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SBCAG STAFF REPORT

SUBJECT: Draft 2018 Measure A Strategic Plan

MEETING DATE: September 20, 2018 **AGENDA ITEM:** 5

STAFF CONTACT: Marjie Kirn and Sarkes Khachek

RECOMMENDATION:

Receive presentation on financial memorandum to support development of 2018 Measure A Strategic Plan and provide feedback to SBCAG staff.

SUMMARY:

Per SBCAG Board Direction in June, SBCAG staff, in consultation with a subcommittee of TTAC and support by KNN Public Finance (Financial Advisor to SBCAG), has embarked on the update of the Measure A Strategic Plan. The 2018 update is intended to be a minor update with a focus on maintaining adequate cash flow for the Measure A program as matching funding for State Senate Bill 1 (SB1) grants secured for the Santa Barbara U.S. 101 Multimodal Corridor. Per the baseline funding agreement for the SB1 grants that was approved by the SBCAG Board in July 2018, SBCAG must contribute $73 million in Measure A as a match for the U.S. 101 corridor improvements to deliver these projects by 2025.

The 2018 update will examine a number of financial scenarios to maintain adequate cash flow to meet the delivery requirements. The update also examines a scenario where SB1 may be repealed by California voters in November with the approval of Proposition 6. Approval of Proposition 6 would adversely impact the delivery the improvements identified in the Santa Barbara U.S. 101 Corridor as well as other named projects in the Strategic Plan.

SBCAG staff and KNN have developed a Draft Financial Memorandum (Attachment A) for review by the SBCAG Board in September. The memorandum identifies the need for bond financing to help maintain cash flow for the Measure A program. The memorandum also evaluated various scenarios where Regional Surface Transportation Program (RSTP) reserves are utilized to fund project costs (U.S. 101 HOV) and thus the Measure A program is benefitted by either a reduction in overall bond debt service over the life the program or reduced impact to “pass through” funding to local agencies and other Measure A recipients. The memorandum was presented to TTAC in September. Per TTAC feedback in September, SBCAG staff and KNN will work with TTAC on reviewing the various scenarios further in October. The Draft Strategic Plan will be presented to TTAC and the Board in November. Per feedback from TTAC, the Strategic Plan will be scheduled for approval in January.

DISCUSSION:

In May, the California Transportation Commission (CTC) awarded $184 million in competitive SB1 funding to SBCAG and Caltrans for the Santa Barbara U.S. 101 Multimodal Corridor project for delivery of U.S. 101 HOV Segments 4A, 4B and 4C and the parallel projects within these segments. As part of the successful award, SBCAG committed Measure A funds and regional State Transportation Improvement Program (STIP) funds as a match for the SB1 grants.

This award will help SBCAG and Caltrans deliver segments 4A, 4B and 4C of the U.S. 101 HOV Widening project and parallel projects that are within these segments. Caltrans and SBCAG will subsequently pursue additional SB1 funding in future cycles to secure funds to deliver the remaining segments, 4D and 4E, and parallel projects within these segments. This initial award by the CTC was in line with the strategy that was outlined in the 2010 and 2015 Measure A Strategic Plans to deliver improvements in the corridor by relying on state and federal matching funds. The matching funds in this case have come from SB1 and from the State Highway Operation and Protection Program (SHOPP) and have been programmed by the California Transportation Commission in Fiscal Years 19/20 and 20/21. As part of the successful award, SBCAG committed Measure A funds and regional State Transportation Improvement Program (STIP) funds as a match for the SB1 grants. The amount of Measure A identified a match was $73 million which is coming from the $140 million (un-escalated) identified in the Measure A Investment Plan for the U.S. 101 HOV Widening Project.

The need for the $73 million for the U.S. 101 corridor improvements along with all other Measure A expenditures will impact the cash flow for the Measure A program over the next several years. As part of the financial memorandum, KNN prepared a “base case” which showed that the Measure A program cannot accommodate the match for U.S. 101 and make pass through funds available for local agencies and other regional projects and programs. As such, KNN has also prepared several financing strategies to address the Measure A program cash flow needs.

Draft Financial Memorandum

In July, SBCAG staff convened a subcommittee of TTAC to provide consultation to SBCAG staff and SBCAG’s Strategic Plan consultant/Financial Advisor, KNN. The subcommittee included representatives from the County of Santa Barbara and cities of Buellton, Goleta, Lompoc, Santa Barbara, and Santa Maria. The subcommittee met on July 12 and August 20.

On July 12, the subcommittee received an update on the SB1 funding award, the Measure A cash flow status and discussed the purpose of the Strategic Plan and the potential financing scenarios for maintaining appropriate cash flow levels for the Measure A program during delivery of the U.S. 101 HOV and parallel projects. The subcommittee advised SBCAG staff and KNN to consider scenarios where Regional Surface Transportation Program (RSTP) reserves could be utilized to offset the impact of reduced Measure A revenues to local agencies and other pass through recipients as a result of bond payment requirements (debt service payments) from the Measure A revenues.

On August 20, SBCAG staff and KNN presented the subcommittee with a draft memorandum on the prospective scenarios that would be examined in the draft Strategic Plan. Following feedback by the subcommittee, SBCAG staff and KNN updated the draft memorandum to refine the scenarios to consider supplanting a bond issuance with use of RSTP reserve to address short term needs and to examine RSTP reserve to either supplant a bond issuance or reduce a larger bond issuance in the future. The draft memorandum is included as **Attachment A**. The draft memorandum includes five scenarios. The scenarios are as follows:

- **Base Case:** Cash flow model projections produce annual deficit spending (i.e. expenditures greater than revenues) and a negative Measure A Fund balance of $1.5 million beginning in Fiscal Year 2019-20, growing to $81.8 million in FY 2026-27.
- **Scenario 1:** Utilizes bond financings to meet cash flow deficits.
- **Scenario 2:** Utilizes RSTP to address smaller, near-term cash flow deficits, followed by a larger subsequent bond financing in FY 2021-22.
- **Scenario 3:** Utilizes a larger portion of the RSTP in lieu of a first bond financing, followed by a subsequent bond financing in FY 2022-23.
- **Scenario 4:** Utilizes a larger portion of the RSTP in lieu of a first bond financing, followed by a subsequent bond financing in FY 2022-23; however, the second bond financing is downsized by the further contribution of RSTP.
- **Scenario 5:** Proposition 6 is approved by voters on November 6 and Senate Bill 1 (SB1) is repealed. The repeal of SB1 would adversely impact SBCAG's and Caltrans' ability to deliver the Santa Barbara U.S. 101 Multimodal Corridor improvements and remaining Measure A named projects.

