



AMENDMENTS TO NEW MEASURE A CAPITAL IMPROVEMENT PROGRAM

Action Requested: Adopt amended capital improvement program; or continue to August 27 for further discussion and adoption

Key Staff: Brian Williams, Executive Director

Recommendation

- 1. Adopt an amended New Measure A capital improvement program to account for substantially reduced sales tax and development fee revenues.
2. Set aside a prior Board action (Dec. 2008) that allocated future State Local Partnership Program funds among transportation providers in Sacramento County according to a population- and road mileage-based formula; instead, allocate these funds as necessary to balance the early years of the amended New Measure capital improvement program.

Background

In 2006, your Board adopted the initial capital improvement program (CIP) for the New Measure A transportation sales tax program. The CIP sets forth the funding schedule and amounts for each of the 55 projects in the New Measure A Ordinance. The projects are funded by a combination of Measure A and other federal, state, and local funding sources. The Measure A capital program is supported by 20.75% of the sales tax revenues and 85% of revenues from the new Countywide development impact fee. All other revenues are earmarked for on-going annual programs. The 2006 CIP assumed approximately 5% annual growth over 30 years from cumulative base year (FY 2010) revenue of \$55.4 million. It was a very front-loaded project delivery and construction schedule using aggressive debt financing to effectively complete all projects within the first 15 years of the New Measure A term.

In December 2008, your Board approved a process for allocating future State Local Partnership Program (SLPP) funds among the County and cities according to a formula based on population and road mileage, with set-asides for Regional Transit and Paratransit, Inc.:

State Local Partnership Program in Sacramento County
Approved Distribution by Entity (2009-2013)

Table with 6 columns: Entity, Population, %, Lane Miles, %, 75 / 25 Formula (\$), and %. Rows include Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova, Sacramento, Uninc. County, subtotal, Regional Transit, Paratransit, Inc., and Total.

The SLPP will provide approximately \$7.2 million to the STA each year for five years as a dollar-for-dollar match of eligible Measure A sales tax expenditures. Unallocated SLPP funds in one year can be rolled over for allocation in the following year. The SLPP is to be funded from the future sale of Prop 1B bonds by the State Treasurer. While there is general consensus that these funds will become available over time, the State's current financial circumstances may inhibit the issuance of the affected bonds in the near term. As such, the timing of these funds is uncertain.

Discussion

Due to the severe economic downturn that began in early 2008, we now expect cumulative FY 2010 capital revenues to be less than half of prior forecasts. Indeed, we expect that sales tax revenues will be 30% below our prior forecast for FY 2010, and that development fees will be off by approximately 70%. Staff is hopeful that annual revenue growth will resume beginning in FY 2012. The net effect of the severe curtailment in revenues during the base year is that the Measure A CIP must be substantially modified. What was effectively a front-loaded 15-year program must now be spread more evenly over the entire 30-year term of the Measure A program.

Early this year, the Measure A entities submitted updated delivery timelines for each of their respective Measure A capital projects. The updated timelines generally reflected the timing and amount of funds shown in the 2006 CIP. This "Base Case" is attached hereto as **Attachment A**. Staff subsequently coordinated with the entities regarding the severity of the projected revenue shortfall and for assistance modifying the allocations of Measure A revenues to account for it. A draft amended CIP was presented to your Board on July 23. The draft indicated that sufficient capacity still exists during the 30-year term to deliver all of the Measure A capital projects. As such, no projects have been removed from the list. Most projects will receive Measure A allocations later than originally anticipated, however; in some cases more than 10 years later.

Staff relied on four criteria to modify the project delivery schedules. First, to the extent possible, we tried to continue those projects that already received partial funding from Measure A Bond Anticipation Note (BAN) proceeds. In 2006 and 2007, your Board issued Notes to accelerate the delivery and/or construction of 18 projects. Staff coordinated with local agency project managers to identify those projects under construction or about to proceed to construction that would be most harmed by an interruption in funding. Second, we identified those projects for which state or federal matching funds have been committed in the next two years. The objective was to ensure that no local agency lost immediate federal or state funding for a project because the local Measure A match could not be provided.

Third, reflecting the substantial drop-off of property development in the County, many projects in new growth areas were pushed back in time. The projects in new growth areas are likely candidates to be funded from the Countywide development fee component of Measure A. Since much of the development fee revenue stream is anticipated to be delayed, it makes sense to delay the delivery of the associated transportation improvements. Lastly, some acknowledgement was paid to geographic equity. Measure A is a Countywide transportation funding program, and all County residents are affected by the delayed allocations. No community is being asked to assume an outsized burden.

