long as no Expenditure Plan projects or programs are delayed. A public notice is also included in the Ordinance.

Regional Rail Increase

Metro staff is also responding to concerns raised about Regional Rail funding. Specifically, we recommend that Regional Rail be increased an additional 1% in FY 2040 if Metrolink meets the performance criteria to be established by the Metro Board of Directors. These funds will be available to improve regional rail service or for capital improvement and state of good repair purposes.

Technical Corrections

Other changes from the Draft Expenditure Plan issued in March 2016 include the funding composition of the South Bay Green Line Extension, the I-105 Express Lanes and the BRT Connector Orange/Red to Gold Line. The South Bay Greenline Extension, when coupled with its Measure R funding, was over-funded. The I-105 Express Lanes project was funded using South Bay resources in non-South Bay subregions. We corrected for these two problems and refund $293.5 million to the Transportation System and Mobility Improvement project in the South Bay area, as shown in Table 1.

The Bus Rapid Transit (BRT) Orange/Red to Gold Line was split 50%/50% between the San Fernando Valley and the Arroyo Verdugo areas but the correct split was 10%/90% respectively. We corrected that problem through a project reallocation exchange between the two areas. This created a new project addition for the San Fernando Valley Subregion, entitled San Fernando Valley Transportation Improvements, which includes eligible funding for the North San Fernando Valley BRT and soundwalls in the Tujunga, Sunland, Shadow Hills, and Lake View Terrace. SR 71 was to be phased into two parts, but is now combined into one phase, should the ballot measure pass. On I-710 South, we no longer phase the project north and south, but rather by early action versus later action based on project need and we changed a funding reference to “alternative revenue sources” instead of “goods movement fees”.

<u>In order to expedite overall environmental requirements, and thereby ensure eligibility for future federal funding participation, the West Santa Ana project needs to be listed as a single project, as opposed to phases. Measure M cash flow requirements can be expedited by public-private partnership. This technical correction is reflected in Attachment A.</u>

Staff also clarifies that the Gold Line Eastside First Alignment is to be one alignment selected through the current environmental processes. The second alignment is added later in the plan and will require separate environmental clearances at the appropriate time.

Finally, staff clarifies in Attachment A that all years are “fiscal year” not “calendar year.” Accordingly, per Board approved Motion 18 from Director Knabe, the Airport Metro Connector Project available funding is adjusted to reflect the current project schedule on a calendar year basis.

<u>Oversight</u>

The Ordinance requires an Independent Taxpayer Oversight Committee to provide an enhanced level of accountability for expenditures. The committee will be comprised of seven members with backgrounds in finance, construction, design, the judicial system, transit operations or labor practices, and government spending. The committee will meet to provide a quarterly funds review, an annual audit review, and a comprehensive five year program review to ensure that the planned purposes for the Ordinance are properly administered.

The Ordinance also includes a provision requiring comprehensive assessment by the Metro Board of Directors once every ten years, starting in FY 2027. The oversight committee shall review and provide input to the analysis, which will be adopted by the Metro Board.

<u>Future</u>

The proposed ten year comprehensive assessment will look forward at projects not yet completed, and, later in the plan period, at which projects or programs can be added. Any additions to the Expenditure Plan by the Metro Board of Directors would be through this decennial process, and could not delay any projects already included in the plan. Any cost savings from any completed subregional projects or programs will be returned to the appropriate geographic subregion or system connectivity program, to maintain equity, and may also be reallocated through this process. A description of the system connectivity program is included in Attachment C.

DETERMINATION OF SAFETY IMPACT

Adopting the Ordinance and the Resolution, and amending the budget for related costs will not have any adverse safety impacts on employees and patrons. A successful ballot measure will improve Metro's ability to provide expanded service, as well as better maintain its assets, improving safety for employees, patrons, and the public in general throughout the County.

FINANCIAL IMPACT

The financial impact of the staff recommendation is limited to the costs of placing the measure on the ballot and funding the related voter information costs. The FY 2017 budget will be amended adding $10.9 million.

Approval of the ballot measure by the voters of Los Angeles County would increase the agency's revenues by a projected $120+ billion between FY 2018 and FY 2057. These revenues would be used to fund the projects and programs described in the Expenditure Plan in Attachment B.

