

STAFF REPORT

SUBJECT: Policy for Interest Earnings on Measure A Local Street & Transportation Improvement Funds

MEETING DATE: October 6, 2011

AGENDA ITEM: 5

STAFF CONTACT: Sarkes Khachek, Steve VanDenburgh

RECOMMENDATION:

Recommend the Board adopt a policy clarifying the use of interest earned on Measure A Local Street and Transportation Improvement funds.

SUMMARY:

SBCAG received a request for clarification from a city finance department about how interest earned on Measure A funds passed through to local agencies and parked in locally controlled accounts may be spent by local jurisdictions and Santa Barbara Metropolitan Transit District (SBMTD).

The Measure A ordinance doesn't fully address the expenditure of interest earnings other than to say the interest must be expended for the same purposes for which the funds (principle) were allocated. But left unanswered is whether interest must be used by cities and the County for alternative modes in the same percentage as the principle. SBCAG staff presented TTAC with a report in September that outlined the issue. TTAC requested that SBCAG staff draft a policy for discussion at its next meeting.

The policy drafted would require that interest be used on the same eligible projects and according to the same alternative mode percentages as the funds originally allocated. Projects funded by interest would have to be included in the Measure A Program of Projects.

DISCUSSION:

The Measure A Ordinance 5, Section 30, requires the establishment of separate accounts by jurisdictions receiving Local Street and Transportation Improvement Program funds and Santa Barbara MTD. The section requires that interest earned be expended for purposes for which the funds were allocated.

At least one city finance department asked if that meant that interest earnings had to be spent on alternative modes, and if so, in the same percentage as the allocated funds.

At the September TTAC meeting, SBCAG staff recommended that a policy be drafted for board consideration to address this issue. The board has adopted policies previously to address other

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implementation ambiguities not specified in the ordinance and the same type of policy can be adopted for this issue. TTAC requested that SBCAG staff draft a policy for discussion at its next meeting that is simple and straight forward, and that the Program of Projects be the document where interest funded projects are reflected.

SBCAG staff recommends the following policy language:

1. *Interest earnings on Local Street and Transportation Improvement (LSTI) Program funds must be spent on the eligible uses defined in Appendix B1 of the Measure A Investment Plan. SBMTD interest earnings must be spent on eligible uses as defined under the South Coast Transit Operations Program in the Measure A Investment Plan.*
2. *Each local jurisdiction must spend a minimum percentage of their interest earnings on eligible alternative transportation projects in Appendix B2 of the Investment Plan according to the same percentages identified in the Investment Plan for allocations of LSTI program funds. This policy is retroactive to FY 10/11.*
3. *Interest earned by local jurisdictions over a five year period must be added to funds allocated over the five year period for the purposes of calculating the alternative modes percentages required in the Investment Plan and clarified by the board policy adopted on April 15, 2010. (See Table 1 as a reference.)*
4. *Beginning in FY 12/13, each local jurisdiction and SBMTD shall estimate annual interest earnings and reflect these earnings in their Measure A Program of Projects.*
5. *The expenditure of interest earnings according to this policy will be included in the audit required by Section 25 of the Measure A Ordinance.*

SBCAG staff is recommending that TTAC recommend this policy to the SBCAG board for approval.

Attachments:

Table 1 – Cumulative Alternative Transportation Percentages Policy Example – Modified to Include Interest.

A copy of Ordinance #5 and the Investment Plan can be found at:

<http://www.measurea.net/PDFs/Amendment%20No.%201%20to%20Ordinance%205%20-%20signed.pdf>

TABLE 1 Cumulative Alternative Transportation Percentages Policy Example
 Adopted April 15, 2010
Modified to include LSTI Interest
 (assuming City X's Alt. Transp. % = 10%)

Funding	First Five Yrs.	Second Five Yrs.	TOTAL
City X Local Streets & Transp. Improv. Prog. Funds	\$1,000,000	\$1,000,000	\$2,000,000
Interest Earned	\$100,000	\$100,000	\$200,000
SUBTOTAL	\$1,000,000 \$1,100,000	\$1,000,000 \$1,100,000	\$2,000,000 \$2,200,000
Alt Modes Exp. (10% min.)	\$150,000 \$165,000	\$50,000 \$55,000	\$200,000 \$220,000
Actual Alt Modes %	15%	5%	10%