COMMITTEE REVIEW:

SBCAG staff and KNN presented the Draft Financial Memorandum (Attachment A) to TTAC at their September 6 meeting. After reviewing the memorandum, TTAC indicated that they would like to further review the scenarios between September and October. TTAC also recommended that the financial memorandum be presented to the Board in September with emphasis on the need for bond financing to maintain positive ending cash balances in the Measure A program while providing all the anticipated pass through funds as well as funding capital projects on schedule, specifically the Highway 101 HOV. TTAC also wanted SBCAG to highlight the impact of Scenario 5 or the repeal of SB1 with the approval of Proposition 6 in November. The committee also recommended that the Strategic Plan be presented to the Board for approval no sooner than January 2019 after results of the Proposition 6 vote are known and also having time to evaluate Highway 101 HOV funding for Segments 4E and 4D.

SEPTEMBER SBCAG BOARD MEETING

SBCAG staff and KNN will present Draft Financial Memorandum to the SBCAG Board at September 20 meeting. A subsequent presentation will be made to the Board in October following further review of the memorandum by TTAC October.

ATTACHMENT:

A. Draft Financial Memorandum from KNN Consulting

ATTACHMENT A

KNN public finance

MEMORANDUM

Date: August 30, 2018

To: Technical Transportation Advisory Committee
Santa Barbara County Association of Governments

From: KNN Public Finance

Re: **Measure A Cash Flow Modeling for 2018 Strategic Plan**

This Memo updates the cash flow modeling efforts and analyses that Santa Barbara County Association of Governments (SBCAG) staff, with assistance from KNN Public Finance (KNN), have prepared in connection with SBCAG's 2018 Strategic Plan for Measure A. Further, this Memo discusses the implications of the potential repeal Senate Bill 1 – State funding that currently presents a rare opportunity for SBCAG and Caltrans to pursue the critical state matching funds necessary to deliver the U.S. 101 HOV improvements.

On July 12, 2018, SBCAG staff convened a Technical Transportation Advisory Committee (TTAC) meeting with representatives from each jurisdiction under Measure A to review the initial cash flow projections. The TTAC gave SBCAG staff and KNN direction to analyze several financing scenarios to address the projected Measure A Fund (Fund) deficits, including the potential use of current and projected funds in the RSTP Reserve (RSTP).

Following the July 12, 2018 meeting, SBCAG and KNN prepared a series of analyses that were summarized presented in a Memo dated August 16, 2018 and further reviewed and discussed in a meeting of the TTAC on August 22, 2018. With additional updates to the cash flow modeling approach and feedback received from the members of TTAC, this Memo considers the Base Case cash flow projection and four revised financing scenarios designed to address the projected cash flow deficit under the Base Case. SBCAG staff also provided narrative for Scenario 5.

- **Base Case:** Cash flow model projections produce annual deficit spending (i.e. expenditures greater than revenues) and a negative Measure A Fund balance of $1.5 million beginning in Fiscal Year 2019-20, growing to $81.8 million in FY 2026-27.
- **Scenario 1:** Utilizes bond financings to meet cash flow deficits.
- **Scenario 2:** Utilizes RSTP to address smaller, near-term cash flow deficits, followed by a larger subsequent bond financing in FY 2021-22.
- **Scenario 3:** Utilizes a larger portion of the RSTP in lieu of a first bond financing, followed by a subsequent bond financing in FY 2022-23.
- **Scenario 4:** Utilizes a larger portion of the RSTP in lieu of a first bond financing, followed by a subsequent bond financing in FY 2022-23; however, the second bond financing is downsized by the further contribution of RSTP.
- **Scenario 5:** Proposition 6 is approved by voters on November 6 and Senate Bill 1 (SB1) is repealed.

The following discussion analyzes the financial implications for the Measure A Fund Balance and the RSTP cash flows under each scenario with the objective of guiding the 2018 Strategic Plan.

Cash Flow Model Approach and Assumptions

The model projects revenues and expenditures, inclusive of local jurisdictional "Pass Through" funds and regional capital project costs, through Fiscal Year (FY) 2026-27. A ten-year projection period is used because it encompasses a reasonable timeframe for completion of the 101 HOV project, which has the largest impact to the Measure A revenues during this timeframe.

In scenarios that utilize a bond financing to meet cash flow deficits, Total Available Revenues are reduced by the corresponding estimated debt service on the bonds – thereby reducing "Pass Through" revenues as well as Measure A funds available for regional projects (Fund 5308). Further, in all cases involving bond financings, it is assumed that: (i) bonds are secured by a pledge of all Measure A sales tax revenues, (ii) that debt service is paid directly from Measure A funds before other uses of Measure A, and (iii) that bond proceeds are expended within three years of issuance, consistent with IRS rules for tax-exempt bonds.

Additional assumptions underlying the projected cashflows are provided in an Appendix of this Memo. We note that the cash flow model developed for Scenarios 1-4 is based on the working assumption that SB1 is NOT overturned in November. Thus, Scenario 5 separately addresses the implications of SB1 repeal to the project delivery.

Base Case: No Financings or Additional Revenues

The Base Case scenario provides cash flow projections for the Fund from FY 2017-18 through FY 2026-27 assuming no bond financings or additional revenues.

As illustrated in the tables below, cumulative Total Available Revenues (Measure A Sales Tax Revenues, plus interest, less certain costs) through FY 2026-27 total $404.6 million while Total Expenditures, inclusive of "Pass Through" revenues of $271.6 million, capital project costs in Fund 5308 of $238.4 million, and other program costs, total $510.7 million. This mis-match reduces the beginning Fund balance of $24.3 million to a negative Fund balance of $81.8 million in FY 2026-27.

Annual deficit spending results in a negative Fund balance of $1.5 million beginning in FY 2019-20. To mitigate the negative Fund balance, SBCAG could utilize either a long-term financing in this year or an initial contribution of RSTP Reserve funds, as discussed later. While not discussed in this Memo, other funding strategies could be pursued such as inter-program loans or other short-term borrowings.

