

# Agenda Report

April 26, 2021

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Transportation Department

**SUBJECT: PROPOSITION A LOCAL RETURN FUND EXCHANGE WITH THE CITY OF CUDAHY**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find this action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b) (3);
2. Neither Competitive Bidding nor Competitive Selection are required pursuant to City Charter Section 1002(H) and Pasadena Municipal Code Section 4.08.049(A)(3), contracts with other governmental entities;
3. Authorize the City Manager to execute a one-year agreement with the City of Cudahy to exchange \$110,775 of Pasadena's General Fund dollars currently dedicated for transit services for \$147,700 of Cudahy's Proposition A Local Return dollars to be used for Proposition A eligible transit operations, programs and projects in Pasadena;
4. Appropriate \$110,775 from the General Fund portion of the available fund balance in Fund 209 to account 20924043-811400 for the City's portion of the fund exchange; and
5. Increase revenue by \$147,700 in account 20824035-657400 for the City of Cudahy's portion of the fund exchange and authorize staff to make necessary adjustments to the budget.

## **BACKGROUND:**

The City of Cudahy has uncommitted Proposition A Local Return funds in the amount of \$147,700 that can be made available to the City of Pasadena to assist in providing transit services, for which Pasadena would be asked to assign General Fund funding to Cudahy.

Proposition A is funded by ½ cent sales tax measure approved by Los Angeles County voters in 1980. The Los Angeles County Metropolitan Transportation Authority (Metro), which administers the funds, allows a city to exchange all or a portion of its uncommitted Proposition A funds for unrestricted revenues from another city. The receiving city must use the exchanged Proposition A Local Return funds for Proposition A eligible transit operations, programs, and projects. Since General Fund dollars are less restrictive than Proposition A Local Return dollars, General Fund dollars are typically exchanged at a premium. The premium is usually negotiated between the respective entities. The City of Pasadena has previously leveraged such exchange opportunities for capital purchases and to fund transit operations.

The City of Pasadena entered into a two-year Fund Exchange Agreement with the City of Montebello for FY14 and FY15. On July 28, 2014, City Council approved to exchange \$379,500 of Pasadena's General Fund dollars with \$506,000 of Montebello's Proposition A Local Return dollars for each of those fiscal years. The extra Proposition A Local Return funding enabled the City of Pasadena to purchase a video surveillance system for its entire transit fleet.

More recently in FY18, the City of Pasadena entered into a one-year Fund Exchange Agreement with the City of Montebello. On March 26, 2018, City Council approved to exchange \$750,000 of Pasadena's General Fund dollars with \$1,000,000 of Montebello's Proposition A Local Return dollars. The exchange resulted in a net increase of \$250,000 in Proposition A Local Return funding for transit services in Pasadena.

In February 2021, the City of Cudahy contacted City staff to express interest in a Proposition A Local Return fund exchange. After discussions with the City of Cudahy on the discounted rate, staff proposed \$110,775 of Pasadena's General Funds for \$147,700 of Cudahy's Proposition A Local Return funds. The exchange is at the rate of 75 cents on the dollar and would just be a one-year agreement in FY21.

The City of Pasadena commits \$379,500 of General Fund dollars annually to transit operations as required by Metro to receive Measure R Local Return funding. When not spent in a given fiscal year the general fund dollars can be reserved for future fund exchanges. The Department of Finance has confirmed there is currently \$765,609 general fund dollars in reserve available for this fund exchange in FY21. The fund exchange provides the City of Pasadena with a net increase of \$36,925 in Proposition A funding to use for eligible transit operations, programs, and projects.

#### **COUNCIL POLICY CONSIDERATION:**

The proposed Fund Exchange Agreement supports the following goals of the City Council Strategic Plan: Improve, Maintain and Enhance Public Facilities and Infrastructure, Improve Mobility and Accessibility throughout the City, and Support and Promote the Quality of Life and Local Economy.

This fund exchange will improve and support transit use through the infusion of additional Proposition A Local Return funds.

**ENVIRONMENTAL ANALYSIS:**

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15061 (b) (3). The project is covered by the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment. The proposed action pertains to an agreement that will allow a Proposition A Local Return fund exchange with the City of Cudahy for eligible transit operations, programs, and projects. This agreement will not result in any significant change in services or physical changes to the environment.

**FISCAL IMPACT:**

This action is for approval of a one-time fund exchange with the City of Cudahy in FY21. Funding for this action will be addressed by:

- Appropriate \$110,775 from the General Fund portion of the available fund balance in Fund 209 to account 20924043-811400 for the City's portion of the fund exchange; and
- Increase revenue by \$147,700 in account 20824035-657400 to recognize the City of Cudahy's portion of the fund exchange.


Respectfully submitted,



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Approved by:



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