

STAFF REPORT

SUBJECT: Measure D

MEETING DATE: March 18, 2010

AGENDA ITEM: 6B

STAFF CONTACT: Fred Luna

RECOMMENDATION: Receive a report on the projected ending balance for the Measure D program.

SUMMARY:

As the end of Measure D approaches on March 31, inquiries have been made to SBCAG staff about whether there will be an uncommitted, positive ending balance for the program. The current projection is that the regional program's ending balance will be approximately \$1.08 million. However, there are potential expenditures and liabilities related to the Highway 101 Milpas\Cabrillo-Hot Springs project that could require the expenditure of that potential ending balance. In addition, the balance is based on revenues from Measure D that have not yet been realized. Consequently, staff is recommending that the board take no action on committing the regional program's projected ending balance at this time. The Measure D local program does not have a projected ending balance. When sales tax receipts are received monthly by SBCAG, local agencies are wired their 70% share within days. Therefore, the local program account does not maintain a balance of funds.

DISCUSSION:

Measure D, Santa Barbara County's local ½ cent sales tax that was passed by voters in 1989, expires on March 31, 2010. Over the 20 years Measure D has been in effect it has generated approximately \$475 million in sales tax revenue to fund transportation projects in the county. The expenditure plan for Measure D reserved 30% of all revenues collected to fund regional transportation projects. Originally, sixteen regionally significant projects were included in the expenditure plan. Many of the projects included in the Measure D regional program were completed within the first ten years of the program.

In 2010, SBCAG completed the last fully funded Measure D project, the Highway 154 Group II operational improvements project and continued work on the Highway 101 Milpas\Cabrillo-Hot Springs project which is partially funded with Measure D. Staff has been monitoring the Measure D regional program fund balance on a regular basis with oversight from its financial advisor since the last strategic plan update in 2006. In recent months, staff was asked by both TTAC and by the SBCAG board to provide a report on the current Measure D end balance projection. Staff is currently projecting that the regional program fund balance will be approximately \$1.08 million. This ending balance projection is based on the unaudited fund balance as of January 31, 2010, a projection of revenues through June 30, 2010, and anticipated expenditures to complete SBCAG's current commitments to projects. It does not account for additional potential expenditures and liabilities that may arise as these projects are completed. Those expenditures and liabilities could require that the entire projected ending balance be used and therefore SBCAG staff recommends that the projected

balance remain unprogrammed, serving as a contingency, until all projects are closed out, potential liabilities and expenditures are resolved and the program receives a close out audit.

Table 1, attached to this staff report, provides an itemized estimate of the regional program ending balance calculation. A description of the line items in the table is given below. Only the regional program in Measure D maintains a balance of funds. Funds for the local program are distributed monthly as sales tax revenues are received.

Fund Balance

The fund balance as of January 31, 2010 for the regional program account is \$535,534.

Revenues

Revenues for the regional program anticipated for the remainder of the fiscal year (through June 30, 2010) are estimated to be \$2.900 million. Note that although Measure D expires on March 31, 2010, SBCAG will receive its final disbursements of Measure D revenues in June 2010. Disbursements of Measure A revenues from the state will commence in July. The \$2.90 million figure was based on \$700,000 being received in February and an estimate of \$550,000 per month for the remaining 4 months of the FY 09/10.

In addition to sales tax receipts, SBCAG has requested that the city of Santa Barbara reimburse SBCAG for its share of a parcel jointly purchased on in the 1990s to preserve right of way for the (then) Measure D funded Castillo Interchange project. The interchange project was determined to be infeasible and deleted from the measure program at the conclusion of the environmental studies. The property has been held in title by the city since then and leased as a parking lot. SBCAG's share of the lease proceeds have been deposited in the Measure D regional program account. SBCAG has requested that the city either sell the parcel or otherwise reimburse it for its share of the property which, based on a recent appraisal, would result in a payment to SBCAG of approximately \$513,000.

Lastly, Measure D will be reimbursed for the loans it made to the Measure A program to pay for the cost of the Measure A election (\$202,000) and for development of the Measure A Strategic Plan (\$345,000).

Anticipated Expenditures

Beyond the cutoff date of January 31, 2010, SBCAG is obligated for one last bond debt service payment. This is in the amount of \$719,000.

