File #: 2026-0393, **File Type:** Formula Allocation / Local Return **Agenda Number:** 26.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 16, 2026

SUBJECT: FY26 LOCAL RETURN CAPITAL RESERVE ACCOUNTS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Bell (Measure M), Beverly Hills (Measure M), Compton (Proposition C), Lawndale (Proposition C and Measure M), Lynwood (Proposition C), Palmdale (Proposition C, Measure R, Measure M), Palos Verdes Estates (Proposition C), Rolling Hills Estates (Proposition C, Measure R, Measure M), Rosemead (Proposition C), San Dimas (Proposition C, Measure M), Santa Monica (Proposition C, Measure M), Sierra Madre (Proposition A), and Torrance (Proposition C), and amending the Local Return funded Capital Reserve Account for the City of Lomita (Proposition C) (Attachment A); and

B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.

ISSUE

A local jurisdiction may need additional time to accumulate sufficient Local Return funding to implement a project, or to avoid lapsing of funds. To avoid lapsing, a local jurisdiction may request that funding be dedicated in a Capital Reserve Account. Board approval is required to set up these Capital Reserve Accounts and any amendments to existing accounts.

BACKGROUND

Local Return Funds are generated from 4 half-cent sales taxes that are directly allocated to the 88 cities plus the County of Los Angeles based on population share for transit and transportation related projects. Proposition A (voter approved in 1980) local return has a 25% share; Proposition C (voter approved in 1990) local return has a 20% share; Measure R (voter approved in 2008) has a 15% share; and Measure M (voter approved in 2016) local return has a 17% share. Together, these 4 funding sources make up over $800 million annually in revenue that support projects such as local bus and dial-a-ride services, bus stop improvements, street paving, active transportation, and much more. Each of these local return revenue sources has a timely use of funds requirement. As a mechanism to help cities avoid lapsing their local return funds and to allow for the accumulation of funds for larger scale transportation projects, Capital Reserve accounts are created on an annual basis if needed.

DISCUSSION

Local Return funds are disbursed to all 89 local jurisdictions monthly to fund their eligible projects once receiving approval from Metro on budgeted projects. An annual audit is conducted to ensure jurisdictions are spending funds as approved by Metro and are following proper accounting and reporting procedures in managing their funds. These audits also determine each jurisdiction's total local return fund balance amount by sales tax ordinance upon audit completion. Based on the audited data, staff uses a First-In-First-Out estimate to determine if a city may be in jeopardy of losing their Local Return funds. These estimates are further validated by updated expenditure data from the final audits. Currently 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.

Once potential lapsing amounts are calculated, the cities are notified and given an opportunity to request a capital reserve account for planned larger multi-year projects that will exhaust the lapsing balance. Audits have identified instances where some local jurisdictions are experiencing staff turnover which creates challenges in implementing their local projects in an expeditious manner which may result in large local return balances accruing. The Capital Reserve account is a tool to help these cities maintain their funding while they address administrative challenges and allows them to improve their project planning efforts and fund priority projects.

Metro staff identified potential lapsing funds of $33,915,232 of Proposition A, $64,745,700 of Proposition C, $13,308,839 of Measure R, and $6,990,364 of Measure M for a total of $118,960,135 for this report, however past experience has shown that most cities spend down their lapsing funds before the deadline. The audit will determine the final lapsed status of all cities. The cities below with the exception of the City of Bell would have lapsed some or all of their local return funds as described without setting up a capital reserve.

Considerations

Capital Reserve Accounts are permitted with approval from the Board. These accounts may be established so that Los Angeles County local jurisdictions may extend the life of their Local Return funds 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 Cities of Bell, Beverly Hills, Compton, Lawndale, Lynwood, Palmdale, Palos Verdes Estates, Rolling Hills Estates, Rosemead, San Dimas, and Torrance are all working on large street improvement projects that are costly and difficult to coordinate and construct. The City of Santa Monica is working on a multi-year Pier Bridge Replacement Project that has various stages. The City of Sierra Madre needs additional time to compile local return funds for a Transit Hub project. The City of Lomita requires a time extension on an existing Board Approved Capital Reserve account to complete the construction of their intersection project. The termination date for all these capital reserve accounts will be June 30, 2031, unless a city requests an additional time extension before then.

