

## STAFF REPORT

**SUBJECT:** Measure A Project Cost Savings Policy

**MEETING DATE:** March 17, 2016

**AGENDA ITEM:** 5E

**STAFF CONTACT:** Steve VanDenburgh

**RECOMMENDATION:** Approve Measure A cost savings policy.

### SUMMARY:

Per Board direction, a policy regarding the use of future cost savings resulting from Measure A “named” projects being delivered under budget was developed by staff with input from the Measure A Citizens Oversight Committee, TTAC and the board. The policy prioritizes the use of cost savings to close funding shortfalls and advance named projects in the respective program category (North County, South Coast, US 101) where the savings was generated. If no projects in a respective category have shortfalls or can be advanced with the savings, it is placed in a reserve until all projects in the respective category are delivered. Funds in the reserve can be loaned to projects in other categories or to local agencies for local street repair so long as the loan does not delay the delivery projects in the category where the funds originated.

### DISCUSSION:

At the January 12, 2015 Measure A Citizens Oversight Committee meeting, the committee recommended that the SBCAG board adopt a policy whereby cost savings from “named” Measure A projects would be placed into a reserve that would only be used on new projects if all of the named projects promised to voters were delivered. The Committee wrote a letter (see Attachment #2), and the Chair of the Committee, Mr. Hamid Bahodori, attended the board meeting and read the Committee’s letter into the record.

This recommendation came about after the committee had been briefed on the projected cost savings from the U.S. 101 Santa Maria River Bridges and U.S. 101 Union Valley Parkway projects, which were delivered under budget, resulting in approximately \$5.7 million in Measure A cost savings. The North County Subregional Committee of the SBCAG board recommended, and the Board approved, an allocation of cost savings in the fall of 2014 to an array of projects. Some of the allocations are to deliver projects already in the Measure A Investment Plan such as the Highway 246 Passing Lanes project, Interregional Transit, and operational and safety projects on Highway 166. Other allocations were made to new projects that were amended into the Measure A Investment Plan, including the Alamo Pintado bicycle project and the Buellton sidewalks project on Highway 246. The latter projects have already been amended into the program and the appeal period for Alamo Pintado will expire March 20, 2016. The appeal period for the Buellton sidewalk project expired in 2015.

The Citizen’s Oversight Committee was concerned about the prudence of making plans to expend the cost savings on new projects when projects promised to voters are awaiting matching funds or

have shortfalls to be closed in order to be delivered. The Oversight Committee believes that the term “cost savings” is a misnomer so long as there are “named” projects still to be delivered in the program. The outstanding named projects could end up having shortfalls, and they are aware that at least \$150 million in funding to complete the U.S. 101 HOV project’s funding plan is still to be identified. From a program wide perspective, the Committee did not believe that a “cost savings” could be declared at this time. The Committee also indicated that ensuring there is sufficient funding to deliver all of the projects promised in the Measure A investment plan should be the board’s highest priority and that if any cost savings is realized from individual projects, it should be used to close shortfalls on other named projects including the 101 HOV before allocating savings to new projects.

The board ultimately decided to grandfather in projects that were allocated cost savings as of December 2014 but to subject future cost savings to a new policy to be developed by staff, with input from the Citizens Oversight Committee and TTAC, for board consideration.

The attached policy is the result of that direction. It has been shared with TTAC for review and comment. The board reviewed the draft policy at its September 2015 meeting. At the board’s direction, the draft policy was reviewed by the Citizens Oversight Committee in January 2016. The Oversight Committee suggested that the policy allow for cost savings to be loaned to local agencies for road repair projects. In the attached policy, this is reflected in paragraph #5. SBCAG staff told the committee that local agencies have expressed interest in this idea and have also expressed interest in potentially adding funds for local road repair to the planned Measure A bond issuance.

TTAC members reviewed the policy in February 2016, including the suggestions by the Oversight Committee that savings be made available for loans to local agencies. TTAC members appreciated the Oversight Committee’s understanding of the fiscal challenges they face in maintaining their local roads. TTAC members additionally recommended that a paragraph be added to the policy, reflected as #4 in the attachment, to allow savings from a project(s) in one Measure A category (US 101, North County, South Coast) be loaned to project(s) in other Measure A categories. A loan of this sort, TTAC reasoned, could free up future STIP funds in later years that could be applied to projects throughout the County. SBCAG staff supports the additions made by the Oversight Committee and TTAC and recommends that the board adopt the policy (Attachment #1).

