



**Santa Cruz County
Regional Transportation Commission
Transportation Policy Workshop**

AGENDA

**Thursday, April 21, 2022
9:00 a.m.**

REMOTE MEETING

Community TV Zoom

Web: <https://us02web.zoom.us/j/85763723127>

Dial-in: (669) 900-9128

Webinar ID: 857 6372 3127

Accessibility: See last page for details.

En Español: Para servicios de traducción al español, diríjase a la última página.

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Santa Cruz Metropolitan Transit District	Kristen Brown
Santa Cruz Metropolitan Transit District	Ari Parker
Santa Cruz Metropolitan Transit District	Mike Rotkin

The majority of the Commission constitutes a quorum for the transaction of business.

1. Roll call
2. Oral communications

Any member of the public may address the Commission on any item within the jurisdiction of the Commission that is not already on the agenda. The Commission will listen to all communication, but in compliance with State law, it may not take action on items that are not on the agenda.

Speakers are requested to state their name clearly so that it can be accurately recorded in the minutes of the meeting.

3. Additions or deletions to consent and regular agendas

CONSENT AGENDA

All items appearing on the consent agenda are considered to be minor or non-controversial and will be acted upon in one motion if no member of the RTC or public wishes an item be removed and discussed on the regular agenda. Members of the Commission may raise questions, seek clarification or add directions to consent agenda items without removing the item from the consent agenda as long as no other Commissioner objects to the change.

No consent items

REGULAR AGENDA

4. Transportation Funding Overview
(Rachel Moriconi, Transportation Planner)
 - a. Staff Report
 - b. *Funding Our Transportation System*
5. Measure D Financing Scenarios as a Strategy to Expedite Delivery of Highway 1 and Coastal Rail Trail Projects
(RTC Staff and KNN Public Finance Staff)
 - a. Staff Report
 - b. Measure D SIP – Financial Policies
 - c. Coastal Rail Trail Development Map

6. Review of items to be discussed in closed session

CLOSED SESSION

7. Conference with Labor Negotiators (pursuant to Government Code 54957.6)

Commission Negotiators: Thomas Manniello, Lozano and Smith, Guy Preston and Yesenia Parra, RTC

Bargaining Units: Mid-Management Unit and Community of RTC Employees (CORE)

OPEN SESSION

8. Next meetings

The next RTC meeting is scheduled for Thursday, May 05, 2022 at 9:00 a.m. See agenda for location.

The next Transportation Policy Workshop meeting is scheduled for Thursday, May 19, 2022 at 9:00 a.m. via Zoom.

HOW TO REACH US

Santa Cruz County Regional Transportation Commission
1101 Pacific Avenue, Suite 250 Santa Cruz, CA 95060
phone: (831) 460-3200 / email: info@scrtc.org

AGENDA PACKETS

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COMMENTS FROM THE PUBLIC

Items on the agenda: Written comments received by 9:00 a.m. on Wednesday before the meeting will be posted to the RTC website by 2:00 p.m. that same afternoon to allow time for Commissioner review. The opportunity to make oral comments is offered prior to the discussion period of each item.

Items not on the agenda: Written comments on topics within the RTC's jurisdiction, but not on the agenda, that are received during the monthly correspondence period will be posted to a public document. The correspondence period cut-off is 12:00 p.m. on the second Monday prior to the RTC meeting. A link to that document is provided in the Correspondence Log of that month's meeting. The opportunity to make oral comments to the Commission on such topics is offered during Oral Communications.

COVID-19 REMOTE MEETING UPDATE

On September 16, 2021, Governor Newsom signed AB 361 into law, which allows the RTC to hold virtual and/or hybrid meetings so long as the RTC makes findings that the state of emergency continues to directly impact its ability to meet safely in person. Information needed to log into the virtual meeting is listed on the first page of the meeting's agenda. Download the Zoom app: <https://zoom.us/download>.

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TO: RTC- Transportation Policy Workshop
FROM: Rachel Moriconi, Transportation Planner
RE: Transportation Funding Overview

RECOMMENDATION

This item is for information only.

BACKGROUND

Transportation projects and operations are funded by a range of local, regional, state, federal, and private sources. In Santa Cruz County, most of the revenues available for transportation projects are generated from sales taxes, gas taxes, and other user fees, which are then designated to specific funding (or grant) programs, typically through legislative actions, and then distributed for specific projects or services. Some funds are distributed by formula to states, cities, counties, transit and regional transportation agencies, while others are distributed through competitive grant programs or based on specific metrics.

DISCUSSION

As noted in the draft 2045 Regional Transportation Plan (RTP) for Santa Cruz County, approximately \$200 million per year is projected to be available from typical local, state, and federal revenue sources to operate, maintain and improve the multimodal transportation system in Santa Cruz County. This is about half of what would be needed to fund all of the projects that have been identified in the Regional Transportation Plan (RTP). Most of the funds are restricted to certain uses and the Regional Transportation Commission (RTC) is responsible for selecting projects to receive less than 5% of these funds.

