



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Administrator

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

MEETING DATE: July 18, 2017

RECOMMENDATION:

Approve and adopt the Resolution approving a Fund Trade Agreement for the exchange of Proposition A funds with the City of Lancaster, and assign the number next in order.

BACKGROUND/ANALYSIS:

Prop "A" funds in the County of Los Angeles are restricted for transit purposes only. Many cities have had difficulties expending the Prop A funds that have been allocated to them. 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 that can utilize the restricted funds to pay the city that has available Prop A funds a sum that is less than the amount of the Prop A funds. The city that can utilize the restricted Prop A funds is therefore able to obtain such funds at a discounted rate. On the other hand, the city that cannot utilize its Prop A funds is able to receive unrestricted funds that can be put to use for other purposes. The arrangement is deemed beneficial to both cities.

The City of Commerce is proposing to provide ongoing operating funding providing fixed route, medi-ride, and recreation services to the residents of the City and to provide for certain capital projects that are eligible for Prop A Funds. Adequate Proposition A Local Return funding for such services is not available to the City of Commerce because of the City's Local Return allocation. The City of Lancaster has uncommitted funding authority for its Fiscal Year 2017-18 allocation of Proposition "A" Local Return funds that can be made available to Commerce to assist in providing these services. Lancaster is willing to assign one million four hundred twenty-five thousand dollars (\$1,425,000) of its uncommitted Proposition "A" Local Return funding to Commerce in exchange for the assignment by Commerce of nine hundred ninety-seven thousand five hundred dollars (\$997,500) of its general funds to Lancaster. The transaction, which is documented in the attached agreement, is contingent upon approval by the LAMTA.

The ratio contained in the proposed Agreement is an exchange of 70 cents of the City's unrestricted general fund for each dollar of Prop "A" funds to be received and expended by the City for its transit operations. Thus, the City will receive one million four hundred twenty-five thousand dollars (\$1,425,000) of Prop A funds in exchange for the payment of nine hundred ninety-seven thousand five hundred dollars (\$997,500). This exchange will result in a four hundred twenty-seven thousand five hundred dollar (\$427,500) benefit for the City of Commerce. The City of Lancaster approved the exchange on June 27, 2017.

ALTERNATIVES:

1. Approve staff recommendation
2. Provide staff with further direction

FISCAL IMPACT:

The City Council approved an amount of nine hundred ninety-seven thousand five hundred dollars (\$997,500) in account #10-8804-73980 for Prop A Exchanges during the fiscal year 2017-18 budget process. The exchanged dollar amounts are then recognized in account #025-5400-30120.

RELATIONSHIP TO STRATEGIC GOALS:

This report is not applicable to any specific 2012 Strategic Plan goal; however, it is related to the following goal: *Grow Revenues, Audit Revenue Sources and Develop Audit Plan*, and complies with the California Constitution by providing for the City's continued financial stability.

Recommended by: Vilko Domic, Director of Finance
Approved as to form: Eduardo Olivo, City Attorney
Respectfully submitted: Jorge Rifá, City Administrator

ATTACHMENTS:

1. Resolution
2. Agreement