New Capital Reserve Accounts

City of Bell

The City of Bell is requesting a new Measure M 17% Local Return capital reserve account in the amount of $1,500,000 for their Bear Ave and Otis Ave Street Improvements Project. This is a street rehabilitation project that includes: sidewalk replacement, pavement section, driveway, curb and gutter maintenance, manhole adjustment, speed humps, and striping. Proposed work will increase safety for pedestrians and vehicles. The capital reserve is needed due to construction delays with the project. The city is not in danger of lapsing funds in FY26. In FY25 Bell had no audit findings.

City of Beverly Hills

The City of Beverly Hills is requesting a new Measure M 17% Local Return capital reserve account totaling $1,000,000 for their Citywide Street and Alley Improvements Project. The scope of this project includes streets and alley pavement repairs and maintenance per the adopted Pavement Management Program to increase the serviceability of pavement life by at least 25 years. The project will rehab approximately 2.53 miles of streets, 2.76 miles of alley infrastructure, and 38,300 square-feet of pedestrian sidewalk repairs. Approval of this capital reserve will assist in the accumulation of funds for the project and will prevent $492,753 of Measure M funds from lapsing in FY26. In FY25 Beverly Hills had no audit findings.

City of Compton

The City of Compton is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $5,000,000 for their Citywide Street Maintenance and Street Rehabilitation Program Project. This is a street maintenance project that includes asphalt replacement and repair, curb and gutter repairs, sidewalk replacement, signs, striping, and storm drain repairs on streets throughout the City that are utilized by public transit. Approval of this capital reserve will prevent funds from lapsing due to delays in the project construction schedule. At the beginning of FY25 the City had a Proposition C potential lapsing amount of $3,541,026. In FY25 Compton had two audit findings related to Proposition C funds. The City did not maintain proper accounting records, which was unresolved during the audit and the City lapsed $1,215,734 for which they received an extension from Metro during the audit. Approval of this capital reserve will prevent funds from lapsing and eliminate a potential repeat audit finding in FY26.

City of Lawndale

The City of Lawndale is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling $1,160,733 for their Hawthorne Blvd Rehabilitation Project. This project will rehabilitate approximately 2.1 miles of Hawthorne Boulevard, a major arterial corridor extending from Artesia Boulevard to Rosecrans Avenue and includes asphalt resurfacing, striping, and ADA improvements. This capital reserve is required to allow the City to accumulate sufficient regional transportation funds to deliver this large-scale pavement rehab project ensuring compliance with program expenditure deadlines. At the beginning of FY25 the City had a Proposition C potential lapsing amount of $114,314 and a Measure M potential lapsing amount of $463,365. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Lawndale received an audit finding for late submittal of the Pavement Management System form. This finding was resolved during the audit.

City of Lynwood

The City of Lynwood is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $4,000,000 for their Santa Fe Street & State Street - Remove and Reconstruct Project. Scope of Work will involve full-depth street reconstruction of three street segments along Sante Fe Street and State Street that have been identified as high priority based on their state of disrepair. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $1,849,856. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Lynwood received an audit finding for Prop C project expenditures being over 25% of their budget which was resolved during the audit with retroactive approval of budget change.

City of Palmdale

The City of Palmdale is requesting two separate capital reserve accounts. The first is for their Avenue T Street Improvements project for $3,000,000 of Measure M 17% Local Return funds. The second capital reserve is for their Ave R and R-8 Street Improvements Project totaling $10,800,000 of Proposition C 20% Local Return and Measure R 15% Local Return funds. The Avenue T Street Improvements Project will rehabilitate roadway pavement, shoulders, street widening, construction of a new traffic signal, and curb ramps. The Ave R and R-8 Street Improvements Project scope of work includes improvements to all existing features from curb to curb, ADA Ramps, to all above ground utilities, and the addition of centerlines, property lines, and right-of-way lines. Approval of these capital reserves will allow for additional accumulation of funds that is necessary for higher than anticipated construction and engineering costs. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $2,018,433, Measure R potential lapsing amount of $4,502,932, and Measure M potential lapsing amount of $285,851. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Palmdale received one Proposition C audit finding for late submittal of the Pavement Management System form; this finding was resolved during the audit.

