

## The Highway Capital Subfund Protection Policy 2013

### *An Amendment to the 2011 Measure R Fiscal Responsibility Policy*

#### Motion by Directors O'Connor, Najarian, Dubois, and Knabe

Finance and Budget Committee

June 19, 2013

The Proposed **Measure R Project Finance Acceleration Plan** serves to underscore the dramatic differences between the Transit Capital and Highway Capital Subfunds outlined in the Measure R Expenditure Plan.

Noting this difference, the South Bay Cities Council of Governments (SBCC) has expressed its concerns in its May 24, 2013 letter to this Board regarding the proposed Measure R Acceleration Amendment Program. The SBCC then proceeds to lay out a set of important globalized policy recommendations we feel will protect the regional integrity of the Measure R Highway program, maintain the original intent of Measure R, and the commitment of regional equity promised to the voters in 2008.

The letter outlines a number of good reasons why this Board should give serious consideration to allow the bifurcation of the Highway Acceleration strategy; in so far as allowing respective sub-regions the option of opting out of "Highway Acceleration" or at least giving the sub-regions the discretion of using it on an "as needed" basis, if and when needed, without potentially penalizing a sub-region whose highway needs do not lend themselves to the acceleration strategy.

Under Measure R, the South Bay, Arroyo Verdugo, and Las Virgenes/Malibu Highway Subfunds are "**Highway Operational Improvement**" Programs (HOIPs) established in Measure R as respective 30-year programs of discreet, smaller highway and arterial projects; potentially including several major freeway Caltrans projects and (when taken in the aggregate) hundreds of local highway/arterial operational improvements. Unlike individual major transit projects or the identified large specific highway projects; the Measure R HOIP is structured to evolve over the 30 years of Measure R based on project readiness, funding leverage and other benefit and cost factors. Funds are allocated annually, so a five-year implementation timeframe is appropriate. Acceleration of Measure R HOIPs to fully fund a few new projects by 2023 may not be a reasonable strategy to accomplish the long term respective sub region's needs and goals, especially if it disconnects individual HOIPs from the ability to leverage non-Measure R funding. As proposed, the Acceleration Program sets in motion a very complex set of funding computations that make it difficult to determine if Highway Acceleration will provide any benefits to the HOIPs.

Furthermore, the HOIPs have always assumed that Caltrans projects would be significantly funded with a mix of Measure R Highway, Proposition C 25% and federal funds. The proposed Acceleration Plan would now require Caltrans projects that are accelerated be paid for exclusively using Measure R, or, if delayed would be funded with Proposition C 25% or federal formula funds.

In closing, we, too, believe any Measure R Highway strategy should include a Board Policy provision giving discretionary flexibility to the sub-region HOIPs, because a one-size highway program does not fit all subregions.

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**We, Therefore, Move** that the Metro Board incorporate the following recommendations as permanent Board Policy to the 2011 ***Measure R Fiscal Responsibility Policy*** as follows:

Metro will focus on transit project acceleration and provide flexibility to allow a sub-region the choice to opt out of highway-related acceleration:

- A. Concurrently protecting the Sub-region's share of Highway Contingency/Escalation Funds (as reflected in Line 39, Measure R Highway Expenditure Plan) used for acceleration in proportion to the sub-regional share of Measure R funds allocated to each subregion in the 2008 Measure R Expenditure Plan, i.e. as reflected in the original 2008 Measure R Expenditure Plan *Subregional Comparison – Highway Projects FY 2010-2039*; and
- B. If (in 2019) a Subfund Transfer (from Highway to Transit, or vice versa) is approved, the proportionate amount of the subregion's Subfund Contingency/Escalation funding will also be available for transfer and allocated to the project being funded; and
- C. Having originally set forth in 2011 the policy protections contained in the O'Connor/Molina/Dubois ***Measure R Fiscal Responsibility Policy***, i.e. Highway Capital Project Contingency/Escalation funds will have equal access to Measure R Contingency funds in the later decades; **Staff is hereby directed to conform those provisions to reflect the above updated policy amendments.**