

TO: Santa Cruz County Regional Transportation Commission
FROM: Karena Pushnik, Senior Transportation Planner
RE: Transportation Funding Task Force - Conclusion and Next Steps

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission:

1. Receive the Transportation Funding Task Force Mobility Plan (Attachment 1) approved by a 72% majority vote;
 2. Direct staff to proceed with the next steps toward placing a transportation funding measure on the ballot in November 2008; and
 3. Volunteer to work with Task Force members and staff in leadership roles to finalize the expenditure plan for a winnable ballot measure.
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BACKGROUND

Transportation funding levels in the region have not kept pace with costs to support the transportation needs of the community. Revenues continue to fall far below the levels required not only to implement projects to reduce congestion, improve safety and expand mobility, but also to maintain the existing transportation network. Without new voter-approved funding sources it will be impossible to adequately maintain, let alone enhance, the transportation system to address existing and future travel needs.

In response to the projected \$2 billion funding gap identified in the *2005 Regional Transportation Plan*, the Santa Cruz County Regional Transportation Commission established a Transportation Funding Task Force by resolution in September 2005 (Attachment 2). An amendment to the resolution to clarify voting requirements was adopted in April 2007 (Attachment 3).

The Transportation Funding Task Force (Task Force) has been meeting for two years to gather information from the community and develop a transportation funding plan that can be supported by a super majority (2/3) of the voting Task Force entities.

DISCUSSION

Staff, the convener, and consultants are highly appreciative of the Task Force's 26-month commitment to this task and their outstanding work developing a transportation funding plan. The Task Force accomplished the goals established by the RTC by engaging community leaders and their respective groups in developing a balanced plan that could be supported by at least 2/3 of the voting membership. It is important to remember that this alone represents a tremendous accomplishment that would not have been possible two years ago.

The final meeting of the TF Task Force was held on November 14, 2007 in mid-county and was attended by 60 of the 75 members or their alternates. According to the amended resolution, a two-thirds (67%) majority of the Task Force members/alternates present and voting was the minimum necessary to forward a transportation package to the Regional Transportation Commission. Attached is the Transportation Funding Task Force Mobility Plan (Attachment 1) approved by a 72% majority vote of the TF Task Force present and voting at their final meeting.

The Task Force found common ground to approve a 35-year ½-cent sales tax plan projected to raise \$600 million in 2009 dollars to fund the following, with the objective of increasing mobility and reducing greenhouse gas emissions:

- ❑ **Congestion Relief Projects** - \$300 million for Highway 1 improvements that would add High Occupancy Vehicle (HOV) lanes and Transportation Demand Management programs that increase van and car pooling. These programs would be administered by the Regional Transportation Commission.
- ❑ **Future Connection Projects** - \$35 million for the following projects: Watsonville/Pajaro Train Station; Santa Cruz Branch Rail line infrastructure improvements to continue freight service and keep trucks off roads and highways; and seed money for passenger train service connecting Santa Cruz to Amtrak and Caltrain at the Watsonville/Pajaro Train Station. These projects would be administered by the Regional Transportation Commission
- ❑ **Community Transportation Projects** - \$130 million for maintenance and expansion of bus transit (including Express Bus service in the HOV lane of Highway 1); and specialized transportation for seniors and people with disabilities. These projects would be administered by service providers.
- ❑ **Quality of Life/Neighborhood Projects** - \$135 million for the following projects: local street/road maintenance and repair; school traffic safety projects; bicycle and pedestrian projects; local enforcement; and neighborhood safety. These projects would be administered by local jurisdictions.

In addition, the Task Force included language in the plan stating that passenger rail service along the coast be included with the appropriate feasibility determination (approved by 76% of Task Force members/alternates present and voting); and that \$500 thousand of the neighborhood project funding be made available for an assessment of Personal Rapid Transit (74% approved).

Other Considerations

Before the RTC places a transportation funding measure (expenditure plan) on the ballot, a number of details need to be addressed. The Task Force did not specifically include these in their plan, however many of the issues were discussed by the Task Force over the course of their 26-month tenure.

Maintenance of Effort - There is an assumption that the new funds will not supplant existing funds historically dedicated to these projects/categories. Administering entities would be expected to agree to a 'maintenance of effort' clause to receive funds.