Measure A	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Measure A Revenue Growth	3.5%	0.4%	1.1%	1.0%	1.0%
Total Available Revenue	38,223,779	38,045,955	38,620,530	39,007,474	39,393,144
Plus: RSTP Lump Sum	-	-		-	-
Plus: Bond Proceeds			-		
Less: Monthly Pass-Thru	(25,632,043)	(25,512,797)	(25,898,095)	(26,157,571)	(26,470,606)
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Less: Admin Transfers	(952,440)	(21,716)	(21,000)	(21,000)	(21,000)
Add Back: Measure A exp	40,000	150,000	10,000	10,000	10,000
Change in Cash Balance	**(3,788,354)**	**(10,893,881)**	**(11,098,552)**	**(131,574)**	**(16,396,433)**
Remaining Cash Balance	**20,474,245**	**9,580,364**	**(1,518,188)**	**(1,649,762)**	**(18,046,195)**

Measure A	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
Measure A Revenue Growth	1.0%	3.0%	3.0%	3.0%	3.0%	
Total Available Revenue	39,785,235	40,991,548	42,234,051	43,513,829	44,832,000	404,647,545
Plus: RSTP Lump Sum	-	-	-	-	-	-
Plus: Bond Proceeds	-					-
Less: Monthly Pass-Thru	(26,734,075)	(27,544,669)	(28,379,581)	(29,179,435)	(30,063,373)	(271,572,244)
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Less: Admin Transfers	-	-	-	-	-	(1,037,156)
Add Back: Measure A exp	10,000	10,000	10,000	10,000	10,000	270,000
Change in Cash Balance	**(14,764,902)**	**(20,614,121)**	**(18,634,530)**	**(5,100,607)**	**(4,666,373)**	**(106,089,326)**
Remaining Cash Balance	**(32,811,097)**	**(53,425,218)**	**(72,059,747)**	**(77,160,354)**	**(81,826,726)**	

The primary driver of projected Measure A Fund cash flow deficits is due to anticipated capital spending for the 101 HOV project and other regional projects within Fund 5308. Based on its percentage allocation of Measure A revenues, Fund 5308 is projected to receive revenues of $133.1 million through FY 2026-27; however, expenditures are projected to total over $238.4 million during this same time horizon. Projected annual Fund 5308 revenues and expenditures are illustrated in the table below – deficit amounts are presented on an annual basis and are not cumulative.

Fund 5308 Capital Expenditures	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
FUND 5308 Revenue	12,591,736	12,533,158	12,722,435	12,849,903	12,922,538
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Fund 5308 Deficit	**(2,875,915)**	**(13,898,080)**	**(24,985,632)**	**(25,106,206)**	**(41,491,639)**

Fund 5308 Capital Expenditures	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
FUND 5308 Revenue	13,051,160	13,446,879	13,854,470	14,334,393	14,768,627	133,075,301
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Fund 5308 Deficit	**(56,266,541)**	**(76,890,661)**	**(95,535,191)**	**(100,645,798)**	**(105,322,170)**	

The RSTP fund balances are summarized below. The RSTP Reserve is expected to receive an annual contribution of $3 million and interest earnings through FY 2026-27. Cumulative contributions and interest of $30 million and $10 million, respectively, bring the current RSTP balance of $23 million to $63 million. RSTP projections are illustrated in the tables below.

RSTP Fund Balance	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
RSTP Interest Rate	1.50%	1.75%	2.00%	2.25%	2.50%
Beginning Balance	23,000,000	26,390,000	29,904,325	33,562,412	37,385,066
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lump Sum Use of Fund					
Interest Earned	390,000	514,325	658,087	822,654	1,009,627
Remaining RSTP Fund Balance	**26,390,000**	**29,904,325**	**33,562,412**	**37,385,066**	**41,394,692**

RSTP Fund Balance	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
RSTP Interest Rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Beginning Balance	41,394,692	45,504,560	49,717,174	54,035,103	58,460,981	
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	30,000,000
Lump Sum Use of Fund						-
Interest Earned	1,109,867	1,212,614	1,317,929	1,425,878	1,536,525	9,997,505
Remaining RSTP Fund Balance	**45,504,560**	**49,717,174**	**54,035,103**	**58,460,981**	**62,997,505**	

With this Base Case scenario established, we can now consider alternative financing scenarios to target positive Fund balance amounts in projected years. In each of the following financing scenarios, we hold the Base Case assumptions constant with respect to projections for Measure A revenues and expenditures and RSTP growth.

Scenario 1: Bond Financings – No Contribution from RSTP

Scenario 1 provides cash flow projections for the Fund from FY 2017-18 through FY 2026-27 assuming only bond financings are utilized to address negative Fund balances.

The first bond financing is assumed to be issued in FY 2019-20 to address the initial negative Fund balance of $1.5 million identified in the Base Case. With guidance from SBCAG, the first bond financing is sized to maintain a minimum Fund balance of approximately $5 million in FY 2021-22. This would require a $24.25 million bond financing utilizing current market interest rates.

A second larger bond financing in FY 2022-23 is sized to target a similar ending Fund balance of approximately $5 million in FY 2026-27, the final year of the projections. Based on current expenditure assumptions, this would require a $75.75 million bond financing utilizing higher estimated future market interest rates.

Measure A	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Measure A Revenue Growth	3.5%	0.4%	1.1%	1.0%	1.0%
Total Available Revenue	38,223,779	38,045,955	38,402,280	37,285,743	37,671,412
Plus: RSTP Lump Sum	-	-	-	-	-
Plus: Bond Proceeds			24,250,000		
Less: Monthly Pass-Thru	(25,632,043)	(25,512,797)	(25,751,741)	(25,003,015)	(25,313,671)
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Less: Admin Transfers	(952,440)	(21,716)	(21,000)	(21,000)	(21,000)
Add Back: Measure A exp	40,000	150,000	10,000	10,000	10,000
Change in Cash Balance	**(3,788,354)**	**(10,893,881)**	**13,079,552**	**(698,749)**	**(16,961,231)**
Remaining Cash Balance	**20,474,245**	**9,580,364**	**22,659,916**	**21,961,166**	**4,999,936**

Measure A	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
Measure A Revenue Growth	1.0%	3.0%	3.0%	3.0%	3.0%	
Total Available Revenue	37,116,629	32,550,857	33,793,360	35,073,137	36,391,309	364,554,460
Plus: RSTP Lump Sum	-	-	-	-	-	-
Plus: Bond Proceeds	75,750,000					100,000,000
Less: Monthly Pass-Thru	(24,940,879)	(21,872,864)	(22,707,776)	(23,519,290)	(24,403,227)	(244,657,304)
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Less: Admin Transfers	-	-	-	-	-	(1,037,156)
Add Back: Measure A exp	10,000	10,000	10,000	10,000	10,000	270,000
Change in Cash Balance	**60,109,688**	**(23,383,007)**	**(21,403,417)**	**(7,881,152)**	**(7,446,918)**	**(19,267,471)**
Remaining Cash Balance	**65,109,624**	**41,726,616**	**20,323,200**	**12,442,047**	**4,995,129**	

Payment of debt service on the projected bond financings impacts the amount of cumulative Pass

Through funds paid through FY 26-27 through the reduction in Total Available Revenues by the estimated amount of annual debt service. As illustrated in the Measure A cash flow table above, total estimated Pass Through funds over the ten-year projection period are reduced by $26.9 million from $271.6 million to $244.7 million.