Based on these criteria—and on discussion with local project managers—staff identified 11 "priority" projects or project components for which the prior delivery schedule from the 2006 CIP is mostly preserved:

Entity	Project
County	Bradshaw Road (I) – Calvine to Old Placerville Hazel Avenue (I) – Placer Co line to Folsom Blvd Watt Avenue / US50 interchange upgrade
Caltrans	US50 Bus/Carpool Lanes – Sunrise to Watt
City of Sacramento	Downtown Intermodal Station (track relocation component)
City of Rancho Cordova	Sunrise Boulevard – Gold Country to Jackson
City of Citrus Heights	Sunrise Boulevard (I) – Placer Co to Madison
Galt	Central Galt Interchange
Regional Transit	DNA LRT extension (I) – 5 th to Richards Southline LRT (II) – Meadowview to CRC
Capital SE Connector Authority	I-5/SR99/US50 Connector (White Rock Road segment)

In some instances, a slight reduction in cumulative Measure A funding was required to keep total annual Measure A allocations within the forecasted annual capacity (revenues + bond proceeds minus debt service). Also, some projects in the draft amended CIP would receive a reduced Measure A allocation, but would be backfilled by future allocations from the State Local Partnership Program (SLPP). In order to have maximum flexibility to tap the SLPP funds for this purpose, staff proposes that your Board set aside the prior action (Dec. 2008) that allocated future SLPP funds among the various Measure A entities as described on page 1 of the staff report.

Due to the near-term uncertainty in timing of future SLPP allocations, however, staff is working with project managers to transfer a portion of their respective entity’s **Old** Measure A balance into the **New** Measure A CIP instead of relying on SLPP. In these instances, the affected **Old** Measure A balances would subsequently be reimbursed dollar-for-dollar with future SLPP funds when the State issues the associated Prop. 1B bonds. The affected **Old** Measure A funds can be expended immediately. Please note that **Old** Measure A is depicted in comment boxes on Attachment B as “**OMA.**”

An updated version of the draft Measure A CIP is attached hereto as **Attachment B**. In summary, the changes from the prior iteration of the CIP worksheet (July 23) are as follows:

City of Sacramento

- The FY 2010 allocation to Downtown Intermodal Station is backfilled with a portion of the City’s Old Measure A balance instead of the SLPP.
- The FY 2012 New Measure A allocation to Richards/I-5 is reduced from \$4,740,000 to \$3,014,000 and the “backfill amount is increased from \$3,104,000 to \$4,740,000. The “backfill” is derived from a portion of the City’s Old Measure A balance instead of the SLPP.

Rancho Cordova

- The SLPP backfill for Sunrise Blvd is pushed back one year to FY 2011.

Galt

- The FY 2010 Measure A allocation to Central Galt interchange is increased by \$90,000. The backfill is reduced from \$442,000 to \$352,000 and will be derived from a portion of Galt’s Old Measure A balance instead of SLPP.

Capital Southeast Connector Authority

- A line was added to accommodate the \$10 million in **New** Measure A funds explicitly earmarked for open space preservation and environmental mitigation associated with the I-5/SR99/US50 Connector project. A portion of this amount is proposed for allocation in FY 2012 and FY2013.

The amended CIP shown in Attachment B is slightly unbalanced for FYs 2010 and 2011 and FYs 2012 and 2013. The \$84,000 shortfall for FYs 2010/11 can be easily overcome with a proportional decrease in the Measure A allocation for each of the affected projects without inhibiting project delivery. The \$1,261,000 shortfall for FYs 2012/13 requires some further attention. It's possible that we will be able to enhance the CIP capacity somewhat by negotiating a lower cost of issuance for the 2009 Measure A bonds. In addition, if the prevailing trend in construction bids continues, we will realize some project cost savings.

The CIP is the foundation for an updated Measure A Plan of Finance that your Board will consider at a later time. As such, it represents to rating agencies and the financial markets that the STA is responding to the ongoing financial turmoil in a responsible, prudent, and realistic fashion. The Measure A CIP is a fluid document. It will be updated again in mid-2011 to reflect updated revenue circumstances and forecasts.

Attachments