

MEMORANDUM

To: Mark Danaj, City Manager; Manhattan Beach City Council
From: Andy Sywak, Economic Vitality Manager
Re: Potential Funding Sources for Expanding Downtowner Service City-wide

This informational memo is provided to the Manhattan Beach City Council per direction received at the Feb. 7, 2017 Council meeting. This memo is intended to evaluate potential funding sources that could be utilized to expand the Downtowner service citywide. It further examines what the funding source is and whether its allocation would be an allowable expense.

- a. Prop A – Proposition A sales tax, approved by voters in 1980, is a one-half cent tax on most retail sales in Los Angeles County. Metro returns 25% of the Proposition A funds collected to the cities in the County for transportation purposes. In 2016-17, the City was projected to receive \$680,260. However, with expenditures of \$871,193, the shortfall is subsidized by a fund transfer from Measure R funds. Prop A funds are primarily spent on Dial-A-Ride.

The guidelines for Prop A indicate that Local Return funds can be used to fund the operating costs of public transit services if they are on fixed routes that augment an existing bus route or provide commuter bus service (Project Code 110). As the Downtowner operates as an on-demand service without a fixed route, it would have to alter its business model to accommodate this provision.

Prop A funds are also available to purchase vehicles for a public transit service including maintenance equipment and facilities (Project Codes 180, 190, 200). The Downtowner, which is only available through a mobile app on a smartphone, may have to change the way the public accesses the service (for example, add a phone service to summon vehicles) to qualify for this provision.

- b. Prop C – Proposition C sales tax, approved by voters in 1990, is an additional one-half cent tax on retail sales in the County. Metro returns 20% of the Proposition C funds collected to the cities in the County for transportation purposes. In 2016-17, the City was projected to receive \$673,521, creating a fund balance of \$1,136,258. The funds are primarily allocated for major and arterial corridor roadway improvements, such as Sepulveda Boulevard, Marine Ave., Rosecrans Ave., Highland Ave., etc. Proposition C funds must be spent on roadways with public transportation routes. As the Downtowner only currently operates

vehicles that have a top speed of 25 MPH, it is not currently outfitted to operate on these major arterials (although the Downtowner is considering purchasing larger Chevy Bolt vehicles to enable them to drive on arterials).

It is possible that Prop C funds could be used under the provision for a community-based shuttle for employees as long as the service complements existing transit service (Project Code 410). However, this would require the Downtowner to alter their business model to operate as a fixed route service intended as a shuttle service for employees. Furthermore, to receive funding, the service will have to demonstrate that it will reduce single-occupancy vehicle trips within the City.

- c. Motor Vehicle Subvention Funds (AB 2766) – The AB 2766 Fund was established in 1990 and provides per capita funding to cities and counties located in the South Coast Air Quality District to reduce motor vehicle air pollution. The fund built up over time and distributed \$190,000 last year to buy clean air vehicles for Community Development and Public Works. The City receives around \$50,000 annually and the fund balance is approximately \$70,000. The current adopted budget projects future annual expenditures of \$11,200 for employee rideshare.

The guidelines for AB 2766 explicitly allow for the purchase of neighborhood electric vehicles (19d) (the cost of one of the Downtowner GEM E6 vehicles was approximately \$30,000). They also allow for funds to be spent on the construction and the installation of charging stations (19f). However, on-going maintenance and upkeep of electric vehicle infrastructure is not an allowable expenditure.

- d. Measure R - Measure R is funded with ½-cent sales tax revenues that LA County voters approved in November 2008. Fifteen percent (15%) of the Measure R funds collected are designated for the Local Return Program to be used by cities for transportation-related purposes, including roadway rehabilitation, bikeway and pedestrian improvements, public transportation services, public transit capital, planning, and administration. In 2016-17, the City was projected to receive \$421,111 to create a fund balance of \$1,107,394. The funds are primarily allocated for street resurfacing projects and pedestrian improvements (crosswalks, raised medians) and are mean to augment, not supplant, existing local revenues being used for transportation purposes.

Measure R guidelines indicate that funds can be spent on Transportation Demand Management (TDM) programs which are defined as actions intended to minimize vehicle trips and vehicle miles traveled during peak periods. As with Prop C, one TDM program includes a community-based shuttle for employees (pg. 3 of guidelines, 2b) that would require the Downtowner to change its service model.

Measure R local return funds can be used to contract with a private provider for transportation services (section 4 – Public Transit Services). However, the service has many conditions on it, including operating as a fixed route with timetables made available to the

general public and displaying its route designation on the front of the vehicle. Measure R funds can be used to purchase, replace and maintain vehicles under this use, however, this is not the current model for the Downtowner service.

- e. Measure M – Measure M was approved by the voters of LA County in November, 2016 to improve transportation programs and ease traffic congestion. According to the draft guidelines released by LA Metro on March 23, 2017, 17% of all net revenues will be allocated to the Local Return program which distributes tax dollars to jurisdictions on a per capita basis. Manhattan Beach's proportion of Local Return will be approximately \$421,000 in 2017-18.

The guidelines for Measure M programs and allowable expenditures were approved by Metro in late June of 2017, however, they have not been released.