Staff will provide an overview of some of the key programs that provide funding for local transportation projects at this meeting. A summary of transportation funding is also attached ([Attachment 1](#)).

SUMMARY

Bike, pedestrian, transit, local road, highway, and other transportation projects are funded by local, state, federal, and sometimes private funding programs. Staff will provide an overview of transportation funding at this meeting.

Attachment: *Funding Our Transportation System*



Funding Our Transportation System

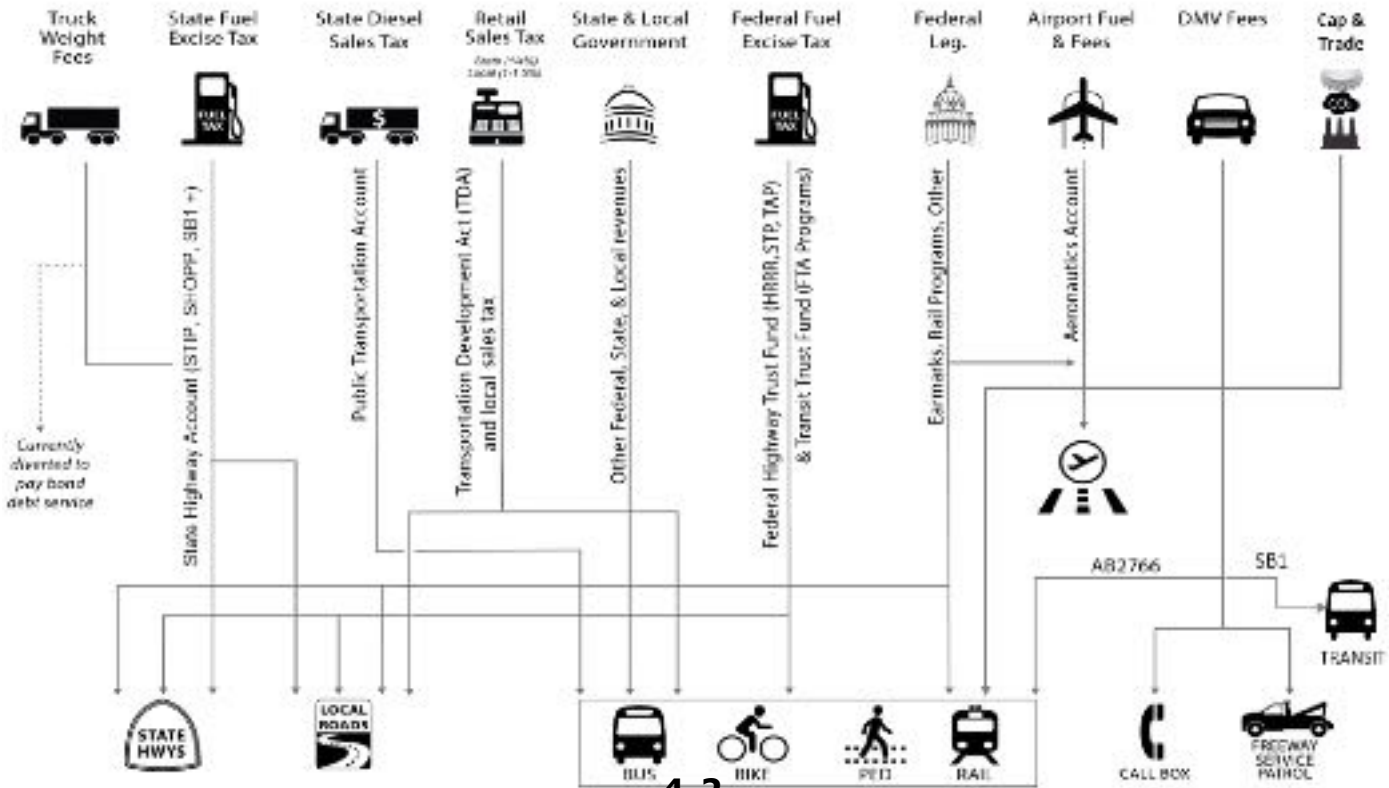
Santa Cruz County's Transportation System

Santa Cruz County has a rich multi-modal transportation network. The county's existing transportation network comprises a broad range of transportation facilities and modes. These include six state highways, nearly 900 miles of local streets and roads, an extensive bus system that typically (pre-COVID) carries millions riders each year, a specialized transport system for seniors and people with disabilities, a significant network of sidewalks, over 200 miles of bikeways, an airport and a publicly-owned rail line. Maintaining and improving the multimodal transportation system requires a combination of state, federal, local, and even private revenue sources.