Impact to Budget

The additional cost to the FY 2017 Metro Budget for this Ordinance is approximately $10.9 million. The election costs include $8.4 million, estimated by the County Registrar as the fee for placing the based measure on the ballot, which should be added to the 1010 cost center (the Board Office) in the New Sales Tax Initiative project/task number 405201/01.01. The remaining $2.5 million should be added to the Communications Executive Office cost center 7010, in the same project/task numbers (405201/01.01), for information costs.

The proposed source of funds for this action is a combination of Measure R administration and general funds based on availability. These funds are available for use on transportation projects.

ALTERNATIVES CONSIDERED

The proposed sales tax measure is a way to implement a more robust transportation system that will better enable the County to keep pace with the population and employment growth. One option considered is to not move forward with a sales tax measure, to avoid the related costs. However, through the "bottoms-up" approach used to develop the Plan, and the subsequent outreach and review process, Metro has repeatedly heard that this type of transportation funding is essential to meet the transportation demands of the region.

In March 2016, the Board was presented with a 40-year draft expenditure plan. It was determined that only an indefinite ballot measure could provide the type of desired transportation solutions indicated by the stakeholder comments. To that end, Metro staff recommends leaving the termination of the proposed ballot measure up to future voters, with no specified sunset date. This recommendation creates a sustainable financial source for maximum early project delivery, increased fiscal responsibility, more local return, more State of Good Repair, saves taxpayer money through reduced debt risk, and provides for the ability to tackle the transportation infrastructure challenges of tomorrow, not just today, but once and for all.

<u>Response to a Tabled Metro Board of Director Motion from March 2016</u>
In response to a motion made by Directors Butts, Knabe and DuBois at the March 24, 2016 Metro Board of Directors meeting that was tabled, Metro staff has analyzed the impact of accelerating the delivery of all Measure R transit and highway program. Foundational to this analysis is the parameter that the Board's December 2, 2015 directive to staff remain unchanged and intact, that is-- High performing projects are accelerated, in the project sequencing of the measure, ***but only to the extent that other existing LRTP projects are not delayed from their current LRTP funding schedules.*** Thus, the alternative Potential Ballot Measure scenario proposal would entail the following elements:

- High performing projects would "…not be allowed to 'cut in line' ahead of projects already promised in Measure R."
- A subset of "all Measure R Transit projects" would therefore have to be accelerated in order to be sequenced "on par" with the high performing projects (as compared to keeping their original LRTP schedule); and
- Completion of "critical goods movement projects in the Measure R Highway Program - including completion of the I-710 South Improvements by 2032".

The results of our analysis show that this scenario would introduce an unsurmountable level of risk into the Potential Ballot Measure Expenditure Plan (the Plan). Specifically:

- An immediate and unsurmountable capital program deficit would exist starting in FY 2021;
- The deficit would rapidly climb to more than $11 billion by 2025 and peak at more than $20 billion in FY 2030;
    - If the SR-710 North project were to be included in the critical goods movement projects from Measure R, the deficit peaks at $25 billion by FY 2030;
    - These deficit figures do not include the more than $1.25 billion in annual debt service, making the cumulative challenge far worse; and,
- Attempting the aggressive borrowing to close these gaps would impact our transit operations

so severely that even extensive service cuts would not close the gaps.

Such a programmatic outcome is untenable and not recommended.

NEXT STEPS

Attachment D, Metro's Plan to Ease Traffic, will be used to summarize the staff recommendation for the Expenditure Plan. If approved, Metro Staff will submit the resolution, the proposed ballot measure, and the back-up documentation to the Offices of the Los Angeles County Registrar-Recorder/County Clerk and County Board of Supervisors by the August 12, 2016 deadline, per the Schedule to Inclusion on the Ballot (Attachment E). The letter "M" will be requested as the designation by the August 17, 2016 deadline, with "E" and "T" as alternatives. Following letter selection, the public information materials on the proposed measure will be finalized and sent out to all Los Angeles County registered voters. Staff will continue to provide support and information as needed, including the Updated Major Capital Project Descriptions found in Attachment F.

Additionally, the CEO will return to the Metro Board of Directors to present the agency's Program Management Plan in October 2016 outlining how Metro Staff plans to manage the proposed program.

ATTACHMENTS

Attachment A - Ordinance and Expenditure Plan
Attachment B - Resolution
Attachment C - System Connectivity
Attachment D - Presentation (Under Separate Cover)
Attachment E - Schedule to Inclusion on Ballot
Attachment F - Updated Major Capital Project Descriptions

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