



Board Report

File #: 2024-0332, File Type: Formula Allocation / Local Return

Agenda Number: 6.

FINANCE, BUDGET, AND AUDIT COMMITTEE JUNE 20, 2024

**SUBJECT: LOCAL RETURN PROPOSITION A AND MEASURE R CAPITAL RESERVE -
PALMDALE AND SOUTH PASADENA**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities for their Capital Reserve Account as approved; and
- B. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Palmdale (Proposition A), and South Pasadena (Measure R) (Attachment A).

ISSUE

A local jurisdiction may need additional time to accumulate sufficient funding to implement a project, or to avoid lapsing of funds. Similar to previous years, many cities require a lapsing extension due to the limited spending caused by project delays that occurred during the pandemic.

BACKGROUND

According to the Local Return Guidelines, Board approval is required to extend the deadline for lapsing Local Return funds. Typically, the local jurisdiction requests that funding be dedicated in a Capital Reserve Account. Once approved, a local jurisdiction may be allowed additional years to accumulate and expend its Local Return funds from the date that the funds are made available.

DISCUSSION

Staff uses a First-In-First-Out (FIFO) calculation to determine if a city may be in jeopardy of losing their Local Return funds. Proposition A and Proposition C utilize a “three year plus current year” period for a total of four years for the timely use of funds requirement. Measure R and Measure M

utilize a five-year period for the timely use of funds requirement.

Considerations

Capital Reserve Accounts are permitted with approval from the Board of Directors. These accounts may be established so that Los Angeles County local jurisdictions may extend the life of their Local Return revenue to accommodate longer term financial and planning commitments for specific capital projects.

Should Local Return funds lapse due to time constraints, per Local Return Guidelines, those lapsed funds would then be returned to Metro so that the Board may redistribute the funds to jurisdictions for discretionary programs of county-wide significance or redistribute to each Los Angeles County local jurisdiction by formula on a per capita basis.

The City of Palmdale has an existing large project that has experienced project delays, and as a result may lapse some of its funding. The time extension is needed to avoid losing its project funds. These streets cover vast areas of Palmdale and need repair. The City of South Pasadena is a small city that needs the time extension to accumulate more Local Return funds to complete its street improvement project for their Pavement Management System.

DETERMINATION OF SAFETY IMPACT

Approval of the new Capital Reserve Accounts will allow for Street and Road improvement projects, that would provide additional safety features for local communities.

FINANCIAL IMPACT

Adoption of staff recommendations would have no impact on the Metro Budget, or on Metro's Financial Statements. The Capital Reserve Account funds originate from Propositions A and Measures R funds. As specified by the ordinances, these funds are allocated to and held by each Los Angeles County local jurisdiction by formula. Some of the city's funds could lapse due to time constraints, and other cities with small apportionments may need additional time to accumulate the needed funds for capital projects.

Impact to Budget

Adoption of staff recommendations would have no impact on the Metro Budget as these funds have been previously disbursed to the cities. These funds are not eligible for Metro bus and rail operations.

EQUITY PLATFORM

Under Board-adopted guidelines, this item enables the programming of funds to recipients to support the implementation of various transportation projects and improvements throughout the region. For Palmdale and South Pasadena, these projects will provide better street conditions to enhance mobility for pedestrians, cyclists, transit users, and individuals with disabilities. Palmdale, especially,

is a vast city with 37% of its population residing in Equity Focus Communities. Through the process of public input, the engagement during local decision making and project implementation, cities and unincorporated areas of the county are empowered to appropriately and equitably address the needs of their communities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro's Strategic Plan Goals #1 and #2 by improving mobility, ease of travel, and safety. The local jurisdictions' improvement projects to be funded by their apportionments presented in Attachment A, will assist in achieving those goals.

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the recommendations above, which staff does not recommend, the cities may not be able to accumulate sufficient funds necessary to implement the capital projects as described in Attachment A and the projects may not be constructed in a timely manner.

NEXT STEPS

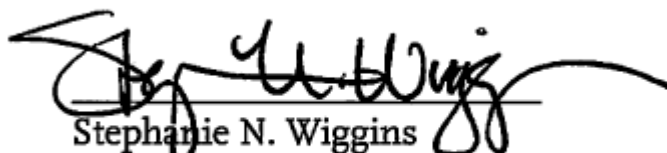
With the Board's approval of the recommendation, staff will negotiate and execute all necessary agreements between Metro and the listed cities for their Capital Reserve Accounts as approved. Staff will continue to monitor the accounts, including the annual Local Return audit, to ensure that the cities comply with the Local Return Guidelines and the terms of the agreement.

ATTACHMENTS

Attachment A - Project Summary for Proposed Capital Reserve Accounts

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Chief Executive Officer

ATTACHMENT A

**PROPOSED CAPITAL RESERVE ACCOUNTS
(Project Summary)**

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Palmdale (New)	<p><u>Project:</u> Asphalt Rubber Aggregate Membrane (ARAM) Cape Seal Street Improvement Project</p> <p><u>Justification:</u> The capital reserve will assist in the accumulation of funds and in the non-lapsing of funds</p>	\$5,000,000	Prop C 20% Local Return Potential lapse of \$200,000	6/30/29
City of South Pasadena (New)	<p><u>Project:</u> Street Repairs per Pavement Management System</p> <p><u>Justification:</u> The capital reserve will assist in the completion of this long-term project and in the non-lapsing of funds</p>	\$85,000	Measure R 15% Local Return Potential lapse of \$85,000	6/30/29