

TO: Regional Transportation Commission
FROM: George Dondero, Executive Director
RE: Expenditure Plan Development for a November 2008 Ballot Measure

Recommendations

Staff recommends that the Regional Transportation Commission:

1. Consider adopting one of the expenditure plan options listed on Attachment 1 for a November 2008 Transportation Sales Tax Measure;
 2. Approve designating the Regional Transportation Commission as the tax authority for a November 2008 Transportation Sales Tax Measure and request that the County Board of Supervisors make that designation as required by State law; and
 3. Approve including an oversight committee in a November 2008 Transportation Sales Tax Measure and direct staff to return to the RTC with potential committee composition options.
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BACKGROUND

The importance of creating a local revenue source for transportation in Santa Cruz County grows every year. Both state and federal transportation funding programs have been eroded by inflation, and have become less and less reliable. Fuel taxes have lost fifty percent of their value in real purchasing power since 1991, the last time there was an increase. The federal highway trust fund becomes over-committed in 2009, and a national commission will release its report and recommendations later this month. Last year the state budget deficit was partially addressed by moving \$1.2 Billion in Public Transit Account funds to the state general fund. Public works departments are faced with increasing backlogs of maintenance on local streets, sidewalks and trails. The importance of having a local revenue source – under local control – for transportation cannot be over emphasized. When state money does become available, such as the recent passage of Proposition 1B, competition for funds is fierce. The counties claiming consistent success in that competition are invariably the self-help counties, who have imposed a local sales tax measure for transportation. The leveraging potential of local funds is real and well documented. No matter what transportation mode or project one is hoping to see realized – highway, local street, bus, rail, bicycle or pedestrian trail – the funding is unlikely to be available without a local revenue source. The longer the community waits to become a self-help county for transportation, the greater the risk that competing tax measures will consume the county's available local revenue capacity.

At your December 6, 2007 meeting the 26 months of work by the Transportation Funding Task Force was presented. The RTC agreed to pursue placing a ballot measure on the November 2008 ballot in order to take advantage of an election with the best chance of success, and to harness

the momentum of the Task Force work. The commission deferred to a future date the issue of selecting a specific expenditure plan. At the December 20 Transportation Policy Workshop (TPW) meeting, the RTC approved the following to move the RTC toward placing a transportation sales tax measure in the November 2008 ballot:

1. Develop and release a Request for Qualifications (RFQ) for consultant services to prepare environmental documents for a sales tax measure expenditure plan.
2. A budget amendment to identify \$50,000 to prepare the environmental document.
3. Designate percentages and firewalls for projects and/or project categories, once these are finalized.
4. Include a "maintenance of effort" provision in the measure, requiring recipient entities to use sales tax funds to supplement existing spending.

The RTC also discussed other items necessary for a transportation sales tax measure, which included: 1) Identifying contingency reserves in each individual project budget, 2) Designating the RTC as the taxing authority, and 3) Setting aside 1% of the revenues for administration, committee oversight of the program, and public outreach. Staff was directed to investigate administrative costs applied to other sales tax measures. At the December 20 TPW meeting a handout ([Attachment 1](#)) entitled Mobility Plan Feedback was distributed, showing in tabular format three potential expenditure plans for a tax measure.

DISCUSSION

If the RTC decides to place a measure on the November 4, 2008 ballot, there are a number of decision points and tasks to accomplish. Some of these tasks are discussed below, in approximate priority order based upon sequence, as proposed in the attached Updated Timeline ([Attachment 2](#)).

