

Administration and Projects Committee **STAFF REPORT**

Meeting Date: May 07, 2020

Subject	Proposed Interim Measures to Prepare for Measure J Sales Tax Revenue Reduction Due to the COVID-19 Pandemic
Summary of Issues	The COVID-19 pandemic and ensuing “Shelter-in-Place” Order No. HO-COVID19-03 will likely have a significant impact on Measure J sale tax revenues, beyond the anticipated slowdown assumed in the <i>2019 Measure J Strategic Plan</i> . Staff proposes a series of interim actions to ensure the Authority has the financial resources to meet its commitments over the life of Measure J, while maintaining positive cash flow.
Recommendations	Staff seeks approval of Resolution 20-09-P, which will adopt the proposed interim measures to address the impacts of anticipated reduction in Measure J revenues.
Financial Implications	Measure J sales tax revenues were estimated to total \$2.588 billion over the life of Measure J in the adopted <i>2019 Measure J Strategic Plan</i> . However, due to the COVID-19 pandemic Measure J revenues will likely be less. Proposed actions in Resolution 20-09-P would reduce appropriations of Measure J funds in Fiscal Year (FY) 2020-21.
Options	The Authority Board could defer any action pending further deliberations.
Attachments (See APC Packet dated 5/7/20)	A. Resolution 20-09-P
Changes from Committee	<i>None</i>

Background

Measure J – a continuation of the half-percent countywide sales tax for transportation was passed by the Contra Costa County voters in November 2004. The Measure started on April 1, 2009 and will be in effect through March 31, 2034. The Measure J Strategic Plan guides the timing of Measure J expenditures based on assumptions about future sales tax revenues, debt service costs on proposed bonds, and project schedules. The underlying assumptions in the financial plan and the resultant cash flow estimates are critical to ensuring that the Authority will have the financial resources to deliver its project and program commitments.

The *2019 Measure J Strategic Plan* anticipated a slowdown in economic activities in the next 24 months, by adopting a lower new sales tax revenue forecast that projects no growth for the next three years. Measure J sales tax revenues were estimated in the *2019 Measure J Strategic Plan* to total \$2.588 billion over the life of Measure J. This was approximately \$136 million less than the revenue projection used in the *2016 Measure J Strategic Plan*.

The majority of the reductions were absorbed by savings on completed projects such as the State Route 4 (SR4) widening and Caldecott Tunnel Fourth Bore, unused construction reserves programmed in Southwest County and East County, and future reserves in East County set aside for unidentified projects under the East County Corridors, Major Streets, and Transportation for Livable Communities (TLC) funding categories. In addition, Measure J funding set aside for unidentified projects under the Bay Area Rapid Transit (BART) Parking, Access and Other Improvements category in Southwest, Central and West County were reduced.

The *2019 Measure J Strategic Plan* projected a constrained cash flow period in three to four years due to the revenue reduction. To address this issue, the Authority planned to develop a new policy to allow for internal borrowing from Measure J programs that have sufficient reserves. In addition, the programming of the next cycle of TLC and the Pedestrian, Bicycle and Trail Facilities (PBTf) programs were proposed to be delayed until the completion of the next update to the strategic plan when the revenue forecast is reviewed again.

Recommended Interim Measures

The COVID-19 pandemic and ensuing “Shelter-in-Place” Order will likely have a significant impact on Measure J sales tax revenues, beyond the anticipated slowdown assumed in the *2019 Measure J Strategic Plan*. Staff proposes a series of interim actions and funding principles, listed below, to ensure the Authority has the financial resources to meet its commitments over the life of Measure J while maintaining a positive cash flow.