RSTP is unchanged from the Base Case scenario. The RSTP balance of $23 million is expected to grow to $63 million over the projection period, assuming additional contributions and earnings.

RSTP Fund Balance	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
RSTP Interest Rate	1.50%	1.75%	2.00%	2.25%	2.50%
Beginning Balance	23,000,000	26,390,000	29,904,325	33,562,412	37,385,066
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lump Sum Use of Fund					
Interest Earned	390,000	514,325	658,087	822,654	1,009,627
Remaining RSTP Fund Balance	**26,390,000**	**29,904,325**	**33,562,412**	**37,385,066**	**41,394,692**

RSTP Fund Balance	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
RSTP Interest Rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Beginning Balance	41,394,692	45,504,560	49,717,174	54,035,103	58,460,981	
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	30,000,000
Lump Sum Use of Fund						-
Interest Earned	1,109,867	1,212,614	1,317,929	1,425,878	1,536,525	9,997,505
Remaining RSTP Fund Balance	**45,504,560**	**49,717,174**	**54,035,103**	**58,460,981**	**62,997,505**	

Scenario 2: Small RSTP Contribution (FY 2019-20) and Single Bond Financing (FY 2021-22)

Scenario 2 provides cash flow projections for the Fund from FY 2017-18 through FY 2026-27 assuming a small RSTP "lump sum" contribution in the amount of $6.7 million in FY 2019-20 to address the minimal initial cash deficit of $1.5 million while also meeting a $5 million cash balance target. This approach allows for the delay of the first bond issuance projected in Scenario 1; however, accelerates additional anticipated funding needs to FY 2021-22 from FY 2022-23 under Scenario 1. Thus, a larger, single bond issuance of $93.8 million in FY 2021-22 is sized to achieve an ending Fund balance of approximately $5 million in FY 2026-27.

Measure A	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Measure A Revenue Growth	3.5%	0.4%	1.1%	1.0%	1.0%
Total Available Revenue	38,223,779	38,045,955	38,620,530	39,007,474	38,221,269
Plus: RSTP Lump Sum	-	-	6,650,000	-	-
Plus: Bond Proceeds					93,750,000
Less: Monthly Pass-Thru	(25,632,043)	(25,512,797)	(25,898,095)	(26,157,571)	(25,683,153)
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Less: Admin Transfers	(952,440)	(21,716)	(21,000)	(21,000)	(21,000)
Add Back: Measure A exp	40,000	150,000	10,000	10,000	10,000
Change in Cash Balance	**(3,788,354)**	**(10,893,881)**	**(4,448,552)**	**(131,574)**	**76,969,145**
Remaining Cash Balance	**20,474,245**	**9,580,364**	**5,131,812**	**5,000,238**	**81,969,383**

Measure A	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
Measure A Revenue Growth	1.0%	3.0%	3.0%	3.0%	3.0%	
Total Available Revenue	31,765,277	32,971,590	34,214,093	35,493,871	36,812,042	363,375,878
Plus: RSTP Lump Sum	-	-	-	-	-	6,650,000
Plus: Bond Proceeds	-					93,750,000
Less: Monthly Pass-Thru	(21,344,986)	(22,155,580)	(22,990,492)	(23,801,424)	(24,685,361)	(243,861,502)
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Less: Admin Transfers	-	-	-	-	-	(1,037,156)
Add Back: Measure A exp	10,000	10,000	10,000	10,000	10,000	270,000
Change in Cash Balance	**(17,395,771)**	**(23,244,990)**	**(21,265,399)**	**(7,742,554)**	**(7,308,320)**	**(19,250,251)**
Remaining Cash Balance	**64,573,611**	**41,328,621**	**20,063,222**	**12,320,668**	**5,012,349**	

While Scenario 2 limits the need for two bond financings, total debt service paid by Measure A during the forecast period is slightly greater relative to Scenario 1 as the assumed bond interest cost in later years is higher than the current market rate assumption assumed in FY 2019-20 issuances. Thus, Total Available Revenues for Pass Through funds are more impacted over the projection period. As illustrated in the Measure A cash flow table above, total estimated Pass Through funds over the ten-year projection period are reduced by $27.8 million from $271.6 million to $243.8 million (approximately $1 million lower than Scenario 1).

RSTP funds are drawn down once by $6.7 million in FY 2019-20, which leaves a slightly smaller balance for interest earnings, resulting in an estimated ending fund balance of $55 million at the end of the projection period in FY 2026-27.

RSTP Fund Balance	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
RSTP Interest Rate	1.50%	1.75%	2.00%	2.25%	2.50%
Beginning Balance	23,000,000	26,390,000	29,904,325	26,779,412	30,449,448
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lump Sum Use of Fund			(6,650,000)		
Interest Earned	390,000	514,325	525,087	670,037	836,236
Remaining RSTP Fund Balance	**26,390,000**	**29,904,325**	**26,779,412**	**30,449,448**	**34,285,684**

RSTP Fund Balance	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
RSTP Interest Rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Beginning Balance	34,285,684	38,217,827	42,248,272	46,379,479	50,613,966	
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	30,000,000
Lump Sum Use of Fund						(6,650,000)
Interest Earned	932,142	1,030,446	1,131,207	1,234,487	1,340,349	8,604,315
Remaining RSTP Fund Balance	**38,217,827**	**42,248,272**	**46,379,479**	**50,613,966**	**54,954,315**	

Scenario 3: Larger RSTP Contribution (FY 2019-20) and Single Bond Financing (FY 2022-23)

Scenario 3 provides cash flow projections for the Fund from FY 2017-18 through FY 2026-27 assuming a $23 million "lump sum" use of RSTP in lieu of the first bond financing in FY 2019-20 under Scenario 1, which achieves a cash balance target of $5 million in FY 2021-22. Because of the greater RSTP initial contribution under Scenario 3, cash balances remain positive for a longer duration and the amount and timing of a bond financing is reduced and delayed relative to Scenario 2. A single bond financing of $72.6 million in FY 2022-23 results in an ending Fund balance of just over $5 million in FY 2026-27.