Available Funds

Transportation programs and projects in Santa Cruz County are funded from a variety of local, state and federal funding programs. Based on long term estimates for the Regional Transportation Plan (RTP), \$5.3 billion from federal, state, and local funding sources are anticipated to be available to operate, maintain and improve the multi-modal transportation system in Santa Cruz County through 2045. As shown below, the public and businesses contribute to transportation funding programs through taxes and fees, primarily collected at the gas pump and at cash registers. A portion of automobile registration fees also help fund some local transportation projects.

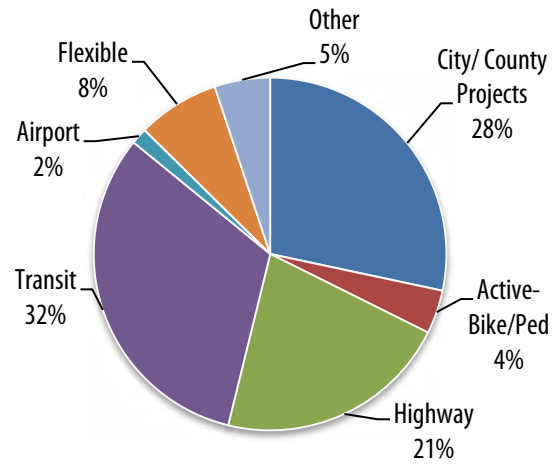
Major Transportation Revenues in California



Local sources (such as general funds, local sales taxes, and gas taxes designated for cities and counties) account for more than half of revenues available transportation projects in Santa Cruz County, with approximately a third from state sources (including funds from SB1) and 10-15% from federal sources.

Most Revenues Restricted

Of current and projected future revenue sources, most revenues are highly restricted (or “dedicated”) by federal, state, or local regulations for use by specific jurisdictions, agencies and/or types of projects. For example, some funding sources may only be applied to projects that support transit or airport facilities, while other sources are exclusively for road maintenance or capital projects on the state highways. This includes State Highway Operation and Protection Program (SHOPP) funds that can only be used for maintenance and safety projects on state highways. About a third (1/3) of anticipated local, state, or federal funds can only be used on transit and paratransit projects and operations, including the local ½ cent transit sales tax (approved by Santa Cruz County voters in 1978) and rider fares designated for the Santa Cruz Metropolitan Transit District (METRO), 20% of Measure D revenues, LiftLine rider fares, and funds from the Federal Transit Administration. Most funds allocated to cities and the county can be used on a variety of projects – including local road, bicycle, and pedestrian projects.



Funding Restrictions by project type

Source: SCCRTC

Deciding Where the Money Goes

While most funding sources are restricted to certain types of projects, who decides the specific uses of the funds varies. For instance, the California legislature has given the California Transportation Commission (CTC) discretion over Senate Bill 1 and Active Transportation Program (ATP) competitive grant programs, but local agencies decide on which specific projects to submit applications. The Measure D Expenditure Plan set limits on how much funding goes to each city, the county, METRO and Lift Line, but those agencies have the flexibility on how to spend their formula share of funds, based on decisions made by their governing boards after holding a public hearing. **The Regional Transportation Commission (RTC) has discretion over less than 5% of the funds available for transportation projects (\$5-9 million per year). These funds are primarily from regional shares of the State Transportation Improvement Program (STIP) and Regional Surface Transportation Program (RSTP).** The RTC evaluates applications for these funds based on goals, priorities, performance metrics, and evaluation criteria identified in the Regional Transportation Plan (RTP) policy element and criteria established by the California Transportation Commission (CTC), state and federal laws.

Funding Uncertainties

While the Regional Transportation Plan (RTP) estimated that approximately \$200 million per year is available for transportation in Santa Cruz County on average, this is less than half of what is needed to fully fund ongoing maintenance, operations, and priorities identified in the RTP.

Additionally, revenues can be incredibly unpredictable. Forecasting the amount of funding that will be available for transportation can be a challenging and somewhat speculative exercise. The reliability of funding projections can be impacted by several factors, including changes in the economy, state and federal laws, fuel consumption and related gas tax revenues. Depending on the federal transportation act (currently the Infrastructure Investment and Jobs Act (IIJA)), annual appropriations bills, state and local budgets, gasoline consumption, and the general condition of the local and global economy, funding levels for many funding programs can change significantly from year to year.

State and federal actions can result in elimination of certain funding programs or diversion of transportation funds to the State General Fund, as has happened regularly to transit funds over the past several years. Since 2010, several funding sources that agencies had historically relied upon have been eliminated, such as the sales tax on gasoline for transportation (Proposition 42) and federal programs eliminated in 2012 with adoption of the federal transportation act MAP-21. Many local jurisdictions were particularly hard hit in 2010 by the elimination of redevelopment agencies and related funding. In Santa Cruz County, redevelopment agencies had spent millions of dollars annually on transportation projects, including roadway repairs, new sidewalks, bicycle lanes, highway projects, and transit facilities, before they were dissolved by the California State Legislature and redevelopment funds redirected to the State General Fund. The “gas tax swap” of 2010 resulted in the State Board of Equalization annually adjusting per gallon gas tax based on gasoline prices – making funding for local streets and road, the State Transportation Improvement Program (STIP), and the SHOPP increasingly unstable.