City of Palos Verdes Estates

The City of Palos Verdes Estates is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $1,500,000 for their Pavement Rehabilitation and Resurfacing Program Project. This project provides for the planning, design, and construction of roadway resurfacing and rehabilitation improvements on selected City streets identified through the Palos Verdes Estates Pavement Management Program (PMP). Street segments are evaluated annually using PMP data to assess pavement conditions, prioritize needs, and identify the most cost-effective treatment strategies to preserve roadway assets and extend service life. Establishing a Local Return capital reserve account is necessary because this program represents a large-scale, multi-year capital investment that cannot be efficiently delivered within a single fiscal year of Local Return allocations. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $843,264.

Approval of this capital reserve will prevent these funds from lapsing. In FY25 Palos Verdes Estates received 2 Proposition C audit findings. The City expended funds on projects without receiving approval from Metro. The projects were eligible expenses and Metro retroactively approved them during the audit. In addition, the City did not have proper accounting procedures in place. Since the close of the audit Metro has been working closely with the City to ensure all accounting procedures are able to meet future audit reviews.

City of Rolling Hills Estates

The City of Rolling Hills Estates is requesting a new Proposition C 20% Local Return, Measure R 15% Local Return, and Measure M 17% Local Return capital reserve account totaling $631,446 for their Intersection Capacity Improvements at Palos Verdes Drive North and Dapplegray School Entrance Project. The project is intended to increase intersection capacity and reduce congestion during peak school and commuter hours while maintaining safe access for vehicles, pedestrians, bicyclists, and school-related traffic. Improvements include roadway widening, pavement rehabilitation, new and modified curb and gutter, retaining walls, drainage features, ADA-compliant pedestrian facilities, traffic signal modifications, signing and striping, and associated utility adjustments. Due to the limited scale of Rolling Hills Estate’s local budget, the City has strategically leveraged multiple funding sources to supplement the Measure M Subregional Grant funds dedicated to this project. Following the bid opening in April, project costs exceeded initial estimates. Establishment of this capital reserve account will secure Proposition C, Measure R, and Measure M Local Return funds ensuring they remain available and do not lapse before the project’s completion. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $26,873. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Rolling Hills Estates had no audit findings.

City of Rosemead

The City of Rosemead is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $2,200,000 for their Walnut Grove & Valley Blvd Roadway Improvements Project. The scope of this project includes roadway resurfacing, ADA upgrades, streetscape and raised medians, a bicycle feasibility study, and LA County fire crossing enhancements. Additional time and fund accumulation is needed for this project with construction scheduled to begin first quarter of 2027. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $1,020,040. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Rosemead had no audit findings.

City of San Dimas

The City of San Dimas is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling $1,600,000 for their Arrow Highway Street Improvement Project. The scope of this project includes removal and replacement of two inches of existing asphalt to restore the roadway surface, removal and replacement of damaged sidewalk, curb and gutter rehabilitation, and upgrades to existing curb ramps. Additional time needed to complete this project due to delays associated with receipt of federal funding programmed for the project. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $818,441 and Measure M lapsing amount of $304,919. In FY25 San Dimas received one Proposition C audit finding for lapsed funds. Metro granted an extension for these lapsed funds. Approval of this capital reserve will prevent funds from lapsing and eliminate a potential repeat audit finding in FY26.

City of Santa Monica

The City of Santa Monica is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling $5,441,609 for their Pier Bridge Replacement Project. This project will replace the existing, outdated structure with a wider structure providing one vehicular traffic lane in each direction with wider sidewalks. Because this project has multiple stages with different lead times, establishment of a capital reserve is necessary to ensure that funds remain available through all project stages. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $2,294,992. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Santa Monica had no audit findings.