Greenhouse Gas/Emissions Inventory – The Global Warming Solutions Act of 2006 (AB 32) establishes a “comprehensive program of regulatory and market mechanisms to achieve real, quantifiable, cost effective reductions of greenhouse gasses” according to a bulletin issued by the Office of the Governor. The intent of the legislation is to reduce carbon emissions to 1990 levels by the year 2020, a reduction of approximately 25%. The Air Resources Board is working to develop the statewide emissions cap by January 2008, with regulations which clarify compliance mechanisms to be adopted in January 2011. AB 32 also requires that “prior to imposing any mandates or authorizing market mechanisms, the California Air Resources Board must evaluate several factors including but not limited to impacts on California’s economy, the environment and public health; equity between regulated entities; electricity reliability, conformance with other environmental laws and ensure that the rules do not disproportionately impact low-income communities.”

In addition, the California Transportation Commission is currently developing new guidelines for Regional Transportation Plans (RTP) requiring Regional Transportation Planning Agencies (including SCCRTC) to address AB 32 in future RTPs. Given these requirements, the Task Force was divided about how to proceed with this issue. They adopted language stating that “The objective of the transportation funding measure is to increase mobility and decrease greenhouse gas emissions” but the majority were not comfortable setting specific mandates for projects in the TFTF Mobility Plan, given the unknowns for implementing AB 32. Reducing greenhouse gas emissions is an issue that polled extremely well with Santa Cruz County voters. The Regional Transportation Commission may want to add stronger language to the measure to assure voters that this issue will be addressed by the transportation funding plan.

Funding Allocations – The TF Task Force agreed on funding allocations based on a projected total of \$600 million in sales tax revenues of 2009 dollars over 35 years. Because sales taxes are directly influenced by the economy, they can fluctuate positively or negatively over the course of a tax measure. Also, tax revenues can vary based on inflation or real growth. There are several issues that need to be addressed regarding allocating funding. Should funds be allocated by specified dollar amounts to the various projects or by established percentages of the total revenues? Should funds be allocated to each category annually, or should they be distributed based on project schedules in order to minimize the need to seek financing, especially in the case of smaller projects/programs that are not ongoing? How should funds to general categories be distributed when more than one lead agency is eligible for the funds, such as the Community Transportation Projects (non-rail transit)? If revenues come in substantially higher or lower, decisions will need to be made about what gets cut or added. Allocating funding by percentage may increase the portion of funds needed to finance larger projects. The TF Task Force seemed to be most comfortable with the percentage allocation approach which would create firewalls to guarantee that all the approved projects move forward within reasonable time frames. The Task Force did not designate percentages of funding to projects within each category which allows administering entities some implementation flexibility.

Financing – For capital projects that require funding in lump sums, the RTC or other project sponsors will likely need to borrow/finance/bond against projected sales tax revenues. There are a number of financing tools available, and entities administering the project may select different tools based on their specific needs. At the September 20, 2007 Transportation Policy Workshop, Commissioners heard a presentation on how Contra Costa County developed their financing and bonding plan. The Draft Transportation Funding Improvement Plan released in January 2007

assumed that financing costs will be included in the total costs, not necessarily covered by the sales tax measure, for each individual project.

Contingency/Reserve – Tax measures typically set aside a reserve of approximately 5% to account for unknown situations such as additional mitigations required, cost overruns, or project modifications that may arise for any of the projects. The Draft Transportation Funding Improvement Plan released in January 2007 included a 3% reserve. The RTC should consider including a contingency/reserve line item with allocation instructions.

Environmental Review of the Tax Measure – Project packages placed on the ballot by a public entity require plan-level environmental review. Because some of the projects in the proposed Transportation Funding Plan were not included in the constrained element of the 2005 *Regional Transportation Plan*, and given potential new requirements surrounding AB 32, either a new or supplemental program-level environmental document may be required. The timing of the ballot measure will need to take this into account. It typically takes a minimum of five months to go through the California Environmental Quality Act (CEQA) environmental review process.

Feasibility Analysis – As with all transportation projects, there are a number of steps required before construction/implementation. All of these steps determine whether a project is feasible. In addition to planning and determining funding for the project, detailed analysis and preliminary project design is needed to determine potential environmental impacts of the project and mitigations for those impacts. Final design for the project analyzes the benefits, costs and impacts. Right of way and utility relocation may be required prior to the construction of a project. Most of these phases include opportunities for public input at public meetings held by the implementing agencies. The final expenditure plan may need to provide direction on what will happen to sales tax revenues if a project designated in the ballot measure is later found infeasible.

Overall Tax Authority – One entity needs to be the tax authority responsible for collecting and distributing the sales tax revenues. It is assumed that the RTC would take on this role. As noted under financing, one entity needs to be responsible for making decisions if sales tax revenues come in substantially higher or lower than anticipated.

