Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2025-0292, **File Type:** Formula Allocation / Local Return **Agenda Number:** 8.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JUNE 18, 2025

SUBJECT: FY25 LOCAL RETURN CAPITAL RESERVE ACCOUNTS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Hidden Hills (Measure M), Lakewood (Proposition C and Measure M), Long Beach (Proposition C), and amend the existing accounts for the Cities of Industry (Proposition A), Lynwood (Proposition A), South Pasadena (Proposition C, Measure R and Measure M), and Whittier (Proposition C) (Attachment A); and

B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities in Recommendation A for their Capital Reserve Accounts as approved.

ISSUE

A local jurisdiction may need additional time to accumulate sufficient Local Return funding to implement a project, or to avoid lapsing of funds. To avoid lapsing, a local jurisdiction may request that funding be dedicated in a Capital Reserve Account. Board approval is required to set up these Capital Reserve Accounts and any amendments to existing accounts.

BACKGROUND

Local Return Funds are generated from 4 half-cent sales taxes that are directly allocated to the 88 cities plus the County of Los Angeles based on population share for transit and transportation related projects. Proposition A (voter approved in 1980) local return has a 25% share; Proposition C (voter approved in 1990) local return has a 20% share; Measure R (voter approved in 2008) has a 15% share; and Measure M (voter approved in 2016) local return has a 17% share. Together, these 4 funding sources make up over $800 million annually in revenue that support projects such as local bus and dial-a-ride services, bus stop improvements, street paving, active transportation, and much more. Each of these local return revenue sources has a timely use of funds requirement. As a mechanism to help cities avoid lapsing their local return funds and to allow for the accumulation of

funds for larger scale transportation projects Capital Reserve accounts are created on an annual basis if needed.

DISCUSSION

Staff uses a First-In-First-Out (FIFO) calculation to determine if a city may be in jeopardy of losing their Local Return funds. Proposition A and Proposition C utilize a "three year plus current year" period for a total of four years for the timely use of funds requirement. Measure R and Measure M utilize a five-year period for the timely use of funds requirement.

Considerations

Capital Reserve Accounts are permitted with approval from the Board of Directors. These accounts may be established so that Los Angeles County local jurisdictions may extend the life of their Local Return funds to accommodate longer term financial and planning commitments for specific capital projects.

Should Local Return funds lapse due to time constraints, per Local Return Guidelines, those lapsed funds would then be returned to Metro so that the Board may redistribute the funds to jurisdictions for discretionary programs of county-wide significance or redistribute to each Los Angeles County local jurisdiction by formula on a per capita basis.

The Cities of Hidden Hills, Lakewood, Long Beach, and South Pasadena are all working on large street improvement projects that are difficult to coordinate and construct. The Cities of Industry, Lynwood, and Whittier require time extensions or fund increases on existing Board Approved Capital Reserve accounts to complete the construction of their projects. The termination date for all these capital reserve accounts will be June 30, 2030, unless a city requests an additional time extension before then.

New Capital Reserve Accounts

City of Hidden Hills
The City of Hidden Hills is requesting a new Measure M 17% Local Return capital reserve account in the amount of $100,000 for their Round Meadow/Mureau Road Entry Intersection Improvement project. The scope of this project includes pavement repairs, crack filling, microsurface (slurry seal), and traffic striping of the City owned roads outside the security gates (public access). Proposed resurfacing will increase safety, improve the riding surface for vehicles and bicycles, and extend the life of the asphalt. Work is considered road maintenance and rehabilitation as all improvements will be within the street right of way. Hidden Hills requires additional time to complete this project due to project delays. At the beginning of FY25 the city had a Measure M potential lapsing amount of $46,775. Approval of this capital reserve will prevent these funds from lapsing. In FY24, Hidden Hills had no audit findings related to Measure M.

