



## 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 Lomita

**MEETING DATE:** March 10, 2026

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### **RECOMMENDATION:**

Approve and adopt the Resolution approving a Fund Trade Agreement for the Exchange of Proposition A Funds with the City of Lomita and assign the number next in order.

### **BACKGROUND:**

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

The Los Angeles Metropolitan Transportation Authority (LAMTA), which administers such funds, has allowed cities that can expend 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 usually involve an agreement by a city to use the restricted funds to pay the city with available Prop A funds, an amount less than the value of those funds.

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 Lomita has \$1,214,285 in uncommitted Prop A Local Return funds that it is willing to assign to Commerce. In exchange, Commerce would transfer \$850,000 in unrestricted General Fund dollars to Lomita.

The proposed agreement reflects an exchange rate of \$0.70 General Fund per \$1.00 of Prop A funds, which is consistent with industry standards. Thus, Commerce will receive \$1,214,285 of Prop A funds in exchange for the payment of \$850,000, generating a net benefit of \$364,285 to support its transit services.

The transaction, as documented in the attached agreement, has received LAMTA's approval.

**ALTERNATIVES:**

1. Approve the staff recommendation.
2. Provide staff with further directions.

**FISCAL IMPACT:**

If the City Council approves the Mid-Year Budget amendments, the City Council will appropriate an additional \$1,000,000 in the FY 2025-26 Budget for Prop A fund exchange. Upon approval and execution of the agreement by both cities, the City will receive \$1,214,285 in Prop A funds, which will be recognized in account 57-5100-3901.

The exchange provides a cost-effective mechanism for the City to access additional transit-dedicated funding to support eligible operations, while reducing the projected year-end deficit in the Transportation fund. While the use of General Fund dollars in the exchange represents a continued subsidy of transit services, the favorable exchange rate (\$0.70 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 applies to the 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