City of Sierra Madre

The City of Sierra Madre is requesting a new Proposition A 25% Local Return capital reserve account in the amount of $1,000,000 for their Sierra Madre Transit Hub and Passenger Amenity Modernization Project. This project will modernize the City's primary transit waiting and transfer area at Kersting Court, along with complementary upgrades at 9 additional Metro Line 268 stop locations within Sierra Madre. The scope is limited to direct-transit passenger amenities and transit-supportive infrastructure within the active waiting areas and, where applicable, within 25 feet of the designated bus stop signposts. This capital reserve is needed to support the phased implementation and final refinement of this long-term multistage project. At the beginning of FY26 the City had a Proposition A potential lapsing amount of $466,613. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Sierra Madre had no audit findings.

City of Torrance

The City of Torrance is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $6,000,000 for their FY26 Arterial Pavement Improvement I-139 Project. This project will repair arterial pavement in areas designated by the City's pavement management program. This project was deferred due to the construction of a separate grant-funded project within the project area for new traffic signals that would disturb the new pavement of this project should it have been prioritized. As a result, Prop C funds could not be used within the timeframe that was originally anticipated and need to be placed in a capital reserve account to complete the project. At the beginning of FY26 the City had a Proposition C potential lapsing amount of $1,718,615. Approval of this capital reserve will prevent these funds from lapsing. In FY25 Torrance had no audit findings.

Amended Capital Reserve Accounts

City of Lomita

The City of Lomita is requesting a time extension to their Board approved Lomita/Narbonne Intersection - ADA project, Proposition C 20% Local Return capital reserve account totaling $7,000,000. The scope of this project involves ADA improvements to the intersection of Lomita Blvd & Narbonne Ave. This project was delayed because of a Citywide School Loading Zone Study that impacted the project area and design. The capital reserve account needs to be extended so the project can be completed. In FY25 Lomita had no audit findings.

DETERMINATION OF SAFETY IMPACT

Approval of the new capital reserve accounts that include street and road improvement projects would provide additional safety features for local communities.

FINANCIAL IMPACT

Adoption of the staff recommendation would have no impact on the Metro Budget, or on Metro's Financial Statements. The capital reserve account funds originate from Propositions A and C, and Measures R and M funds. As specified by the ordinances, these funds are allocated to and held by each Los Angeles County local jurisdiction by formula.

Impact to Budget

Adoption of the staff recommendation 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 (see Attachment A). For Bell, Beverly Hills, Compton, Lawndale, Lomita, Lynwood, Palmdale, Palos Verdes Estates, Rolling Hills Estates, Rosemead, San Dimas and Torrance, these projects will provide better street conditions to enhance mobility for pedestrians, cyclists, transit users, and individuals with disabilities. The City of Sierra Madre's Transit Hub and Passenger Amenity Modernization Project will greatly improve transit and pedestrian access for residents and workers within the city. The City of Santa Monica's Pier Bridge Replacement Project will modernize vehicular and pedestrian access to the pier and adjacent area.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

The projects result from the funding adjustments presented in this report have mixed outcomes, but on a whole, most of the projects in this report will likely decrease VMT in LA County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects within this status report include items that will ease congestion for cars and trucks resulting in the possibility of increased VMT. However, these projects also provide for carpooling infrastructure and reinvestment of funding towards transit projects. The projects' multi-modal benefits may contribute to offsetting the possible increase in VMT. The VMT-related effects of each of the projects in this report are discussed in Attachment A.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following Strategic Plan Goals by funding the improvement projects presented in Attachment A:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling;
- Goal 2: Deliver outstanding trip experiences for all users of the transportation system; and
- Goal 3: Enhance communities and lives through mobility and access to opportunity

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the staff recommendations 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.