- Suspend new appropriations of Measure J funds to start new capital projects in the Measure J Strategic Plan. New capital projects are referred to as projects that have not received any Measure J appropriations to date. Exceptions will be considered on a case-by-case basis, considering factors such as potential loss of other funding sources if Measure J funds are not appropriated, ability to leverage federal stimulus funds, etc. The suspension will apply to capital projects, part of the Program of Projects in the *2019 Measure J Strategic Plan*, as well as all programmed TLC and PBTF projects.
- Retain all projected Measure J savings on completed and/or ongoing capital projects in the Measure J reserve to soften the impact of revenue reductions.
- Manage allocations for operating programs, in accordance with the voter-approved Transportation Expenditure Plan (TEP), to maximize fund flow to operators as-needed while protecting the Authority's cash flow. This would apply to the following Measure J Programs:
 - Program 14 – Bus Transit
 - Program 15 – Countywide Transportation Programs for Seniors and People with Disabilities
 - Program 16 – Countywide Express Bus
 - Program 17 – Commute Alternatives
 - Program 19 – Subregional Additional Bus Services
 - Program 20 – Subregional Additional Transportation Programs for Seniors and People with Disabilities
 - Program 21 – Subregional Safe Transportation for Children Programs
 - Program 22 – West County Ferry
- Continue to delay the programming of the next cycle of TLC and PBTF programs until the completion of the next update to the *2019 Measure J Strategic Plan*, when a new revenue forecast is developed.
- Increase frequency of reimbursement requests for State and Federal funds, as delays in processing the invoices by our partner funding agencies will place additional demand on Measure J cash flow.

In addition, staff is taking the following actions:

- Urge our funding partners to accept electronic invoices in lieu of hard copies and expedite payment of invoices.
- Request Federal Highway Administration (FHWA) to waive and/or reduce the local match requirement on the Mobility-On-Demand (MOD) Grant received by the Authority.
- Request that pre-award costs be eligible for reimbursement for the Automated Driving System (ADS) Grant.
- Monitor opportunities to refinance issued bonds and reduce interest costs.
- Monitor opportunities to secure a subordinate line of credit to the outstanding sales tax bonds up to the necessary amount to maintain positive cash flow.
- Identify any grant opportunities including future State and Federal stimulus funds to supplant Measure J funds programmed for projects and programs.
- Advocate for Federal and State stimulus funding for transportation projects.

Potential Future Actions

Additional actions may be taken by the Authority if the “Shelter-in-Place” Order remains in effect for an extended time. These actions include the development of an “allocation plan” and “fund exchange program”, as described below:

Measure J Funds Allocation Plan

Staff may develop an allocation plan to preserve remaining Measure J funds and prioritize projects for potential stimulus funding. The allocation plan could include one or more of the following actions:

- Identify potential Authority-sponsored Measure J projects and/or contracts that can be suspended or delayed.
- Review with project sponsors all appropriation requests approved by the Authority

Board for on-going Measure J projects that are not in the right-of-way or construction stage to identify if reductions can be implemented.

- Develop a prioritized list of projects for future Measure J fund appropriations based on readiness, leveraging, ability to utilize federal stimulus funds, and other factors.
- Review non-project related contracts approved by the Authority Board to determine if they can be suspended, terminated, or reduced.

Fund Exchange Program

Staff can also begin working with project sponsors and funding partners to develop a fund exchange program. The goal of such a program is to ensure better utilization of limited Measure J funds by reducing project costs and maximizing the use of other fund sources in a timely manner. For example, should federal stimulus funds become available, the Authority could decide to prioritize programming federal funds to bundled projects (e.g. pavement rehabilitation projects) in return for an agreed upon reduction in participating jurisdictions Measure J return to source funds (to cover match requirements and administration cost of the program). In addition, opportunities may present themselves to exchange State Transportation Improvement Program (STIP) funds programmed for future Authority-sponsored project(s) with flexible local funds from other jurisdictions or counties. Other fund exchange opportunities might arise in the future if State and/or Federal stimulus funds become available.

Staff seeks approval of Resolution 20-09-P, which will adopt the proposed interim measures to address the impacts of anticipated reduction in Measure J revenues. These measures will allow accumulation of Measure J funds to address short-term cash flow needs and ensure the Authority has the financial resources to meet its commitments over the life of Measure J, while maintaining a positive cash flow. Staff will continue to monitor the COVID-19 dynamic situation and recommend additional measures if needed.