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**PLANNING AND PROGRAMMING COMMITTEE  
SEPTEMBER 16, 2009**

**SUBJECT: EXCHANGE OF FEDERAL SECTION 5307 FUNDS  
WITH PROPOSITION C LOCAL FUNDS FOR  
SANTA MONICA BIG BLUE BUS**

**ACTION: APPROVE FUNDS EXCHANGE**

**RECOMMENDATION**

- A. Approve an exchange of up to \$8.3 million from the fiscal year (FY) 2009 Federal Section 5307 allocation to Santa Monica Big Blue Bus (SMBBB) with Proposition C 40% Discretionary or other available local/regional funds, so that the exchanged funds may be used for a bus facility construction project; and
- B. Authorize the Chief Executive Officer (CEO) to negotiate and execute an exchange agreement with SMBBB for funds approved.

**ISSUE**

SMBBB has requested an exchange of their FY 2009 Federal Section 5307 funds with non-federal funds from the Los Angeles County Metropolitan Transportation Authority (MTA), so that they may construct a bus facility. SMBBB is unable to use their federal funds for the bus facility construction project because SMBBB operates charter services with buses that will need to use the facility. Federal transit funding guidelines prohibit the use of federal funds for transit activities, facilities and equipment that are used to support charter services.

**POLICY IMPLICATIONS**

As one of Los Angeles County's municipal operators, SMBBB is a partner in providing regional transit services to our Los Angeles County transit customers. Approving this recommendation will help SMBBB use \$8.3 million towards building a facility without any loss of revenues to the MTA.

**OPTIONS**

If the Board of Directors chooses not to approve this fund exchange, SMBBB will be unable to use their Federal Section 5307 funds for the bus facility construction project. They also run the risk of having their Section 5307 allocation lapse.

## **FINANCIAL IMPACT**

There is no impact on the FY 2010 expenditure budget, as the exchange is essentially a loan. Because the federal funds will not be available for us to draw down for approximately a year, there is an estimated \$80,000 (1%) in lost opportunity cost from potential interest revenue for the region.

### **Impact on Bus and Rail Operating and Capital Budget**

The source of funds for the exchange will be Proposition C 40% Discretionary or other available local/regional funds. These funds are eligible for our bus and rail operating and capital expenditures. Approval of these actions will not affect our FY 2010 Enterprise Fund, as the funding will be drawn from fund balances that had not been planned to be expended in FY 2010. However, as the source of repayment is SMBBB's Federal Section 5307 that can only be used for MTA operations or capital, the Enterprise Fund will transfer its other local funds back to the regional funding source as repayment for the exchanged money.

## **BACKGROUND**

SMBBB has requested an exchange of their \$8.3 million allocation of FY 2009 Federal Section 5307 funds for an equivalent amount of MTA non-federal funds. SMBBB wants to use the \$8.3 million towards the construction of a bus facility. However, federal guidelines would prohibit the use of the federal funds for constructing a bus facility that would be used for buses that are used for any charter service operations. The recommended exchange will allow SMBBB to use non-federal funds to build the facility, and thus continue to provide the charter services that SMBBB currently provides for their community.

The recommended exchange will not reduce funds available to the MTA for its own operations. MTA will be able to use the exchanged Section 5307 funds for its capital program in FY 2011. As the federal funds are allocated on a reimbursement basis, regional Proposition C 40% Discretionary funds or other available local/regional funds will be allocated to SMBBB in FY 2010, which will then be reimbursed by the MTA's share of Proposition C 40% Discretionary funding when the MTA receives the federal reimbursement in FY 2011.

## **NEXT STEPS**

With Board approval of our recommendation, we will execute an agreement with SMBBB for the requested exchange.

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