At some point in the future, if a savings exists when all projects in a category have been delivered, the attached policy will need to be reevaluated and a future board will have to decide whether or how to allocate the cost savings, for example, by issuing a call for new projects for the respective category, or allocating (not loaning) the funds to projects in other categories. Since that decision is probably at least 10 years in the future, the attached policy does not address that issue, and leaves it to future boards to decide.

#### **COMMITTEE REVIEW:**

The draft policy was reviewed by TTAC and the board in 2015, then by the Oversight Committee in January 2016, and again by TTAC in February 2016. The Oversight Committee and TTAC suggested modifications as described above, and TTAC recommended the Board adopt the policy.

#### **ATTACHMENTS:**

- #1 Recommended Measure A Cost Savings Policy
- #2 Letter from Citizens Oversight Committee Regarding Cost Savings Policy

## **ATTACHMENT #1 MEASURE COST SAVINGS POLICY**

Measure A project cost savings would be available for reallocation at the completion of construction of a named project. The priorities for using project cost savings are:

1. Close shortfalls in the same category. Close shortfalls on projects within the same category (North, South, US 101) to maintain their delivery schedule. A project included in the Measure A Investment Plan having issues maintaining its delivery schedule because of a shortfall of funding would receive top priority for cost savings realized from within its own category.
2. Advance projects in the same category as the cost savings. Allow safety and congestion relieving benefits to motorists (and taxpayers) to be realized in advance of their delivery schedule in the Measure A Strategic Plan.
3. Hold savings in a reserve until all named projects in the category are delivered. This would assure that there will be no shortfalls on other projects or opportunities to advance other projects in the category.
4. Loan funds to projects in another category. Allow funds in the reserve in #3 above to be loaned to projects in other Measure A categories (North, South, US 101) if it is needed to close a gap in funding for a named project, or advance a project, in that respective category provided that the loan does not delay the delivery or advancement of named projects in the category where the savings originated.
5. Allow cost savings to be loaned to local agencies for local street repair. Allow cost savings in the reserve in #3 above to be loaned to local agencies for Measure A eligible Local Street and Transportation Investment projects, provided that the loan does not delay the delivery or advancement of named projects in the category where the savings originated.



Measure A

CITIZENS  
OVERSIGHT  
COMMITTEE

January 13, 2015

Chair Jim Richardson  
Santa Barbara County Association of Governments  
260 N. San Antonio Rd., Suite B  
Santa Barbara, CA 93110

**Hamid Bahadori**  
*Chair*

Dear Chair Richardson & Members of the SBCAG Board of Directors:

**Mark Cheli**  
*Vice-Chair*

On January 12, 2015, the Measure A Citizens Oversight Committee held a public meeting and received an update on projected cost savings from Measure A “named” projects in the North County completed to date and projects approved for funding from the cost savings.

**Mark Bradley**

**Andy Caldwell**

**Michael Chiacos**

**Phillip B. Greene**

**Robin Hayhurst**

**Alissa Hummer**

**David Lawrence**

**Pat Saley**

**Tessi Martinez**

Oversight Committee members are concerned that the SBCAG Board has begun making commitments to new projects with the “savings”. While there may be cost savings periodically on individual Measure A projects promised to voters, from a program perspective, hundreds of millions of dollars in state, federal and “other” funding sources are still needed to complete the funding plan for most of the “named” projects in the Measure A Program, including the remaining projects to be delivered in the North County and the 101 HOV Widening Project. The Committee members voted unanimously to recommend that the SBCAG Board not fund any new projects with the cost savings from individual projects, and reserve those funds until all the Measure A “named” projects are funded and delivered. At that time, funds in the reserve will truly be a “cost savings” that the Board may elect to expend on new projects amended into the program.

The Measure A Citizens Oversight Committee recommends the SBCAG Board adopt a policy that reserves cost savings from Measure A projects to ensure delivery of the remaining “named” Measure A projects. The committee recommends that the SBCAG Board use cost savings for new projects only when all projects in the Investment Plan have been completed.

Thank you for your careful consideration of our recommendation. We appreciate your careful stewardship of Measure A resources and your commitment to fulfilling the expectations of Santa Barbara County voters.

Sincerely,

Hamid Bahadori  
Chair, Measure A Citizens Oversight Committee