On the positive side, over the past 15 years, SB1, Measure D, statewide transportation bonds, special federal funding programs (such as economic stimulus bills), special legislative budget actions, and new grants have infused funding into the region. Inevitably, the actual amount of funding sources available will depend on a number of factors including decisions made by voters and the state and federal governments.

Funding Shortfalls – A Local, State, and Federal Challenge

As noted earlier, while \$200 million per year may seem like a lot of money, over \$10 billion in transportation projects and programs have been identified by local agencies and the public through 2045. The significant shortfall in transportation funding is not unique to Santa Cruz County. The combination of state, federal and local revenues designated for transportation no longer pay for transportation projects at the same levels they have in the past. Aging infrastructure, heavier trucks and buses, rising construction costs, and new regulatory requirements also impact project costs. Increasing traffic and expanded use of transit service, bicycle infrastructure, and pedestrian facilities also place increased demands on the transportation system.

Another major challenge is that transportation has historically been funded by revenues generated at the gas pump, which decline with better vehicle fuel efficiency. While use of transportation facilities and services is ever increasing, the purchasing power of state and federal gas taxes and fees has not kept pace with the cost to operate and maintain the transportation system. As more vehicles get better gas mileage or use alternative fuels or electricity, fewer gas taxes are collected for the same amount of vehicle miles traveled; so even when gas prices increase, gasoline tax revenues decline as compared to how much people drive, resulting in significantly less funding for transportation projects.

Since Federal gas taxes have not been increased since 1993, the Highway Trust Fund is regularly on the brink of going bankrupt, forcing Congress to repeatedly shift General Funds to bail it out and Federal funds have been making up a declining percentage of transportation funding, down to 20% nationwide. While the recently passed Infrastructure Investment and Jobs Act (IIJA) provides a significant boost in funding for some programs, most facilities in Santa Cruz County are not considered as “nationally significant” as some other areas (such as large metropolitan areas and areas serving ports or major truck routes), which can make it challenging to compete for federal grants for projects in Santa Cruz County.

Potential Future Revenues

Since existing revenue sources are insufficient to address all of the needs in the region, agencies have identified some additional strategies that could address some of the funding gaps. Potential revenue sources that do not currently exist, but which could supply significant transportation funds for our region in the future, include new vehicle weight fees and replacement of state and federal gas taxes with road user charges.

Road User Charges. The decline in purchasing power of gas tax revenues due to inflation and decline of revenue on a per-mile basis as vehicles become more fuel-efficient has caused leaders around the U.S. to look for alternatives for funding the transportation system. A number of states are looking towards a road usage charge (a.k.a. mileage based user fee or vehicle miles traveled-VMT fee) where drivers would pay for the roads, as they do other public utilities, based on how much they use them. With technological advancements this new approach to directly charge roadway users has become feasible. This type of system can be implemented while still protecting the privacy of road users. Road user charges will cost more to collect than the gas tax but will produce greater and more stable net revenue.

California has been conducting pilot programs to study the feasibility of mileage-based fees to replace existing gas taxes. While federal and state agencies are investigating replacing the deteriorating gas tax with other user fees, this funding option is unlikely to be realized for several more years.

Other potential revenues. Examples of some of funding mechanisms other areas and states have implemented to fund transportation projects include: service area fees, special assessment districts, transit benefit districts, users fees and fares, regional development fees, state general obligation bonds, tolls, vehicle sales taxes, truck and other vehicle weight fees, utility partnerships, hotel/motel lodging fees, increased general fund investments, private investments, and special grant programs.

Want to Learn More?

Check out these resources for more information:

- *Draft 2045 Santa Cruz County Regional Transportation Plan (RTP) Chapter 5 and Appendix E:*
www.sccrtc.org/rtp (*final RTP is scheduled for adoption June 2022*)
- Caltrans *Transportation Funding in California* guide
(<https://dot.ca.gov/programs/transportation-planning/division-of-transportation-planning/data-analytics-services/transportation-economics/transportation-funding-in-ca>)
`\\rtcserv2\shared\fact sheets\transportationfundingoverviewscr.docx`

TO: Regional Transportation Commission
FROM: RTC Staff
RE: Measure D Financing Scenarios as a Strategy to Expedite Delivery of Highway 1 and Coastal Rail Trail Projects

RECOMMENDATIONS

Staff recommends the Regional Transportation Commission receive an informational update on potential Measure D financing scenarios as a strategy to expedite delivery of Highway 1 and Coastal Rail Trail Projects and receive input to inform RTC Staff's recommendation for programming Measure D revenues over the next five years as part of the 5 Year Program of Projects and potential updates to the Measure D Bonding Policy.