Measure A	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Measure A Revenue Growth	3.5%	0.4%	1.1%	1.0%	1.0%
Total Available Revenue	38,223,779	38,045,955	38,620,530	39,007,474	39,393,144
Plus: RSTP Lump Sum	-	-	23,000,000	-	-
Plus: Bond Proceeds			-		
Less: Monthly Pass-Thru	(25,632,043)	(25,512,797)	(25,898,095)	(26,157,571)	(26,470,606)
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Less: Admin Transfers	(952,440)	(21,716)	(21,000)	(21,000)	(21,000)
Add Back: Measure A exp	40,000	150,000	10,000	10,000	10,000
Change in Cash Balance	**(3,788,354)**	**(10,893,881)**	**11,901,448**	**(131,574)**	**(16,396,433)**
Remaining Cash Balance	**20,474,245**	**9,580,364**	**21,481,812**	**21,350,238**	**4,953,805**

Measure A	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
Measure A Revenue Growth	1.0%	3.0%	3.0%	3.0%	3.0%	
Total Available Revenue	38,877,735	34,551,991	35,794,493	37,074,271	38,392,442	377,981,814
Plus: RSTP Lump Sum	-	-	-	-	-	23,000,000
Plus: Bond Proceeds	72,600,000					72,600,000
Less: Monthly Pass-Thru	(26,124,272)	(23,217,546)	(24,052,457)	(24,861,207)	(25,745,144)	(253,671,737)
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Less: Admin Transfers	-	-	-	-	-	(1,037,156)
Add Back: Measure A exp	10,000	10,000	10,000	10,000	10,000	270,000
Change in Cash Balance	**57,537,401**	**(22,726,555)**	**(20,746,964)**	**(7,221,936)**	**(6,787,702)**	**(19,254,549)**
Remaining Cash Balance	**62,491,206**	**39,764,651**	**19,017,687**	**11,795,752**	**5,008,050**	

Total debt service paid by Measure A under Scenario 3 is lower relative to Scenarios 1 and 2, so the Pass Through funds are less impacted over the projection period. Pass Through funds are reduced by $17.9 million from $271.6 million to $253.7 million over the projection period.

RSTP funds are drawn down once by $23 million in FY 2019-20. This leaves a much smaller balance for interest earnings. Under Scenario 3, the RSTP balance is projected to be $35.2 million at the end of the projection period.

RSTP Fund Balance	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
RSTP Interest Rate	1.50%	1.75%	2.00%	2.25%	2.50%
Beginning Balance	23,000,000	26,390,000	29,904,325	10,102,412	13,397,216
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lump Sum Use of Fund			(23,000,000)		
Interest Earned	390,000	514,325	198,087	294,804	409,930
Remaining RSTP Fund Balance	**26,390,000**	**29,904,325**	**10,102,412**	**13,397,216**	**16,807,146**

RSTP Fund Balance	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
RSTP Interest Rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Beginning Balance	16,807,146	20,302,325	23,884,883	27,557,005	31,320,930	
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	30,000,000
Lump Sum Use of Fund						(23,000,000)
Interest Earned	495,179	582,558	672,122	763,925	858,023	5,178,953
Remaining RSTP Fund Balance	**20,302,325**	**23,884,883**	**27,557,005**	**31,320,930**	**35,178,953**	

Scenario 4: Larger RSTP Contribution (FY 2019-20) and Single Bond Financing Downsized by RSTP Contribution (FY 2022-23)

Scenario 4 is an extension of Scenario 3 above assuming a $23 million "lump sum" use of RSTP in lieu of the first bond financing in FY 2019-20 under Scenario 1; however, the funding requirement in FY 2022-23 is met using both bond proceeds and RSTP funds. Thus, as compared to Scenario 3, in FY 2022-23, we assume $15 million of RSTP funds are utilized to address cash needs leaving a remaining balance of $5 million in RSTP and the resulting bond financing necessary to achieve an ending Fund balance of $5 million in FY 2026-27 is $55.6 million.

Measure A	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Measure A Revenue Growth	3.5%	0.4%	1.1%	1.0%	1.0%
Total Available Revenue	38,223,779	38,045,955	38,620,530	39,007,474	39,393,144
Plus: RSTP Lump Sum	-	-	23,000,000	-	-
Plus: Bond Proceeds			-		
Less: Monthly Pass-Thru	(25,632,043)	(25,512,797)	(25,898,095)	(26,157,571)	(26,470,606)
Less: Fund 5308 Capital Expenditures	(15,467,651)	(23,555,323)	(23,809,987)	(12,970,477)	(29,307,972)
Less: Admin Transfers	(952,440)	(21,716)	(21,000)	(21,000)	(21,000)
Add Back: Measure A exp	40,000	150,000	10,000	10,000	10,000
Change in Cash Balance	**(3,788,354)**	**(10,893,881)**	**11,901,448**	**(131,574)**	**(16,396,433)**
Remaining Cash Balance	**20,474,245**	**9,580,364**	**21,481,812**	**21,350,238**	**4,953,805**

Measure A	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
Measure A Revenue Growth	1.0%	3.0%	3.0%	3.0%	3.0%	
Total Available Revenue	39,090,860	36,064,311	37,306,814	38,586,592	39,904,763	384,244,221
Plus: RSTP Lump Sum	15,000,000	-	-	-	-	38,000,000
Plus: Bond Proceeds	55,550,000					55,550,000
Less: Monthly Pass-Thru	(26,267,483)	(24,233,764)	(25,068,676)	(25,875,336)	(26,759,274)	(257,875,644)
Less: Fund 5308 Capital Expenditures	(27,826,062)	(34,071,000)	(32,499,000)	(19,445,000)	(19,445,000)	(238,397,471)
Less: Admin Transfers	-	-	-	-	-	(1,037,156)
Add Back: Measure A exp	10,000	10,000	10,000	10,000	10,000	270,000
Change in Cash Balance	**55,557,315**	**(22,230,453)**	**(20,250,862)**	**(6,723,745)**	**(6,289,511)**	**(19,246,050)**
Remaining Cash Balance	**60,511,120**	**38,280,667**	**18,029,805**	**11,306,060**	**5,016,549**	

Total debt service paid by Measure A under Scenario 4 is the lowest relative to Scenarios 1 – 3 discussed above. Pass Through funds are the least impacted over the projection period under Scenario 4 as RSTP resources are utilized more than in the alternative scenarios. Thus, Pass Through funds are reduced by $13.7 million from $271.6 million to $257.9 million over the projection period.

RSTP funds are drawn down twice by $23 million in FY 2019-20 and $15 million in FY 2022-23. This leaves the lowest projected balance for the fund. The RSTP balance is projected to be $18.2 million at the end of the projection period.