Estimated regional project support expenditures are estimated at \$315,000. These include providing support to Caltrans and the legal team working on the Highway 101 Milpas\Cabrillo Hot Springs right of way case, directing the work of public outreach consultants for the project, coordinating with construction team, directing the work of consultants on Phase II of the project (Cabrillo Blvd. pedestrian improvements), coordinating Phase II design with UPRR, and the oversight of the Clean Air, Valley and Coastal Express services funded by Measure D. These expenditures are up to June 30 2010.

On Highway 101 Milpas\Cabrillo-Hot Springs project, Measure D is funding all right of way capital costs and for the community outreach during construction. There still remains \$1.26 million in anticipated expenditures for utility relocations and other right of way costs and about \$90,000 in costs for completing the community outreach effort.

On the Route 154 Group II project a final estimate to close out the construction contract, including and development of record drawings, is \$115,000.

Measure D continues to help fund the Clean Air Express, the Valley Express and the Coastal Express interregional transit services. The estimated expenditures that remain for these services for the rest of this fiscal year are \$664,000.

SBCAG has been billed by Parsons Brinckerhoff, as of January 31, for approximately \$245,000 of the \$345,000 Measure A Strategic Plan effort. The unbilled amount of \$100,000 is reflected in the table.

Measure D is also funding the continuing costs of legal services required to handle several cases that were filed challenging Measure A and the Regional Transportation Plan. The board has authorized these expenses for outside legal counsel working on this litigation. The ongoing expenses for this litigation are estimated at \$150,000.

Finally, a final audit closing out the program will need to be prepared by SBCAG. That will cost an estimated \$5,000.

Potential Expenditures & Liabilities

Lastly, there are a number of potential expenditures that SBCAG staff continues to monitor that could require funding from the Measure D regional program. The expenditures could total an estimated \$750,000 and, consequently, require that the project ending balance be held as a contingency until these matters are resolved.

- Resolution of a right-of-way condemnation case, appealed by the property owner, on the Highway 101 Milpas\Cabrillo-Hot Springs project which was originally settled by a jury very much in SBCAG's favor. The liability exposure could be as high as \$550,000.
- Additional utility relocation work for the Highway 101 Milpas\Cabrillo-Hot Springs that may be needed for the new Cacique undercrossing, estimated at \$200,000.
- Completion of Cabrillo Blvd. pedestrian improvements (on the east end of the boulevard) near the Highway 101 and UPRR overpass, which is phase II of the Highway 101 Milpas\Cabrillo-Hot Springs project. A condition was placed on the coastal development permit for the Milpas project by the city of Santa Barbara that these improvements be completed. The estimated project construction cost ranges from \$4 M to \$8 M. Approximately \$2 M in TE and HSIP funds have been programmed to project construction. Any residual Measure D regional funds could be used to help close the project shortfall.

Committees

This information was presented to TTAC on March 4, 2010. TTAC had the following questions/comments which have been documented below.

Questions/Comments Received at TTAC

- The City of Santa Barbara staff indicated that the \$513,000 noted as SBCAG's share for the "Haley Property" could be overstated as an appraisal was done recently by a possible purchaser of the property and it indicated a significantly lower value under current market conditions.
- Did the SBCAG board approve paying for litigation related to Measure A from the Measure D regional fund balance? SBCAG staff indicated that funding sources for legal fees were acted on in closed session by the board.

Recommendation

This is an informational report as requested by the board and TTAC.

**Table 1
Measure D Regional Program
Projected End Balance Summary**

Category	Amount (millions)
Fund Balance (as of 1/31/10)	\$0.536
Anticipated Revenues	
Est. Regional Program Sales Tax Receipts (through 6/30/10)	\$2.900
Haley Street Property Reimbursement by City of Santa Barbara	\$0.513
Reimbursement by Measure A for Election Costs & Strategic Plan	\$0.547
Subtotal Revenues	\$3.960
Anticipated Expenditures	
Debt Service	\$0.719
Measure D Project Support	\$0.315
Highway 101 \ Milpas Hot Springs	\$1.350
Highway 154 Group II Project	\$0.115
Coastal, Valley, Clean Air Express	\$0.664
Measure A Strategic Plan – Unbilled as of 1/31/10	\$0.100
Measure D Legal Services	\$0.150
Measure D Close Out Audit Report	\$.005
Subtotal Expenditures	\$3.418
Projected End Balance	\$1.078
Potential Expenditures & Liabilities	\$1.078 +
Projected End Balance (Adjusted for potential expenditures and liabilities)	\$0