



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 Diamond Bar

MEETING DATE: August 12, 2025

RECOMMENDATION:

Approve and adopt the Resolution approving a Fund Trade Agreement with the City of Diamond Bar for the Exchange of Proposition A Local Return funds and assign the resolution number next in order.

BACKGROUND:

Proposition A (Prop A) funds in the County of Los Angeles are restricted for transit purposes only. While Many cities have had difficulties fully utilizing their Prop A allocations due to limited transit operations, the City of Commerce consistently maximizes the use of these funds through its unmatched level of community transit services, which is partially subsidized by 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. Under these arrangements, a city with uncommitted Prop A funds (that cannot be used directly) may trade them to another city that can use them, in exchange for unrestricted General Fund revenues at a discounted rate. 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 Diamond Bar has \$1,333,333 in uncommitted Prop A Local Return funds that it is willing to assign to Commerce. In exchange, Commerce would transfer \$1,000,000 in unrestricted General Fund dollars to Diamond Bar.

The proposed agreement reflects an exchange rate of \$0.75 General Fund per \$1.00 of Prop A funds, which is consistent with industry standards. Thus, Commerce will receive

\$1,333,333 of Prop A funds in exchange for the payment of \$1,000,000, generating a net benefit of \$333,333 to support its transit services.

The transaction, which is documented in the attached agreement, is contingent upon approval by LAMTA.

ALTERNATIVES:

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

FISCAL IMPACT:

The City Council appropriated \$1,000,000 in the FY 2025-26 Adopted Budget for Prop A fund exchange. Upon approval and execution of the agreement by both cities and LAMTA, the City will receive \$1,333,333 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 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