City of Lakewood
The City of Lakewood is requesting a new Proposition C 20% Local Return and Measure M 17% Local Return capital reserve account totaling $2,300,000 for their Street Improvement Rehabilitation

and Engineering Project. The scope of this project includes citywide street paving and resurfacing at multiple locations, to maintain the streets and improve safety throughout the city. This is a long-term multi-year project, and the establishment of this capital reserve will assist in the accumulation of funds for the project. At the beginning of FY25 the City had a Proposition C potential lapsing amount of $1,445,804 and a Measure M potential lapsing amount of $798,230. Approval of this capital reserve will prevent these funds from lapsing. In FY24 Lakewood had no audit findings.

City of Long Beach
The City of Long Beach is requesting a new Proposition C 20% Local Return capital reserve account in the amount of $3,200,000 for their Studebaker-Lyones Complete Streets Project. This project will synchronize 17 signals on Studebaker, running fiber-optic cable along the length of the corridor. After the underground work is complete, existing bus stops will be upgraded to boarding islands to avoid transit conflicts with a new median-separated bikeway. Long Beach requires extended time to both accumulate funds for the project and to complete construction of the multi-year project. Construction is scheduled to begin in the summer of 2025. At the beginning of FY25 the City had a Proposition C potential lapsing amount of $9,816,483. Approval of this capital reserve will prevent these funds from lapsing. In FY24 Long Beach had no audit findings.

Amended Capital Reserve Accounts

City of Industry
The City of Industry is requesting a time extension to their Board approved Park and Ride Lot Proposition A 25% Local Return capital reserve account totaling $289,325. The scope of this project involves relocating the Industry Park and Ride lot from the corner of Mayor Dave Way and Glendora Avenue to the Homestead Museum lot, located on the northwest corner of Parriott Place and Don Julian Road. This location is better suited to the express travel way due to the close proximity to the 60 freeway and serve Foothill Transit Line 495. The proposed lot will consist of a minimum of 117 parking spaces, including ADA accessible spaces. The project is in preliminary stages of planning and will require additional time to complete construction. At the beginning of FY25 the City had no potential lapsing Proposition A funds. In FY24 Industry had no Proposition A audit findings

City of Lynwood
The City of Lynwood is requesting a time extension to their Board approved Transit Center Improvement Proposition A 20% Local Return account totaling $2,363,966. The scope of this project includes rehabilitation efforts of the Rosa Parks Transit Center located at the Lynwood Community Center, that primarily serves the Lynwood Trolley. Additional time is needed to complete the construction of this project; approval of this capital reserve amendment will allow for project completion. At the beginning of FY25 the City had no potential lapsing funds. In FY24 Lynwood had one audit finding where funds were expended on liability insurance prior to Metro approval and was resolved.

City of South Pasadena
The City of South Pasadena is requesting an amendment to their Board approved Street Repairs per Pavement Management System Measure R 15% Local Return account to add an additional: $600,000 of Measure R funds, $800,000 of Proposition C funds, and $600,000 of Measure M funds. This project is a city-wide continuing street maintenance and repair project that includes road

rehabilitation, street paving, and restriping, as it pertains to the most current Pavement Management System certification. Additional funds are needed to assist in the completion of this long-term project. At the beginning of FY25 the City had a Measure R potential lapsing amount of $437,167, a Proposition C potential lapsing amount of $401,887, and a Measure M potential lapsing amount of $305,160. Approval of this capital reserve will prevent these funds from lapsing. Per South Pasadena's FY24 audit, the City did not maintain nor provide accurate accounting records and documentation to facilitate the performance of the audit. The City experienced significant turnover in key personnel within the finance and public works departments which led to the aforementioned issues. To resolve these issues, the city engaged an external CPA firm to assist with the audit processes and year end closing activities.