Staff is currently developing a consolidated Local Return guidelines document to merge the three existing guidelines into one consistent set of administrative procedures to improve local jurisdiction program compliance. While administrative processes will be updated and modernized, the eligibility and other foundational requirements of the four Local Return programs authorized by their respective sale tax ordinances will remain unchanged. As related to this report, the new proposed guidelines will offer an alternative to Capital Reserve Accounts for lapsing funds. This alternative would provide jurisdictions the option to partner with Metro to implement localized Board priority transportation projects that provide immediate benefits, such as Open and Slow Streets funding and improvements to support the 2028 Olympic and Paralympic Games.

ATTACHMENT

Attachment A - Proposed FY26 Capital Reserve Account Summary

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Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

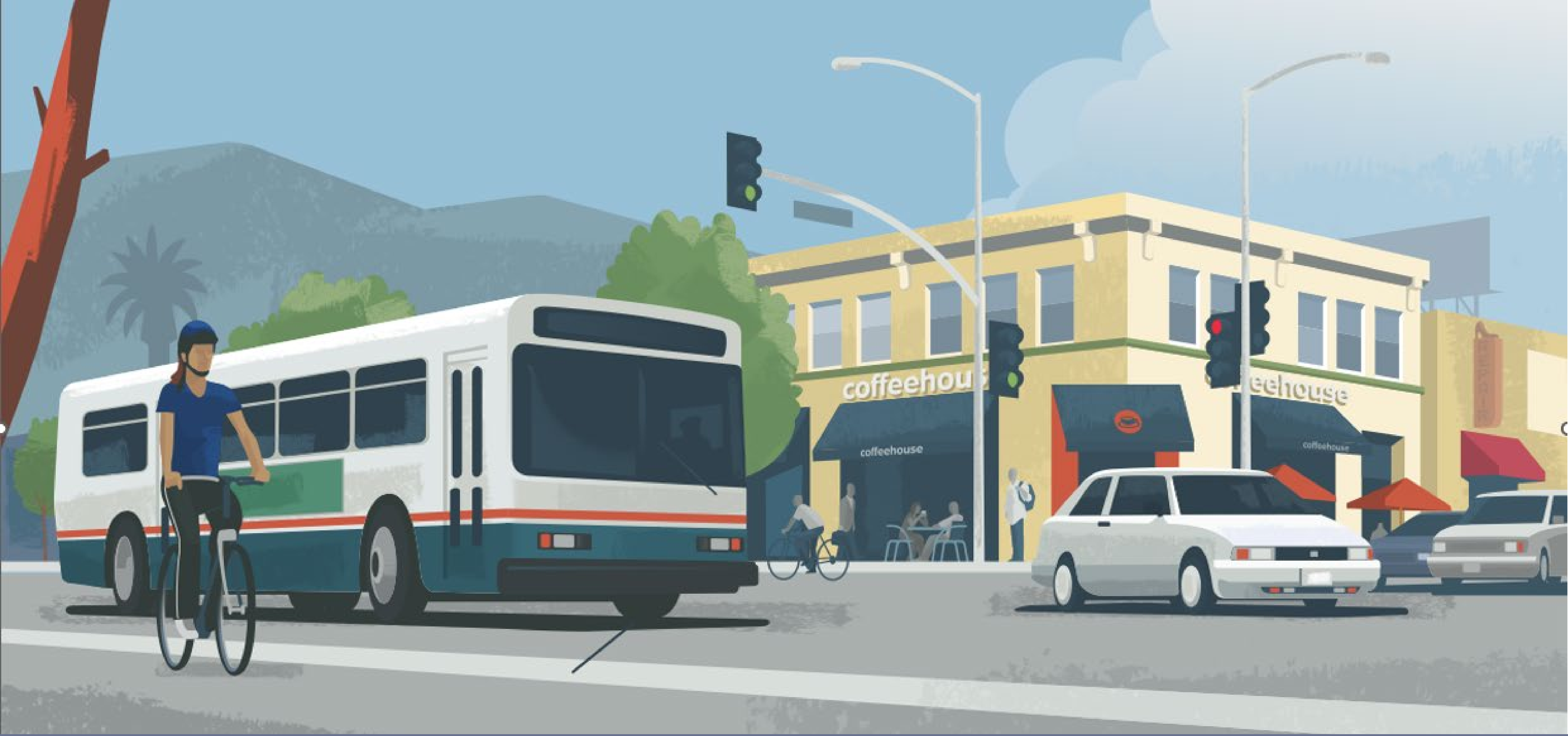
PROPOSED FY26 CAPITAL RESERVE ACCOUNT SUMMARY