Expenditure Plan

There are three important components of the expenditure plan to be adopted – the programs of project types, the amount of revenue assigned to each, and the Greenhouse Gas (GHG) emission language to be included in the measure. There are currently three expenditure plan variations under discussion ([Attachment 1](#)). These plan options are identical to those distributed at the December 2007 Transportation Policy Workshop meeting. The differences between each are not large in scale, and each provides a slight shift in emphasis as expressed in the allocation levels proposed. It seems prudent that the RTC adopt a plan that is not extremely different from the Mobility Plan which the Task Force adopted and passed along to the RTC, that has the best chance of securing a super majority of voters and that minimizes the level and strength of opposition. The options presented in [Attachment 1](#) are as follows:

1. The first option is the Mobility Plan approved by the Transportation Funding Task Force by a 72% majority on November 14. Choosing this option as the expenditure plan for a tax measure ensures a super majority support of the TF Task Force, but has also elicited opposition from a vocal minority which have already vowed to oppose such a tax measure.
2. The second option is a slightly modified version of that plan, as proposed by Mr. Keeley when he addressed the Commission on December 6. Based on comments provided by members of the TF Task Force at the December 6th RTC meeting and later communication with TF Task

Force members, this option would maintain the TF Task Force super majority support and help to reduce some of the opposition.

3. The third option is a modification proposed by staff, based upon comments from Commissioners, TTF members, and staff's and consultant understanding of polling results. This option would maintain the TF Task Force super majority support and help to increase the support of areas of the County which would not be affected by one of the major projects in the potential expenditure plan by acknowledging the strong polling results for local streets and roads projects through a more significant contribution for the Neighborhood Package while maintaining significant levels of funding for the other three packages in the expenditure plan. In addition, this option together with meaningful green house gas emissions language will help minimize opposition for a potential tax measure.

Staff recommends that the RTC consider adopting one of these three plan options for a November 2008 ballot measure. Although the RTC has the opportunity for further discussion of these options at subsequent meetings, the RTC needs to reach consensus on a single expenditure plan to place on a ballot measure by their February 7th meeting to ensure adequate time for a campaign to develop. The sooner that the RTC makes this decision, the better.

Tax Authority

The designated tax authority is responsible for receiving and distributing the sales tax revenues according to the requirements of the ballot measure, regular fiscal audits, staffing and coordinating the oversight committee and conducting necessary public outreach to keep voters informed about the status of their locally generated funds. The tax authority also develops, maintains and manages the tax measure's capital and financial plans, including bonding strategies to fund capital projects. The authority must also make decisions when incoming revenues fluctuate from the projected levels. There are ways to accommodate such conditions in responsible, transparent and accountable ways, and these often require some level of flexibility within the expenditure plan. The staff of the tax authority should also be well versed in the programming of transportation projects, including the State Transportation Improvement Program (STIP) and various federal funding programs.

Typically the tax authority administering a transportation sales tax is a local transportation authority created specifically for the purpose of implementing a transportation sales tax measure or an existing entity such as a regional transportation planning agency (RTPA), council of governments (COG) with transportation planning responsibilities, or congestion management agency (see [Attachment 3](#)). Even when a new entity is established it may be housed and staffed by an existing transportation planning agency. As stated in [Attachment 4](#) (Public Utilities Code 180050 to 180111), the County Board of Supervisors is responsible for designating an existing transportation agency or creating a new agency with the concurrence of the majority of the cities having a majority of the population of the incorporated area of the county.

The RTC is the designated Regional Transportation Planning Agency for Santa Cruz County. The commission has representatives from the jurisdictions who have a stake in the revenue from the tax measure – the county, the four cities, and the transit district. **Staff recommends that the RTC approve designating the RTC as the tax authority to administer the local sales tax measure and request that the County Board of Supervisors make that designation.**

Independent Oversight

As discussed at the previous meeting, voters respond favorably to the inclusion of an oversight committee to provide independent, community oversight of the expenditure plan approved by voters. The oversight committee may also provide a first level review of the annual program audit and be involved in reviewing public outreach materials. A memorandum on this subject prepared by consultant Eileen Goodwin in 2004 is still relevant, and provided here for reference ([Attachment 5](#)). Although not as critical as other elements of a transportation sales tax measure, inclusion of this element in similar measures has proven to be essential to gaining the level of voter support needed.

