

**TO:** Regional Transportation Commission  
**FROM:** Linda Wilshusen, Executive Director  
**RE:** Updates to the Transportation Sales Tax Measure *Financial Plan*

---

**RECOMMENDATION**

Staff recommends that the Regional Transportation Commission review and accept updates on the *Financial Plan* for the Transportation Sales Tax Measure to fund Highway 1 Widening/HOV and other projects (Attachments 1-5).

---

**BACKGROUND**

In June of 2003, the Santa Cruz County Regional Transportation Commission reviewed the *Preliminary Financial Plan*, prepared by Pat Busch, Assistant County Administrative Officer (CAO) for the local transportation sales tax measure. As the Expenditure Plan for the sales tax measure has developed, some elements of the *Financial Plan* have changed.

**DISCUSSION**

In very preliminary discussions about the draft Expenditure Plan earlier this fiscal year, it was stated that the Highway 1 Widening/Carpool Lane project would use all the sales tax revenues in the early years of the measure and that other projects in the Expenditure Plan would have to wait until later years to receive funds. Since that time, Assistant County Administrative Officer Pat Busch has updated the financial analysis (Attachment 1) and determined that each category of projects in the Expenditure Plan can receive a percentage of the sales tax revenues each year, as shown in Attachment 2. For the most part, economic assumptions and assumptions regarding the amount of sales tax funding to be directed to the Highway 1 Widening/Carpool Lane project have not changed since the Commission reviewed the *Preliminary Financial Plan* last year.

The amount of funding for each category is determined by the percentage share of the sales tax revenues in the Expenditure Plan. Each of the recipient agencies will manage the funds they receive from the sales tax each year and use the funds as they see fit to deliver the projects as specified in the Expenditure Plan. For example, each city will receive a share of the Local City and County Transportation funds for its own projects each year (its share is based on its share of countywide population). A city council could decide to expend only the amount of funds it receives each year, or it could use financing tools to deliver projects in the earlier years, based on sales tax funds it will expect to get over the life of the sales tax measure. Based on the current proposal to distribute 20.5% of the funds to local cities and the County annually based on Department of Finance population calculations, staff has developed the attached spreadsheet

(Attachment 3) estimating the annual distributions to each jurisdiction (based on current population).

For Expenditure Plan projects with fixed amounts of funding, the agency receiving the funds can also use cash management tools, if it chooses, to fund the project when it is ready to be implemented.

The Highway Construction Authority (HCA), similar to other agencies receiving funding from the sales tax measure, will determine its financial management and project delivery plans. It is assumed that the HCA will bond to deliver the Highway 1 Widening/Carpool Lane project as soon as feasible; Phases 1 and 2 will be implemented based on the HCA's financial management plan and project readiness. Revenue and expenditure assumptions for the Highway 1 Widening/Carpool Lanes project are attached (Attachments 4 & 5). As with the State's GARVEE bonds which have priority over other STIP distributions, the debt service the Highway 1 bonds will have priority over other distributions. This financing convention allows the Highway Construction Authority to use City/County distributions as part of the required coverage for the Highway 1 bonds. Based on current projections, it is unlikely that this will actually affect annual distribution of funds to other projects.

## **SUMMARY**

The County Administrative Office has prepared a *Financial Plan* for the half-cent sales tax measure for the Highway 1 Widening/HOV project and other projects. **Staff recommends that the Regional Transportation Commission accept the updated information regarding the financial plan for the proposed Transportation Sales Tax Measure.**

Attachment 1: Fact Sheet – Sales Tax Distribution/Financial Plan

Attachment 2: Distribution of Sales Tax Revenues

Attachment 3: Estimated Allocation of Sales Tax Revenues to Local Jurisdictions

Attachment 4: Revenue Assumptions for Highway 1

Attachment 5: Highway 1 Costs

## Attachment 1

### FACT SHEET

#### Summary of *Preliminary Financial Plan* For a Half Cent Sales Tax Measure for Highway 1 Widening/HOV Project and Other Local Transportation Improvements

##### Economic Assumptions:

##### **Sales Tax Growth: Average annual growth rate - 5%**

- X 3.5% for inflation
- X 0.5% for growth in population; and
- X 1.0% for real growth
- X Total generated by 30-year (2004/05-2034/35) 1/2-cent sales tax: **\$1,085,795,000**

##### **Estimated Cost of Highway 1 Widening/HOV (from Morrissey to San Andreas):**

- X Present day cost (in 2002/03 dollars):
  - o Phase 1 (to State Park Drive): \$234 million (M)
  - o Phase 2 (southern extension southbound only to San Andreas): \$77M
  - o **Total: \$311M**
- X Escalated Cost:
  - o Accelerated Schedule: \$352M; \$505M with debt service
  - o PSR Schedule: \$401M; \$519M with debt service
- X Assumes cost of Phase 2 (southern extension) will be 1/3 of Phase 1 cost

##### **Assumptions Regarding State and Federal Funds for Highway 1:**

- X \$8 million in RSTP and CMAQ for Environmental Review
- X \$44.5 million from future STIP, RSTP, CMAQ, congressional earmarks, etc. (approx. 15% of total cost)

##### **Completion Schedule for Highway 1 Widening:**

- X Accelerated Schedule:
  - o Phase 1 to State Park Drive – 2010/11
  - o Phase 2 to San Andreas – 2015/16
- X PSR Schedule:
  - o Phase 1 to State Park – 2013/14
  - o Phase 2 to San Andreas – 2016/17

##### **Bonding Assumptions:**

- X Interest Rates: 5.0% for bonds issued in 2006; 6.0% for subsequent bonds
- X Reserve Fund: 10% Reserve
- X Coverage: 130% coverage on Gross Debt Service
- X Total Borrowing for Highway 1: \$231M for accelerated schedule; \$205M for PSR schedule
- X Timing: 30 year measure required to provide reasonable period to amortize the bonds

**Distribution of \$1.086 Billion Sales Tax Funds (2004/05 through 2034/35)**

- X Highway 1: 90% through completion of project, then amount required for debt service in later years
- X Other Projects: 10% through completion of Highway 1, then most in later years
  
- X Accelerated Schedule – in escalated dollars:
  - o Highway 1: \$505,711,000
  - o Other Projects: \$580,084,000 (\$253,867,000 in 2002/03 dollars)
  
- X PSR Schedule - in escalated dollars:
  - o Highway 1: \$519,029,000
  - o Other Projects: \$566,767,000 (\$246,667,000 in 2002/03 dollars)

**Amount Available if Sales Tax Rate Drops to 0.375% in 2017 and 0.25% in 2025**

- X Total Sales Tax Generated: \$751,587,000
- X Funds to Highway 1: \$505,711,000 (accelerated schedule); \$519,029,000 (PSR schedule)
- X Funds for Other Projects: \$245,875,000 (accelerated Hwy 1 schedule); \$232,558,000 (Hwy 1 PSR schedule)