BACKGROUND

In November 2016, over two-thirds of Santa Cruz County voters approved a ½-cent transaction and use tax (sales tax) for transportation projects and programs (Measure D-2016). The voter-approved [Expenditure Plan](#) allocates revenues generated by formula for five categories of projects over 30 years:

- Neighborhood projects: 30% of net measure revenues:
 - \$5 million for the Highway 17 Wildlife Crossing
 - \$10 million for San Lorenzo Valley (SLV)/Highway 9 Corridor
 - Balance (approx. 28%) to cities and County by formula
- Transportation for Seniors and People with Disabilities: 20% total
 - 16% to Santa Cruz METRO and
 - 4% to Lift Line
- Highway Corridors: 25%
- Active Transportation (Monterey Bay Sanctuary Scenic Trail Network (MBSST)/Coastal Rail Trail): 17%
- Rail Corridor: 8%

Each agency receiving measure revenues is required to annually develop, update, hold a public hearing on, and adopt a five-year program of projects (5-Year Plan) that identifies how they plan to use Measure revenues in the upcoming 5 years. The Regional Transportation Commission (RTC) is responsible for developing the five-year programs of projects for Regional

Expenditure Plan categories and projects, including the 17% designated for the Monterey Bay Sanctuary Scenic Trail Network (MBSST)/Coastal Rail Trail in the Active Transportation Category (Measure D-Active Transportation) and the 25% designated for the Highways Corridor.

Agencies receiving Direct Allocation formula funds (cities, the County of Santa Cruz, Santa Cruz Metropolitan Transit District and Community Bridges/Lift Line) typically develop and update their five-year programs of projects as part of adoption of their budgets and/or capital improvement programs each spring. Community members are encouraged to provide input on those plans directly to each recipient agency. Approved plans are posted on the RTC's website: www.sccrtc.org/move.

Although Measure D-2016 provides significant funding to deliver investments identified in the Expenditure Plan, it is insufficient to fully fund all investments. Consistent with the Measure's Ordinance and long-range *Strategic Implementation Plan (SIP)*, in order to expeditiously deliver Regional programs and projects and to competitively position projects to leverage other grants, the 5-year plans utilize some Measure revenues to serve as match to other grants and focuses some funds on pre-construction phases, in order to get projects "shovel-ready" and more competitive for grants and other funding opportunities.

In June 2019, KNN Public Finance, LLC (KNN), the municipal advisory firm contracted to provide financial advisory services to the RTC, presented a broad overview of the Measure D Expenditure Plan, revenue allocation, Cash Flow Model, and the development of the RTC inaugural SIP. KNN also presented on funding and borrowing options for Measure D projects and programs. In February 2020, RTC approved the inaugural Strategic Implementation Plan (SIP) for Measure D revenues which identified program objectives and goals supported by sound financial objectives. The Measure D Financial Policies are included as Attachment 1 for reference, including Policy 4.6, Use of Bond Financing or Other Borrowing Tools.

Staff provided an update to the Commission on three Coastal Rail Trail projects under development at the February 17, 2022, Transportation Policy Workshop. The three projects include:

- I. Segments 8 and 9 between Pacific Avenue/Wharf Roundabout in Santa Cruz to 17th Avenue in Live Oak by the City of Santa Cruz as the implementing agency,
- II. Segments 10 and 11 between 17th Avenue and State Park Drive in Aptos by the County of Santa Cruz as the implementing agency, and

- III. Segment 12 between State Park Drive and Rio Del Mar in Aptos by RTC staff who is implementing the project as part of the Highway 1 Auxiliary Lanes and Bus on Shoulder Project.

The presentation included a delivery approach that includes an optional first phase to construct a trail along the railroad track alignment in addition to an ultimate phase for the trail adjacent to the railroad track alignment. Since railbanking is required for the interim phase, the railroad right-of-way must be preserved and not preclude the future re-activation of freight rail service. Therefore, an ultimate phase includes restoring the freight rail tracks and moving the trail to what is described as the ultimate location.

KNN Financing gave presentations to the Budget and Administration/ Personnel Committee and the full RTC at meetings on March 10, 2022, and April 7, 2022. The presentations provided a broad overview of municipal bonding as a financing option for the RTC to consider advancing projects.

DISCUSSION

RTC has been monitoring Measure D – Cash Flow since voter approval of the measure and expanded the Cash Flow Model (CFM) with adoption of the 2020 Measure D-SIP. RTC receives sales tax revenue monthly and will realize the full capacity of the ordinance gradually, over the 30-year life of the program. Although actual revenue and future revenue projections are higher than originally anticipated, project costs are also increasing. RTC and its partners have been developing implementing priority projects and may be advancing projects at a faster pace than Measure D pay-as-you-go revenue will permit.