Audit/Oversight - Traditionally, sales tax measures require annual audits with an outreach component to keep the public informed about the status of their investments. Some counties also establish oversight committees to review tax receipts and progress on implementing the transportation projects contained in the plan. Voters generally respond favorably to the inclusion of oversight committees for two reasons: to provide independent, community oversight of the implementation of a plan approved by voters and to provide first level review of the annual program audit. The Draft Transportation Funding Plan released in January 2007 suggested that the oversight committee be comprised of members from each city, the county, the transit district and from the public-at-large. The Regional Transportation Commission will need to clarify audit and oversight responsibilities.

Administrative Oversight - Typically 1% is set aside for administrative authority costs and the audit/oversight components. These expenses will need to be addressed in the expenditure plan.

Election Timing – The Regional Transportation Commission will want to base their decision to

place a transportation funding plan on the ballot that has the best chance of success, taking into consideration additional tasks that need to be completed before the measure is ballot-ready. **The TFTF Consultants and staff recommend that the Regional Transportation Commission continue to work towards placing a transportation funding measure on the November 2008 ballot since a great deal of work has been completed by the Transportation Funding Task Force and that momentum should be harnessed.** The November 2008 ballot may be favorable because it is expected to have the highest voter turnout of any election in decades. High voter turnout elections generally are favorable to tax measures and there will be a high percentage of democratic voters who are generally more favorable to tax measures. The RTC should also consider other local and state funding measures that may be on the same ballot. Although other elections will take place earlier in 2008 -- February and June -- staff does not recommend pursuing these due to time needed for environmental review (see above). Other election options include the 2010 or special topic elections. The polling consultant cautioned the RTC about the break in momentum should a later date than November 2008 be selected. A general timeline for placing a measure on the November 2008 ballot is attached (Attachment 4).

Political Leadership/Campaign – Polling and transportation funding consultants alike agree that a transportation sales tax measure will only have a chance of being successful if there is political leadership and a well organized, broad based campaign in favor of the project plan. Confidence in the plan expressed by members of the Regional Transportation Commission can translate into public confidence. The Regional Transportation Commission as a public entity may not campaign (tell people how to vote) but may provide public information including an assessment of the situation that is projected to occur without the measure. However Commissioners, as individuals, rather than as members of the RTC, can advocate, campaign, raise money and persuade people to vote in support of the measure. Commission staff, as public employees, may not campaign on work time, but can use vacation time to be involved with campaigns if they choose to do so as individuals. The RTC will need to consider the magnitude and credibility of private campaigns for and against the plan before they place the measure on the ballot.

Similarities with Measure J

A number of people and media entities have suggested that the Transportation Funding Mobility Plan is a repeat of the 2004 Measure J Transportation Funding Plan. While it's clear that there are similarities – they are both transportation funding packages, a ½ cent sales tax is still the best means to secure needed funding and the transportation needs have not changed much in 3 years – there are also significant differences. Because the process used to develop the Mobility Plan was vastly different, the project mix reflects a broader range of transportation modes, greater geographical equity in the distribution of projects, more local control over the neighborhood/quality of life projects and reflects voter interest in a balanced approach. It is interesting to note that a 26-month process involving a large cross section of the community produced a plan which identified a somewhat similar list of priority transportation projects. As noted under the other considerations listed above components such as political leadership and the presence of a well-funded broad-based campaign will determine whether the outcome of this endeavor differs from the previous effort.

Decision Point

Given the level of detail absent from the plan, **staff recommends that the Regional Transportation Commission receive the Transportation Funding Task Force Mobility Plan (Attachment 3); direct staff to proceed with the next steps toward placing a transportation funding measure on the November 2008 ballot with the greatest possible chance of being successful; and volunteer to work with Task Force members and staff in leadership roles to finalize the expenditure plan for a winnable ballot measure.** Staff would continue working with Commissioners and community members to develop the ballot measure details necessary to garner minimal or no opposition. Staff would also provide additional information and recommendations over the course of the next few months, and return to the RTC in February 2008 for a decision on whether to continue to work to place the measure on the November 2008 ballot.

SUMMARY

The Regional Transportation Commission authorized and funded a broad-based Transportation Funding Task Force which has been meeting for 26 months to develop a balanced Transportation Funding Plan. After extensive research, debate and collaboration, the Task Force approved a Mobility Plan to be considered by the RTC with a 72% majority vote. However, the RTC may need to make some modifications to the TFTF plan and will need to address plan details in order to finalize a tax measure that will garner a two-thirds or better level of support from Santa Cruz County voters.

Attachments:

1. Transportation Funding Task Force Mobility Plan
2. September 2005 RTC Resolution establishing the Transportation Funding Task Force
3. April 2007 RTC Resolution clarifying TF Task Force voting procedures
4. Election Timeline

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