City of Whittier
The City of Whittier is requesting a time extension to their Board approved Greenway Trail Bike Path Extension Gap Closure Proposition C 20% Local Return account totaling $1,228,462. The scope of this project is to extend the Whittier Greenway trail to create a larger and more connected network for active transportation. The project aims to connect to the Orange County trail network and potentially link with La Habra and Brea which will greatly benefit the active transportation network in the community. Additional time is needed to complete the construction of this project. Approval of this capital reserve amendment will allow for the completion of this project. At the beginning of FY25 the City had no potential lapsing Proposition C funds. In FY24 Whittier had no audit findings.

DETERMINATION OF SAFETY IMPACT

Approval of the new Capital Reserve Accounts that include Street and Road improvement projects would provide additional safety features for local communities.

FINANCIAL IMPACT

Adoption of staff recommendations would have no impact on the Metro Budget, or on Metro's Financial Statements. The Capital Reserve Account funds originate from Propositions A and C, and Measures R and M funds. As specified by the ordinances, these funds are allocated to and held by each Los Angeles County local jurisdiction by formula.

Impact to Budget

Adoption of staff recommendations would have no impact on the Metro Budget as these funds have been previously disbursed to the cities. These funds are not eligible for Metro bus and rail operations.

EQUITY PLATFORM

Under Board-adopted guidelines, this item enables the programming of funds to recipients to support the implementation of various transportation projects and improvements throughout the region (see Attachment A). For Hidden Hills, Lakewood, Long Beach, and South Pasadena, these projects will provide better street conditions to enhance mobility for pedestrians, cyclists, transit users, and individuals with disabilities. The Cities of Industry and Lynwood's park and ride lot and transit center projects will greatly improve access to transit for residents and workers within the city. The City of

Whittier's Greenway Trail Bike Path Extension Gap Closure project will bring needed improvements to the active transportation network in the city of Whittier.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

The projects result from the funding adjustments presented in this report have mixed outcomes, but on a whole, most of the projects in this report will likely decrease VMT in LA County. Within this suite of projects, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects within this status report include items that will ease congestion for cars and trucks resulting in the possibility of increased VMT. However, these projects also provide for carpooling infrastructure and reinvestment of funding towards transit projects. The projects' multi-modal benefits may contribute to offsetting the possible increase in VMT. The VMT-related effects of each of the projects in this board report are discussed in Attachment A.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following Strategic Plan Goals by funding the improvement projects presented in Attachment A:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling;
- Goal 2: Deliver outstanding trip experiences for all users of the transportation system; and
- Goal 3: Enhance communities and lives through mobility and access to opportunity

ALTERNATIVES CONSIDERED

Should the Board choose not to approve the recommendations above, which staff does not recommend, the cities may not be able to accumulate sufficient funds necessary to implement the capital projects as described in Attachment A and the projects may not be constructed in a timely manner.

NEXT STEPS

With the Board's approval of the recommendation, staff will negotiate and execute all necessary agreements between Metro and the listed cities for their Capital Reserve Accounts as approved.

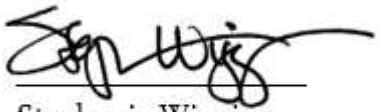
Staff will continue to monitor the accounts, including the annual Local Return audit, to ensure that the cities comply with the Local Return Guidelines and the terms of the agreement.

ATTACHMENTS

Attachment A - Project Summary for FY25 Proposed Capital Reserve Accounts

Prepared by: Chelsea Meister, Manager, Transportation Planning, (213) 922-5638
Susan Richan, Senior Director, Finance, (213) 922-3017
Cosette Stark, Executive Officer, Finance, (213) 922-2822

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

PROPOSED CAPITAL RESERVE ACCOUNTS
(Project Summary)