RTC typically holds a public hearing on and updates 5-year funding plans for all Measure D regional categories at the same time. However, staff will be recommending that the RTC consider updates to the 5-year program of projects for the Active Transportation category and possibly the Highway Corridors category at its May 2022 meeting. There is a need to address some cost increases, as well as to consider grant leveraging opportunities, as applications for the State’s Active Transportation Program (ATP) are due to the California Transportation Commission (CTC) in June and applications for the SB 1 – Cycle 3 Solutions to Congested Corridor Program (SCCP) and Local Partnership Program (LPP) are due in December.

RTC staff and its partners have developed three sets of cost estimates for the three trail projects currently under environmental review, which are summarized below in Table 1 below:

Table 1

Description of Work	Trail Segments & Cost (2022\$ in Millions)			Total Cost
	8 & 9	10 & 11	12	
1. Optional Interim Trail Phase (on existing rail alignment)	\$18.1	\$33.4	\$24.6	\$76.1
2. Ultimate Trail (Adjacent to Rail) without Interim Option	\$33.1	\$70.2	\$47.9	\$151.2
3. Interim Trail + Demo & Rebuild for Freight Rail & Ultimate Trail	\$57.4	\$114.6	\$78.8	\$250.8

Notes: The Interim Trail (Trail on Railroad Alignment) cost estimate for Segment 11 includes funding to rehabilitate and repurpose the Capitola Trestle. The Capitola Trestle will need to be replaced to build a trail across Soquel Creek and the Village of Capitola. This replacement work is not included in the above cost estimates or the environmental review for the project under development.

RTC is delivering the Segment 12 coastal rail trail project as part of the Highway 1-Freedom to State Park project. The Highway project cost also differs under the interim or ultimate trail approach as shown in Table 2 below:

Table 2

Description of Work	Total Cost
1. Highway 1 Work without new Rail Bridges over Highway 1 (Interim Trail)	\$101.4
2. Highway Project with new Rail Bridges over Highway 1 (Ultimate Trial)	\$125.9

The Measure D-Active Transportation and Highway Corridors categories currently generate about \$4.4 million and \$6.5 million annually, respectively. Due to the cost of these projects and their accelerated development schedules, there the CFM does not project enough pay-as-you-go revenue will be received to fund the anticipated project costs from both these funding categories. However, the programming commitment that is expected to be needed to serve as match and maximize the competitive of the projects for grants could be made if the RTC were to consider debt financing, such as issuing revenue bonds.

RTC staff and KNN Financing will present two CFM scenarios for the optional first phase interim trail (trail on railroad alignment) and the ultimate trail

(trail adjacent to railroad alignment) at this meeting. Note that a portion of the Segment 12 coastal rail trail cost is considered a Measure D-Highway Corridors category expenditures because bicycle and pedestrian crossings over Highway 1 are eligible for Measure D-Highway Corridors funding, per the Measure D Expenditure Plan. An analysis of the Highway program's cash flow is needed to understand its ability to fund both the Highway 1 and its share of the Segment 12 improvements.

Other Funding Considerations for Coastal Rail Trail and Highway Funding

As to not oversubscribe the Active Transportation category long term, RTC should also consider potential future programming needs, including potential cost increases, funds needed to implement additional segments, future corridor maintenance, future grant leveraging opportunities, and debt service on any financing.

Coastal Rail Trail – Active Transportation Considerations:

A) Anticipated On-Going Cost for Corridor Property Management and Preventative Maintenance:

Measure D-Active Transportation funds are used for ongoing corridor property management and preventative maintenance, including oversight, encroachments, drainage, vegetation control and other corridor needs. These costs vary from year to year, but often exceeds \$1 million per year and are in addition to the anticipated cost to maintain completed sections of the rail trail. These corridor property management and preventative maintenance costs are expected to continue and to be funded by the Active Transportation category, even after the trail is completed.

B) Trail Maintenance Cost from Approved 5-Year Program of Projects:

RTC has been programming some Measure D-Active Transportation category funds to maintain each trail segment once they are completed and open for public use. Funding for maintenance of constructed trail sections (including filling potholes and periodic trail restriping and resurfacing) is not currently committed beyond FY25/26. For the last approved 5-Year Program of Projects, a total of approximately \$1 million was programmed to maintain Coastal Rail Trail segments in the City of Santa Cruz, City of Watsonville and the North Coast Rail Trail.

C) Anticipated Trail Maintenance Cost for Segments Under Development:

The RTC is working with local jurisdictions, State Parks, and other agencies to update long-term maintenance costs estimates for the Coastal Rail Trail. A high-level estimate for maintenance of the 18 miles of trail currently under development or recently completed is about \$1 million per year (2022\$). The RTC will need to consider future Coastal Rail Trail maintenance cost when programming additional Measure D-Active Transportation category funds.