RSTP Fund Balance	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
RSTP Interest Rate	1.50%	1.75%	2.00%	2.25%	2.50%
Beginning Balance	23,000,000	26,390,000	29,904,325	10,102,412	13,397,216
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Lump Sum Use of Fund			(23,000,000)		
Interest Earned	390,000	514,325	198,087	294,804	409,930
Remaining RSTP Fund Balance	**26,390,000**	**29,904,325**	**10,102,412**	**13,397,216**	**16,807,146**

RSTP Fund Balance	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Grand Total
RSTP Interest Rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Beginning Balance	16,807,146	4,927,325	8,125,508	11,403,646	14,763,737	
Additonal Contribution	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	30,000,000
Lump Sum Use of Fund	(15,000,000)					(38,000,000)
Interest Earned	120,179	198,183	278,138	360,091	444,093	3,207,830
Remaining RSTP Fund Balance	**4,927,325**	**8,125,508**	**11,403,646**	**14,763,737**	**18,207,830**	

Summary Tables for Scenarios 1 through 4

The following tables summarize the four scenarios and their respective impact on the Measure A Fund Balance and the RSTP Reserve over the projection period.

Measure A Fund Balance

Measure A Cash Flow Analysis	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Bond Financings	2 Bonds	1 Bond	1 Bond	1 Bond
RSTP Contribution - Lump Sum	None	1 Lump Sum	1 Lump Sum	2 Lump Sums
Beginning Measure A Cash Blance (FY 2017-18)	**24,262,599**	**24,262,599**	**24,262,599**	**24,262,599**
Measure A Total Available Revenues / Bond Proceeds / Lump Sum RSTP Contribution Thru FY 2026-27	**464,554,460**	**463,775,878**	**473,581,814**	**477,794,221**
Total Available Revenues	364,554,460	363,375,878	377,981,814	384,244,221
Total Estimated Bond Proceeds	100,000,000	93,750,000	72,600,000	55,550,000
Total Estimated RSTP Lump Sum	-	6,650,000	23,000,000	38,000,000
Estimated Total Expenditures Thru FY 2026-27	**(483,821,930)**	**(483,026,129)**	**(492,836,364)**	**(497,040,271)**
Local Pass Thru	(244,657,304)	(243,861,502)	(253,671,737)	(257,875,644)
Regional Capital and Project Costs (5308)	(238,397,471)	(238,397,471)	(238,397,471)	(238,397,471)
Other	(767,156)	(767,156)	(767,156)	(767,156)
Remaining Measure A Cash Balance (FY 2026-27)	**4,995,129**	**5,012,349**	**5,008,050**	**5,016,549**

RSTP Balance

Measure A Cash Flow Analysis	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Bond Financings	2 Bonds	1 Bond	1 Bond	1 Bond
RSTP Contribution - Lump Sum	None	1 Lump Sum	1 Lump Sum	2 Lump Sums
RSTP Cash Flow Analysis thru FY 2026-27				
Beginning RSTP Cash Balance (FY 2017-18)	**23,000,000**	**23,000,000**	**23,000,000**	**23,000,000**
Additional RSTP Contribution	30,000,000	30,000,000	30,000,000	30,000,000
Lump Sum Contribution to Measure A Capital Costs	-	(6,650,000)	(23,000,000)	(38,000,000)
Interest Earned	9,997,505	8,604,315	5,178,953	3,207,830
Remaining RSTP Cash Balance (FY 2026-27)	**62,997,505**	**54,954,315**	**35,178,953**	**18,207,830**

The following table summarizes the debt financings assumed in the scenarios and the respective debt service amounts for each scenario both during **AND** after the projection period.

Bonds and Estimated Debt Service Summary

Measure A Cash Flow Analysis	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Bond Financings	2 Bonds	1 Bond	1 Bond	1 Bond
RSTP Contribution - Lump Sum	None	1 Lump Sum	1 Lump Sum	2 Lump Sums
Bonding and Debt Service Summary				
Total Bonds Issued	**100,000,000**	**93,750,000**	**72,600,000**	**55,550,000**
Total Payments thru FY 2026-27	40,093,085	41,271,667	26,665,731	20,403,324
Total Payments FY 2027-28 through FY 2039-40	109,728,989	104,259,458	83,714,250	64,054,085
Total Payments	**149,822,074**	**145,531,125**	**110,379,981**	**84,457,409**

Additional Considerations for Scenarios 1 through 4

The Scenarios 2-4 above analyzed and reviewed above consider the utilization of RSTP Reserve balances through an application of lump sum amounts in targeted fiscal years. Another approach to the utilization of RSTP resources could be done as an annual offset to debt service to lessen the impact on Total Available Revenues. While SBCAG and KNN ran this analysis and closely evaluated the impact of utilizing RSTP resources as an annual offset to debt service, it was collectively determined at the TTAC August 22, 2018 meeting that this approach produced less optimal results.

Though this analysis is limited to a projection period to FY 2026-27, there are financial implications beyond the projection period because the debt service of the bonds extends to the end of Measure A in FY 2039-40. For example, Scenario 1 (utilizing only bond financings) results in higher Pass Through revenues over the projection period versus Scenario 2 (utilizing a small amount of RSTP in tandem with a larger bond issuance). However, when considering the entire term of the bond issuance, total debt service is greater under Scenario 1 ($149.8 million) versus Scenario 2 ($145.5 million). Therefore, beyond the forecast period, Total Available Revenues under Scenario 1 would be impacted more by required debt service payments.

Further Scenarios 2-4 illustrate that when RSTP funds are utilized to provide a lump sum amount in lieu of a bond, there is a tradeoff between Pass Through revenues and RSTP revenues overtime. Under Scenario 4 Pass Through revenues over the projection period are greatest at $257.9 million and the RSTP ending balance is the lowest at $18.2 million. Scenario 3 Pass Through revenues over the projection period are at $253.7 million and the RSTP ending balance is $35.2 million. When comparing Scenario 4 to Scenario 3, Pass Through revenues are $4.2 million greater; however, to achieve the benefit of additional Measure A Pass Through revenues, the RSTP ending balance is reduced by $17 million, which is a cost of roughly 4 times the benefit.

One final consideration is the relationship between the assumed earnings rate on the RSTP Reserve and the interest rate paid on the bonds. RSTP funds are assumed to earn interest at short term Treasury Pool rates ranging from 1.50% to 2.50%. However, this rate will fluctuate year to year while the interest rate on the bonds will be fixed for the duration of the bond. Long term tax-exempt fixed rates are relatively low now but are trending up. We have assumed a True Interest Cost of 3.60% for the first bond (current market plus a slight cushion) and we've assumed 5.00% conservatively for the second bond.