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Bell (New)	Project: Bear Ave and Otis Ave Street Improvements Justification: The capital reserve is needed due to delays in construction. VMT: This project will likely increase VMT	$1,500,000	Measure M 17% Local Return	6/30/31
City of Beverly Hills (New)	Project: Citywide Street and Alley Improvements Justification: Capital reserve will prevent funds from lapsing due to delays and timing of the construction schedule of this project. VMT: This project will likely increase VMT	$1,000,000	Measure M 17% Local Return	6/30/31
City of Compton (New)	Project: Citywide Street Maintenance and Street Rehabilitation Program Justification: Capital reserve will prevent funds from lapsing due to project delays and $40 million bond. VMT: This project will likely increase VMT	$5,000,000	Prop C 20% Local Return	6/30/31
City of Lawndale (New)	Project: Hawthorne Blvd Rehabilitation Project Justification: Establishing a capital reserve for this project will allow the City to accumulate sufficient regional transportation funds to deliver this large-scale pavement rehabilitation project while ensuring compliance with program expenditure deadlines. VMT: This project will likely increase VMT	$114,314 $1,046,419	Prop C 20% Local Return Measure M 17% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Lomita (Extension)	Project: Lomita/Narbonne Intersection Project - ADA Justification: The project has not yet been completed due to significant project delays from Citywide School Loading Zone Study. VMT: This project will likely decrease VMT	$7,000,000	Prop C 20% Local Return	6/30/31
City of Lynwood (New)	Project: Santa Fe Street & State Street - Remove and Reconstruct (Design and Construction) Justification: The planning process was delayed due to staff turnover of key department heads and prioritization of other projects. Capital reserve account allows city to prevent lapsing funds and budget deficit. VMT: This project will likely increase VMT	$4,000,000	Prop C 20% Local Return	6/30/31
City of Palmdale (New)	Project: Avenue T Street Improvements Justification: Project is finalizing design; engineers estimate high construction costs. Establishment of capital reserve will allow for funds to be in place before contract award. VMT: This project will likely increase VMT	$3,000,000	Measure M 17% Local Return	6/30/31
City of Palmdale (New)	Project: Ave R & R-8 Street Improvements Justification: Project is finalizing design; engineers estimate high construction costs. Establishment of capital reserve will allow for funds to be in place before contract award. VMT: This project will likely increase VMT	$4,800,000 $6,000,000	Prop C 20% Local Return Measure R 15% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Palos Verdes Estates (New)	Project: Pavement Rehabilitation and Resurfacing Program Justification: A capital reserve account will enable completion of this large-scale, multiyear capital investment that cannot be efficiently delivered within a single fiscal year of Local Return allocations. VMT: This project will likely increase VMT	$1,500,000	Prop C 20% Local Return	6/30/31
City of Rolling Hills Estates (New)	Project: Intersection Capacity Improvements at Palos Verdes Drive North and Dapplegray School Entrance Justification: Extra time is needed to collect local return funds to complete this project due to the City's limited resources and funding. VMT: This project will likely increase VMT	$334,478 $139,204 $157,764	Prop C 20% Local Return Measure R 15% Local Return Measure M 17% Local Return	6/30/31
City of Rosemead (New)	Project: Walnut Grove Ave & Valley Blvd Roadway Improvements Justification: Additional time and fund accumulation needed for project with construction scheduled to begin first quarter of 2027. VMT: This project will likely increase VMT	$2,200,000	Prop C 20% Local Return	6/30/31
City of San Dimas (New)	Project: Arrow Highway Street Improvement Project Justification: Additional time needed to complete project due to delays associated with federal funding for this project VMT: This project will likely increase VMT	$1,200,000 $400,000	Prop C 20% Local Return Measure M 17% Local Return	6/30/31