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Hidden Hills (New)	Project: Round Meadow/Mureau Road Entry Intersection Improvement Justification: The City requires additional time to complete this project due to implementation delays preventing timely execution. This will prevent funds from lapsing. VMT: This project will likely increase VMT	$100,000	Measure M 17% Local Return	6/30/30
City of Industry (Extension)	Project: Park and Ride Lot Justification: Additional time needed to complete construction of the project. VMT: This project will likely decrease VMT	$289,325	Prop A 25% Local Return	Original date of termination 6/30/25 New date of termination 6/30/30
City of Lakewood (New)	Project: Street Improvement Rehabilitation and Engineering Justification: The capital reserve will assist in the completion of this long-term project and prevent funds from lapsing. VMT: This project will likely increase VMT	$1,500,000 $800,000	Prop C 20% Local Return Measure M 17% Local Return	6/30/30
City of Long Beach (New)	Project: Studebaker-Lyones Complete Streets Justification: Additional time and fund accumulation needed for project with construction scheduled to begin summer of 2025. VMT: This project will likely decrease VMT	$3,200,000	Prop C 20% Local Return	6/30/30

JURISDICTION	PROJECT	AMOUNT	FUND	AGREEMENT TERMINATION/ REVIEW DATE
City of Lynwood (Extension)	Project: Transit Center Improvement Justification: Additional time needed to complete construction of the project. VMT: This project will likely decrease VMT	$2,363,966	Prop A 25% Local Return	Original date of termination 6/30/25 New date of termination 6/30/30
City of South Pasadena (Amended)	Project: Street Repairs per Pavement Management System Justification: Additional funds needed to assist in the completion of this long-term project and prevent funds from lapsing. VMT: This project will likely increase VMT	Existing Amount $85,000 Amend to add $600,000 Amend to add $800,000 Amend to add $600,000	Measure R 15% Local Return Prop C 20% Local Return Measure M 17% Local Return	Existing 6/30/29
City of Whittier (Extension)	Project: Greenway Trail Bike Path Extension Gap Closure Project Justification: Additional time needed to complete construction of the project. VMT: This project will likely decrease VMT	$1,228,462	Prop C 20% Local Return	Original date of termination 6/30/25 New date of termination 6/30/30

FY25 Local Return Capital Reserve Accounts - Item# 2025-0292

Finance, Budget & Audit Committee
June 18, 2025

Issue & Background

- Metro annually allocates Local Return funds to LA County jurisdictions to implement local projects
  - Proposition A
  - Proposition C
  - Measure R
  - Measure M
- Local Return funds must be spent within 4 or 5 years, depending on fund source
  - If not spent, funds could lapse and jurisdiction can lose revenues
- Jurisdictions may need additional time to accumulate funding to implement projects
- To prevent lapsing, jurisdiction may request Capital Reserve Account
- Board approval required to establish or amend Capital Reserve Accounts

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Capital Reserve Account Projects

NEW CAPITAL RESERVES		
Jurisdiction Name	**Amount**	**Project**
Hidden Hills (Meas M)	$ 100,000	NEW Project - Round Meadow/Mureau Rd Entry Intersection Improvement
Lakewood (Prop C & Meas M)	2,300,000	NEW Project - Street Improvement Rehabilitation & Engineering
Long Beach (Prop C)	3,200,000	NEW Project - Studebaker-Lyones Complete Streets
AMEND CAPITAL RESERVES		
Jurisdiction Name	**Amount**	**Project**
Industry (Prop A)	$ 289,325	EXTENTION - Park-and-Ride Lot
Lynwood (Prop A)	2,363,966	EXTENTION - Transit Center Improvement
South Pasadena (Prop A, Meas R & M)	2,085,000	AMEND - Street Repairs per Pavement Management System
Whittier (Prop C)	1,228,462	EXTENTION - Greenway Trail Bike Path Extention Gap Closure Project

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Recommendation

CONSIDER:

A. ESTABLISHING new Local Return funded Capital Reserve Accounts for the Cities of Hidden Hills (Measure M), Lakewood (Proposition C and Measure M), Long Beach (Proposition C), and amend the existing accounts for the Cities of Industry (Proposition A), Lynwood (Proposition A), South Pasadena (Proposition C, Measure R and Measure M), and Whittier (Proposition C) (Attachment A); and

B. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Cities for their Capital Reserve Accounts as approved.

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