Scenario 5: Proposition 6 is Approved by Voters on November 6 and Senate Bill 1 is Repealed

Assumptions in Adopted 2010 and 2015 Strategic Plans (2010 $)

The adopted 2010 and 2015 Measure A Strategic Plans assumed that state and federal matching funds would need to be identified and secured to deliver the U.S. 101 High Occupancy Vehicle (HOV) improvements in South Santa Barbara County. The 2010 Strategic Plan assumed that $285 million in matching funds would be required in addition to the $140 million in Measure A to fund the project's $425 million estimated cost. This $285 million included $135 million from formula driven state and federal gas-tax programs and $150 million in "outside" funding from state or federal resources that are awarded through a competitive grant process. The estimated amount of formula regional gas tax shares for the Santa Barbara region was assumed at $7.5 million per year. At the time, there was great uncertainty about the critical matching funds needed for the U.S. 101 HOV project due to the declining gas-tax receipts received by SBCAG and the highly competitive and scarce nature of state and federal discretionary opportunities. As a result of the declining gas tax revenues, SBCAG's annual average share of state gas tax revenues were reduced to around $2 million between 2010 and 2016. This came to a critical point in 2016 when the State experienced the 'STIP Crisis' that resulted in $1.5 billion in project deletions and delays statewide due to lack of gas tax revenues.

Passage of Senate Bill 1 (SB1)

In April 2017, the California Legislature passed and the Governor signed Senate Bill 1 (SB1), the Road Repair and Rehabilitation Account of 2017. SB1 provides the first significant, stable, and on-going increase in state transportation funding in more than two decades. SB1 provides $5.2 billion in funding for transportation through increases to the gas tax and diesel tax and through a new vehicle registration fee aimed to rehabilitate highways and local streets and roads, ease congestion on state highways, fix bridges, maintain and expand public transportation and rail services, manage goods movement, and provide opportunities to fund infrastructure for bicycle and pedestrian programs. Additionally, SB1 restored funding for the State Transportation Improvement Program (STIP), which is the only flexible source of state funding that can be used by regional agencies to address regional priorities. The additional funding for the STIP per SB1 provides approximately $5.5 million in STIP shares for SBCAG's region per year. Prior to SB1, the last time additional transportation funding was made available was in 2006 with Proposition 1B, which was a onetime $19 billion bond act. Prior to that, the gas tax was last increased in 1994, and thus has not kept up with inflation.

Delivery of U.S. 101 Corridor Improvements with SB1 Funding

SB1 presents a rare opportunity for SBCAG and Caltrans to pursue the critical state matching funds necessary to deliver the U.S. 101 HOV improvements as was envisioned in the 2010 and 2015 Measure A Strategic Plans both approved by the SBCAG Board. In October 2017, SBCAG staff, in coordination with a subcommittee of TTAC, provided the SBCAG Board with a strategy for pursuing funds from the California Transportation Commission for the U.S. 101 HOV Project and parallel local improvements via new competitive SB1 programs. The strategy focused initial funding applications on three of the five segments of the Project, Segments 4A, 4B and 4C and parallel/mitigation projects within those segments. The Project was presented in the applications as the Santa Barbara U.S. 101 Multimodal Corridor Project. SBCAG and Caltrans submitted joint competitive applications requesting $184 million in SB1 funds with Measure A and regional STIP funds as the match. In May 2018, the California Transportation Commission awarded the full request of $184 million in SB1 funds to SBCAG and Caltrans per the Solutions for Congested Corridors (SCCP) and Trade Corridor Enhancement Programs (TCEP). This represented the second highest award statewide from any competitive program, and third highest award for any project from any program. Additionally, Caltrans has programmed an additional $184 million in State Highway Operation and Protection Program (SHOPP) funds for U.S. 101 Segments 4A, 4B and 4C. Finally, SBCAG has also programmed $2.6 million in SB1 formula Local Partnership Program (LPP Formula) funds for project development efforts for parallel and mitigation projects. SB1 LPP Formula funds are apportioned annually by formula to SBCAG for being a self-help county or a county that has a voter-approved transportation sales tax measure. This funding will be made available to SBCAG for the duration of Measure A or through 2040.

In total, over $400 million in SB1 funds are being programmed to the U.S. 101 corridor for highway and local improvements within Segments 4A, 4B and 4C. This is a considerable investment by the

State to address a state and regional priority and meets the goal of the 2010 and 2015 Strategic Plans of securing "outside funding" for delivery of the U.S. 101 HOV improvements. Additionally, during the most recent applications for funding, an additional $22 million in state Transit and Intercity Rail Capital Program (TIRCP) funds were awarded by the California State Transportation Agency for the Goleta Train Depot and Coastal Express/Pacific Surfliner Peak Hour Service Expansion and Integration Project to further the passenger rail objectives in the U.S. 101 Corridor.

It is important to note that SBCAG and Caltrans will be pursuing additional funds to complete the remaining two segments of the Project through near term funding opportunities through the 2020 STIP, 2020 SHOPP, and Cycle 2 for SB1 competitive programs through Local Partnership Competitive Program, SCCP and TCEP. SBCAG and Caltrans will pursue between $100 million and $150 million in SB1 competitive funds to further work on U.S. 101 segments 4D and 4E and the parallel local improvements within these segments near Cabrillo Boulevard, Olive Mill Road and San Ysidro Road.

State Contributions to Santa Barbara Region from SB1

SBCAG has determined that approximately $456 million has been awarded to our region through SB1 through various formula and competitive programs, which includes approximately $400 million for U.S. 101 corridor improvements. Included in the total is $12 million in annual funds for local cities and the County for basic road maintenance, rehabilitation and critical safety projects. Furthermore, the SBCAG region has received over $15 million in SB1 funding from the Active Transportation Program for projects to provide local safe routes to school and bicycle and pedestrian improvements in the cities of Guadalupe and Santa Barbara.

The following is a summary of the SB1 formula and competitive funds awards programmed in the SBCAG region by the State:

Project	SB1 Program	Approved SB1 Amount
Santa Barbara U.S. 101 Multimodal Corridor – Segments 4A, 4B and 4C and parallel projects	State Transportation Improvement Program Regional Share and Caltrans Share	$17.5 million in regional share and $6.4 million in Interregional Share (per Caltrans).
	Local Partnership Program - Formula	$2.6 million
	Solutions for Congested Corridors Program	$133 million
	Trade Corridor Enhancement Program	$51 million
	State Highway Operations and Protection Program	$184 million
	Transit and Intercity Rail Capital Program (Goleta Train Depot and Coastal Express/Pacific Surfliner Peak Hour Rail Service Expansion)	$22 million

Local Streets and Roads projects for the cities and County of Santa Barbara	Local Streets and Roads Program	$24 million ($12 million each year for Fiscal Years 2017/18 and 2018/19 and in perpetuity)
City of Guadalupe - Guadalupe Street/State Route 1 Pedestrian Improvements	Active Transportation Program - Augmentation	$401,000
City of Santa Barbara - Los Positas and Modoc Roads Class 1 Construction	Active Transportation Program - Augmentation	$15 million
TOTAL APPROVED SB1 FUNDS		**Approx. $456 MILLION**

Additionally, SBCAG and Caltrans will apply for future SB1 competitive funding for completion of the Santa Barbara U.S. 101 Multimodal Corridor (Segments 4D and 4E and parallel projects). This will occur in 2019 and 2020 with an estimated request between $100 million and $150 million depending on final scope and amount of SHOPP funding. It is important to note that additional future Measure A regional projects, such as the Goleta Overpass project and Santa Maria interchange projects also rely on regional STIP funds for timely delivery. Regional STIP funds will be programmed to these projects upon the delivery of the U.S. 101 HOV Project.