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Santa Monica (New)	Project: Pier Bridge Replacement Project Justification: The Project includes various stages with different lead times: demolition of the existing bridge, and construction of a temporary bridge for pedestrian and vehicular access. Expenditures are expected to ramp up within the next 6 months. Capital reserve will ensure that funds are available for the project when they are needed. VMT: This project will likely increase VMT	$1,810,126 $3,631,483	Prop C 20% Local Return Measure M 17% Local Return	6/30/31
City of Sierra Madre (New)	Project: Sierra Madre Transit Hub and Passenger Amenity Modernization Project Justification: Additional funds needed to assist in the completion of this long-term project and prevent funds from lapsing VMT: This project will likely decrease VMT	$1,000,000	Prop A 25% Local Return	6/30/31
City of Torrance (New)	Project: FY26 Arterial Pavement Improvement I-139 project Justification: Project deferred due to a grant-funded project within project area for new traffic signals that would disturb the new pavement. As a result, Prop C funds could not be used within the timeframe that was originally anticipated and need to be placed in a capital reserve account to complete the project. VMT: This project will likely decrease VMT	$6,000,000	Prop C 20% Local Return	6/30/31



FY26 Local Return Capital Reserve Accounts - Item# 2026-0393

Finance, Budget & Audit Committee
July 16, 2026

Metro

Issue & Background

- Metro annually allocates Local Return funds to LA County jurisdictions to implement local projects
  - Proposition A
  - Proposition C
  - Measure R
  - Measure M
- Local Return funds must be spent within 4 or 5 years, depending on fund source
  - If not spent, funds could lapse and jurisdiction can lose revenues
- Jurisdictions may need additional time to accumulate funding to implement projects
- To prevent lapsing, jurisdictions may request Capital Reserve Account
- Board approval is required to establish or amend Capital Reserve Accounts

Capital Reserve Account Projects

NEW CAPITAL RESERVES		
Jurisdiction Name	**Amount**	**Project**
Bell (Meas M)	$ 1,500,000	NEW Project - Bear Ave and Otis Ave Street Improvement
Beverly Hills (Meas M)	1,000,000	NEW Project - Citywide Street and Alley Improvement
Compton (Prop C)	5,000,000	NEW Project - Citywide Street Maintenance and Street Rehabilitation Program
Lawndale (Prop C & Meas M)	1,160,733	NEW Project - Hawthorne Blvd Rehabilitation Project
Lynwood (Prop C)	4,000,000	NEW Project - Santa Fe Street & State Street - Remove and Reconstruct (Design and Construction)
Palmdale (Meas M)	3,000,000	NEW Project - Avenue T Street Improvements
Palmdale (Prop C & Meas R)	10,800,000	NEW Project - Ave R & R-8 Street Improvements
Palos Verdes Estates (Prop C)	1,500,000	NEW Project - Pavement Rehabilitation and Resurfacing Program
Rolling Hills Estates (Prop C, Meas R & Meas M)	631,446	NEW Project - Intersection Capacity Improvements at Palos Verdes Drive North & Dapplegray School Entrance
Rosemead (Prop C)	2,200,000	NEW Project - Walnut Grove Ave & Valley Blvd Roadway Improvements
San Dimas (Prop C & Meas M)	1,600,000	NEW Project - Arrow Highway Street Improvement Project
Santa Monica (Prop C & Meas M)	5,441,609	NEW Project - Pier Bridge Replacement Project
Sierra Madre (Prop A)	1,000,000	NEW Project - Sierra Madre Transit Hub & Passenger Amenity Modernization Project
Torrance (Prop C)	6,000,000	NEW Project - FY26 Arterial Pavement Improvement I-139 Project

AMEND CAPITAL RESERVES		
Jurisdiction Name	**Amount**	**Project**
Lomita (Prop C)	$ 7,000,000	EXTENSION - Lomita/Narbonne Intersection Project - ADA

Metro

Recommendation

CONSIDER:

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B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.