CITY OF COMMERCE
AGENDA REPORT

TO: Honorable City Council **Item No.** ______

FROM: City Manager

SUBJECT: A Resolution Approving a Fund Trade Agreement for the Exchange of Proposition A Funds With the City of Walnut

MEETING DATE: August 11, 2026

RECOMMENDATION:

Approve and adopt the Resolution approving a Fund Trade Agreement for the Exchange of Proposition A Funds with the City of Walnut.

BACKGROUND:

Proposition A (Prop A) funds in the County of Los Angeles are restricted to transit purposes only. Many cities have had difficulty spending the Prop A funds allocated to them. The City of Commerce has no such trouble, thanks to its unmatched level of community transit services, which comes at some expense to the City's general fund.

The Los Angeles Metropolitan Transportation Authority (LAMTA), which administers such funds, has allowed cities that can spend the restricted Prop A funds to exchange their unrestricted revenues for the right to use another city's Prop A funds for approved projects. Such exchanges involve an agreement in which a city that can use the restricted funds pays the city with available Prop A funds an amount less than the value of those funds. The city that can use the restricted Prop A funds can therefore obtain them at a discount. On the other hand, the city that cannot use its Prop A funds can receive unrestricted funds for other purposes. The arrangement is deemed beneficial to both cities.

The City of Commerce is proposing to continue its extensive transit services, such as fixed bus routes, dial-a-ride, and recreation services to the residents of the City, and requires additional Prop A funds beyond its local allocation. The City of Walnut has $1,500,000 in uncommitted Prop A Local Return Funds for Fiscal Years 2026-27 and 2027-28 that it is willing to assign to Commerce. In exchange, Commerce would transfer $1,125,000 in unrestricted General Fund dollars to Walnut.

The proposed agreement reflects an exchange rate of $0.75 General Fund per $1.000 of Prop A funds, which is consistent with industry standards. Thus, Commerce will receive $1,500,000 of Prop A funds in exchange for the payment of $1,125,000, generating a net benefit of $375,000 to support its transit services.

This same exchange will also be conducted in Fiscal Year 2027-2028. The transaction, which is documented in the attached agreement, is contingent upon approval by LAMTA.

ALTERNATIVES:
1. Approve staff recommendation.
2. Provide staff with further directions.

FISCAL IMPACT:

The City Council appropriated $3,134,300 in the FY 2026-27 Adopted Budget for Prop A fund exchange. Upon approval and execution of the agreement by both cities and LAMTA, the City will receive $1,500,000 in prop A funds, which will be recognized in account 57-5100-39101.

The exchange provides a cost-effective mechanism for the City to access additional transit dedicated funding to support eligible operations and capital needs. While the use of General Fund dollars in the exchange represents a continued subsidy of transit services, the favorable exchange rate ($0.75 per $1.00) allows the City to stretch limited resources and reduce pressure on the Transit Fund's structural deficit

RELATIONSHIP TO STRATEGIC GOALS:

This report is applicable to the following 2016 Strategic Plan goal of creating and pursuing opportunities for collaboration and regional partnerships to maximize resources and address regional issues.

Recommended by: Claude McFerguson, Director of Transportation
Fiscal impact reviewed by: Alvaro Castellon, Director of Finance
Approved as to form by: Noel Tapia, City Attorney
Respectfully submitted: Ernie Hernandez, City Manager

ATTACHMENTS:
1. Resolution
2. Agreement