The State Route 246 Robinson Bridge project near Lompoc, identified in the Measure A Investment Plan, is included in the SHOPP by Caltrans as a result of the passage of SB1. The project was previously relying upon Measure A and regional STIP funds for delivery.

Repeal of SB1: Short-Term and Long-Term Impacts

In June 2018, Proposition 6 qualified for the November 6, 2018 ballot to repeal SB1. The proposition only requires simple majority approval of the voters to repeal SB1 which would be effective the day after the election or on November 7th. This would have near term and long term implications to address transportation needs in our region and in California. The repeal of SB1 would result in the loss to our region of approximately $456 million in formula and competitive SB1 funding including over $400 million in funding for the U.S. 101 Corridor improvements. The repeal of SB1 also means not having the opportunity to receive additional funds to help deliver critical need improvements or to deliver transformational projects.

Short-Term Impact: Loss of Approved Competitive Funds for Santa Barbara U.S. 101 Multimodal Corridor and Ability to Deliver Highway 101 Corridor improvements in a timely manner

The loss of over $400 million for the U.S. 101 corridor improvements would be significant with no assurance that other state and federal funds could be identified and secured to cover the shortfall in order to deliver the project on schedule.

If SB1 is repealed, then SBCAG's regional share of formula gas tax revenues would revert to the Pre-SB1 levels of approximately $2 million per year. However, SBCAG would continue to receive its regional share of approximately $3 million per year in federal gas tax revenues under the Surface Transportation Program (STP). These two funding sources, totaling around $5 million per year, along with Measure A funds would be the only sources of funding available to deliver the U.S. 101 corridor improvements and would fall short of the funds needed to deliver Segments 4A to 4C let alone the remaining two segments.

One possible option would be to reduce the overall cost of Segments 4A to 4C, and have SBCAG and Caltrans return to an HOV lane only strategy. However, this would also eliminate additional safety, operational and long-term maintenance benefits from the project, many of which were to be funded through the $184 million in SHOPP funds which will also be jeopardized by the repeal of SB1. The current schedule calls for having construction completed by 2025 for Segments 4A to 4C. Could these segments continue to be delivered on schedule without SB1 and SHOPP funding? Unlikely. First issue would be the need to redesign, to remove the SHOPP funded elements which were fundamental and integrated with the HOV improvements. This itself would have schedule impacts and result in cost escalation. From a financial perspective, SBCAG would need to come up with approximately $150 million above its Measure A share to try and fund these segments through construction. Approximately $55 million could come from regional STP funds which are currently at $23 million could grow with interest and regular contributions to 2025. That would leave another $95 million that would need to come from the STIP. This amount of funds from the STIP would not be able to be accumulated within that timeframe based on our post-SB1 regional share estimate of $2 million per year, even if matched with a Caltrans contribution from the interregional share. Estimates would have to be adjusted for escalation if delays were to be anticipated.

In summary, the project delivery schedule would be dramatically impacted for Segments 4A, 4B and 4C based on the reduction in funding with a repeal of SB1. By all accounts, the completion date would extend beyond the Measure A horizon of 2040 for Segments 4A to 4C. This would also adversely impact SBCAG's and Caltrans' ability to deliver segments 4D and 4E.

If the scope was reduced, perhaps some of the HOV widening could be delivered on-time. For instance, 4A, and a part of 4B, or all of 4C could be possibly be delivered on schedule with Measure A, STIP and STP funds. However, the impact would be having spent all Measure A funds and only having a partial project completed, and in some cases discontinuous sections.

Long-Term Impact: Ability to Secure State Funds for Foreseeable Future

While this scenario has provided context on the short-term impact of being able to deliver the Santa Barbara U.S. 101 Multimodal project, the SBCAG Board of Directors and public must be made aware of the long-term impact of the repeal of SB1 to our region. As mentioned, SB1 is projected to provide $5.2 billion per year for transportation in California in perpetuity. Funds are available through various programs administered on annual basis by the CTC. SB1 provides endless opportunities for SBCAG and Local Agencies to help address the shortfall to deliver critical improvements to reduce congestion, improve safety and improve local streets and roads projects. SBCAG, as a self-help county, is in a fortunate position to leverage Measure A funds to secure additional funds available under SB1. SBCAG staff, in coordination with Caltrans and our local cities and county will be able to strategize to maximize our opportunities to deliver Measure A improvements as a promise to our voters. After all, it was promised to our voters that we would deliver on the regional projects and local projects identified in the Measure A Investment Plan by leveraging Measure A funds to secure outside funds.

Thus far, SBCAG is delivering on that promise with the funds approved by the CTC for the Santa Barbara U.S. 101 Multimodal Corridor. A repeal of SB1 will mean a loss of funds approved by the CTC and the ability to secure future SB1 funds to deliver planned improvements to relieve congestion, improve safety and improve local streets and roads. SB1 also provides the opportunity for SBCAG and local agencies to pursue future transformational improvements that can help improve mobility for all residents and visits in our region.

The prospect of any future additional revenue source being made available after the repeal of SB1 is highly unlikely as an increase in the gas tax or vehicle registration fee would require approval by the voters per Proposition 6.

Appendix: Summary of Assumptions

Summary of Assumptions for Bonding and Cash Flow Analysis Ten-Year Projection Period: FY 2017-18 to FY 2026-27
Measure A Program assumes FY 2017-18 actual sales tax revenues; FY 2018-19 annual growth of 0.4%; FY 2019-20 thru FY 2022-23 annual growth of 1.0%; and FY 2023-24 thru FY 2026-27 annual growth of 3.0%.
RSTP Reserve assumes annual $3 million contribution; FY 2017-18 interest earnings of 1.5%; FY 2018-19 interest earnings of 1.75%; FY 2019-20 interest earnings of 2.00%; FY 2020-21 interest earnings of 2.25%; and FY 2021-22 thru FY 2026-27 interest earnings of 2.50%.
FY 2019-20 bond financing assumes 3.6% True Interest Cost ("TIC"), which is current market interest rates for AA-rated sales tax revenue bonds plus 0.25%. FY 2022-23 bond financing assumes 5% TIC. All bond financings assume final maturity of 2040.
All assumptions are estimates and subject to change.

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