D) Future Trail Segment Development

While over 18 miles of Coastal Rail Trail are currently under development and 1.5 miles completed, pre-construction work has not yet been advanced on 12.5 miles of Coastal Rail Trail (Attachment 2). The Commission should consider reserving funding to ensure enough funding is available to complete the 32-mile rail trail program. Staff has planning level estimates for the remaining trail sections and more advanced engineering is recommended to determine the estimated cost to finish the 32-mile coastal rail trail.

Future Highway Corridor Considerations

Although the completion of the Highway 1 Freedom to State Park project would complete the initial 7.5-mile-long Highway 1 auxiliary lanes and bus on shoulder facility, there are other potential Highway Corridors category expenditures to consider. The Measure D Expenditure Plan allows for funding Traveler Information and Transportation Demand Management. RTC expects that these program costs will continue for the duration of the measure. Additionally, there are other highway safety, operational, active transportation, or bus on shoulder improvements that the Commission may want to consider funding in the future.

Staff recommends that the Commission on provide input on the Measure D policy and financing scenarios (presented at this meeting) to expedite delivery of Highway 1 and Coastal Rail Trail projects. Input from the Commission will provide guidance to staff for the preparation the upcoming proposed 5-year plans for the regional projects and the 2023 Strategic Implementation Plan for Measure D.

NEXT STEPS

Staff has prepared this informational update to solicit input prior to making recommendations on updates to the Measure D-Active Transportation and Measure D-Highway Corridors 5-year plans. The grant applications for ATP

are due in June of 2022 and a commitment of the local funding match is required prior to the due date for the County of Santa Cruz's application for trail Segments 10 & 11. The County of Santa Cruz has requested approximately \$10 million in Measure D-Active Transportation funds to serve as the only match for their grant application.

The call for projects for cycle 3 of the SB1 funding opportunity is scheduled for August 2022 with applications likely due in November. Staff plans to pursue funding the Highway 1 Auxiliary Lanes and Bus on Shoulder project between State Park Drive and Freedom Boulevard including Segment 12 of the Coastal Rail Trail with a committed match of Measure D-Highway Corridors and Measure D-Active Transportation funds to secure the SB1 grant funding.

If these commitments of funding necessitate financing, Staff may recommend that the Commission consider updating its financing policy at the next RTC meeting.

FISCAL IMPACT

There are no new fiscal impacts associated with receiving an informational update on potential Measure D financing scenarios as a strategy to expedite delivery of Highway 1 and Coastal Rail Trail Projects. Staff plans to return to future Commission meetings to recommend the Measure D funding commitment needed to pursue the upcoming competitive grant opportunities.

SUMMARY

Staff will present scenarios for potential financing of Measure D as a strategy to expedite the delivery of regional projects. Staff plans to return to future Commission meetings to recommend Measure D fund programming needed to pursue the upcoming competitive grant opportunities, which may also include an update on the Measure D policy for financing.

ATTACHMENTS

1. Measure D SIP - Financial Policies
2. Coastal Rail Trail Development Map

ATTACHMENT 1
MEASURE D – SIP: FINACIAL POLICIES 4.2-4.6

4.2 – USE OF CASH FLOW MODEL ANALYSIS FOR REGIONAL PROGRAMS AND PROJECTS

RTC shall maintain a cash flow model, updated at least annually, to demonstrate that there are sufficient resources to support project delivery. While direct allocation program areas are funded based on their net allocable percentage of actual Measure D revenues and will not necessarily carry cumulative cash balances in the RTC's Measure D fund, funding needs for regional program investment categories are driven by specific project timelines and construction schedules and will therefore accumulate cash if annual Measure D revenues are not required for projects.

To ensure that the percentage of funds allocated as provided in the Expenditure Plan is maintained over the duration of the period that the tax is imposed, the RTC will maintain a Measure D Cash Flow model in addition to individual cash flow models for the following regional programs:

- Highway Corridors (25% of Measure D Revenues)
- Active Transportation (17% of Measure D Revenues)
- Rail Corridor (8% of Measure D Revenues)
- SLV Highway 9 (\$10M Fixed Allocation from Neighborhood Category)
- Highway 17 Wildlife (\$5M Fixed Allocation from Neighborhood Category)

Each of these individual models will be used to provide information on the timing of projects and Measure D expenditures. Should RTC not be able to fund projects for these programs on a pay-as-you-go basis or through inter-program loans and if determined by the Commission to be cost effective and to accelerate implementation of projects, the RTC may decide to use bond financing or borrowing as an alternative method to fund project expenditures. The cash flow models will also be used to provide information on the potential debt capacity and to ensure that the percentage of funds allocated to each investment category is maintained over the duration of the period that the tax is imposed, consistent with the Ordinance and Expenditure Plan.