The Draft Transportation Funding Improvement Plan provided to the Transportation Funding Task Force in January 2007, proposed an oversight committee consisting of 17 members ([Attachment 6](#)) including representation from each of the cities in the County, the County, Santa Cruz Metro and the public at large. Membership in an oversight committee may also be designated to represent different transportation interests such as motorists, bus riders, pedestrians, seniors, the business community, the environmental community, etc. **Staff recommends that the RTC approve including an oversight committee in a November 2008 transportation sales tax measure and direct staff to return with potential committee composition options.**

Global Warming

Greenhouse Gas (GHG) emission reduction and global warming are topics of great interest to the general public and clearly this is the major environmental issue of the day. The recent poll results show that Santa Cruz County voters are very much concerned about the effects of GHG and interested in supporting projects that minimize climate impacts. The RTC will be required to adhere with GHG reductions mandated by Assembly Bill 32 and relevant California Environmental Quality Act requirements.

Both Transportation Funding Task Force Convener Keeley and staff have recommended that for any plan to attain a 2/3 majority of voter support in Santa Cruz County, it will have to address issues of Greenhouse Gas Emissions (GHG) over the life of the plan. Polling results indicate that voters want to see significant transportation improvements in the county, while implementing policies that are strong on environmental values. To address that need, staff is working with the environmental community including Ecology Action (EA) to explore possible ways to address the issue. Gini Johnson, Executive Director of Ecology Action is working with her board in early January to determine if a ballot measure can be crafted that secures support from the environmental community. Specifically EA is focusing on developing potential language addressing global warming and GHG emissions that is acceptable to the RTC. Staff is researching the topic and will present background information and examples of possible actions, as well as any progress by Ecology Action at the January 24th Transportation Policy Workshop meeting.

Future Polling

In the course of developing a local sales tax measure for transportation, it is common practice for the sponsors of the measure to conduct a focused polling of voters as close to the election as possible. For a November 2008 ballot measure, this poll would likely occur no later than June. The last pre-election poll can provide useful information regarding recent shifts in voter responses to the measure. Shifts may be tied to changes in understanding about the measure itself, or to

unrelated political and economic conditions generally. This poll can be either publicly or privately funded, and may provide the critical data to make the final "go or no-go" decision on the measure and/or whether the measure requires minor finessing to secure greater voter support. It can also provide important clues to increase chances of success, if the decision is to go forward. The Board of Supervisors will have to adopt a resolution no later than their August 8 meeting, placing the measure on the November 2008 ballot.

Campaign Committee

Success in November will also be tied to a well organized and adequately funded campaign. No committee has yet formed because potential supporters are waiting to see the details of the plan they would be supporting and whether the RTC can find common ground and support the plan. Potential supporters are also looking to the RTC for political leadership. Thus, it is imperative that the commission adopt an expenditure plan no later than February 7, to give adequate time for preparation of the environmental documents and for a successful campaign effort to proceed.

Future Presentation

To continue to have an informed discussion regarding the above and other issues relating to a transportation sales tax measure a consultant from Public Financial Management, Inc. will make a presentation at the January 24th Transportation Policy Workshop meeting. Public Financial Management, Inc. assists self help counties with their fiscal planning and responsibilities in implementing sales tax measures.

SUMMARY

The Regional Transportation Commission is reviewing the expenditure plan and other elements for a potential November 2008 transportation sales tax measure with the goal of developing a final plan at their February 2008 meeting. Staff recommendations regarding some of those details are included in this staff report.

Attachments:

1. Mobility Plan Feedback
2. Updated General Timeline for Placing a Sales Tax Measure on the November 2008 Ballot
3. Existing Local Transportation Authorities
4. Public Utilities Code Sections 180050 to 180111
5. 6/11/04 Apex Strategies Memo on Citizen Oversight Committee Make-Up
6. Funding Oversight and Administration from Draft Transportation Funding Improvement Plan

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