4.3 – USE OF PAY-AS-YOU GO FINANCING

Pay-as-you-go financing involves paying for expenditures with available cash on hand. No debt is incurred under pay-as-you-go financing, but the ability to incur expenses and deliver projects may be delayed, depending on the availability of cash on hand. In the delivery of projects under the Measure D Expenditure Plan, all capital expenditures are first paid with available cash revenue on a pay-as-you-go basis, unless the Commission approves financing by inter-program loans (Policy 4.4) or use of bond financing or other financing tools (See Policy 4.5).

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4.4 – USE OF INTER-INVESTMENT CATEGORY LOANS

In some years, a program or project in one investment category may need more than its annual sales tax allocation while another investment category may not spend its full allocation or may maintain a positive balance from prior year allocations. In order to maximize the effective use of funds, the RTC may consider inter-investment category loans.

The rationale for individual inter-investment category loans will be examined within the context of total Expenditure Plan efficiency as well as investment category equity on a case-by-case basis. On an Expenditure Plan-wide basis, inter-investment category loans provide flexibility to re-allocate available funds on a short-term or long-term basis to meet the interim cash flow needs of one or more investment categories. Allowing Measure D revenues to flow across investment categories in the form of an inter-investment category loan reduces the need to issue bonds or use other borrowing tools to fund investments, thereby preserving a larger proportion of sales tax revenues for investments, versus financing costs, within the total Expenditure Plan.

However, while total Expenditure Plan efficiency may be maximized with inter-investment category loans, it is necessary to implement borrowing parameters to ensure equity across programs. From a tracking and reporting standpoint, clear delineations of sales tax revenues across investment categories will need to be maintained. RTC will track and account for inter-investment category loans, including repayment and interest.

Inter-investment category loans can maximize program efficiency. Specific parameters need to be integrated to ensure loan accountability and ensure program categories remain consistent with Measure D objectives. Inter-investment category loans are included as a short-term cash management strategy and are clearly delineated between the investment categories. Interest on the loan will be determined at the time of the loan, but it is generally assumed to be at or near the assumed short-term investment rate applicable to the fund balance.

4.5 – USE OF BOND FINACING OR OTHER BORROWING TOOLS

If needed, a bond or borrowing may be authorized to accelerate projects and take advantage of a low interest rate environment. In addition, short-term financings may be authorized to address short-term cash flow deficits if an inter-investment category loan is not pursued for such purposes.

Bond financing or other forms of borrowing generates up-front financing proceeds to accelerate project delivery. While inter-investment category loans are meant to meet smaller cash flow needs, bonds and other borrowing tools are utilized to advance projects with larger-scale funding and cash flow needs.

Bond financings and borrowings provide for project acceleration, but also involves

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additional costs in the form of interest payments to investors/lenders, as well as the upfront cost of issuance. If the Commission authorizes the issuance of revenue bonds or execute some form of borrowing for investments within the Expenditure Plan, the cost of financing, including debt service, will be the pro-rata responsibility of the investments that received the financing proceeds. Once a bond is issued, qualifying capital expenditures shall be paid with bond proceeds until those proceeds are exhausted. Once exhausted, capital expenditures will then return to pay-as-you-go financing.

Long-term bonds are secured against and repaid from down-stream, recurring revenues. Investors/lenders are repaid principal and interest, according to regular, predetermined periodic payments with a specified final maturity. To ensure that each individual program can make its annual debt service payment independent of any other program's revenue, RTC may issue bonds designated for an individual program up to an amount where that program's projected annual sales tax revenue is at least one hundred and ten percent [1.10x] of that program's expected annual debt service for any given year. Further, in order to achieve and maintain high bond credit ratings, at the time of a bond financing or borrowing, RTC will ensure that total sales tax revenues will be greater than one and a half times [1.50x] the maximum authority-wide annual debt service payments.

4.6 – INVESTMENT OF CASH BALANCES

4.6 Investment of Cash Balances

RTC will invest the cash balance of each Measure D regional investment category (including Neighborhood Program funds allocated for Highway 9 and Highway 17 Wildlife programs) in the County of Santa Cruz Investment Pool. Interest earned on the balance will be credited to the cash balance of the respective program. Earnings information can be found at the County of Santa Cruz Treasurer-Tax Collector website:

<http://www.co.santa-cruz.ca.us/Departments/TaxCollector/TreasuryDivision.aspx>

Agencies receiving direct allocation program funds (cities, the County of Santa Cruz, Santa Cruz Metropolitan Transit District, and Community Bridges) which carry a cash balance are expected to invest accumulated revenues in interest-bearing accounts. Any interest income earned on those funds shall be expended only for the purposes for which the funds were allocated.

Attachment 2: Coastal Rail Trail – Status of Development / Funding

