Response to Summary of Key SBCCOG Concerns re: Measure M

1. **Revenue estimates are overly optimistic**

The revenue estimates are based on earlier UCLA forecast estimates. This is a long-term plan, factoring the fluctuations over the years. Over time, we expect the revenues to normalize.

2. **Revenues are $19 billion short of costs**

The $19 B capital funding program shortage referenced in the South Bay letter appears to be the bottom line of the column in the Expenditure Plan labeled: "2016-2067 Local, State, Federal Other Funding 2015$" for the Expenditure Plan Major Projects page. The assumptions for that column use existing non-Measure M fund sources only, no new fund sources are assumed. For example, "Local" funding is primarily non-Measure M sales taxes, State funding is primarily the regional share of the STIP, Federal funding is primarily Federal formula funds (RSTP and CMAQ) and New Starts funds. Also, these non-Measure M funding assumptions are integrated with the base 2009 LRTP, they are not raided from existing operating programs etc.

Needless to say, we disagree that these funds should all be viewed as "short": the existing funding assumptions are conservative in that they do not assume new revenue sources from State or Federal programs.

3. **Borrowing is financing, not funding**

Estimated expenditures are funded with a combination of revenues and borrowing. Outstanding debts will be repaid as the first priority of revenues. Borrowing in early years also means projects are funded and completed earlier. Debt service expense is not necessarily higher if borrowing in early years enables us to take advantage of lower interest rates thereby reducing the total cost of debt service, and also avoids cost increases in labor and construction materials due to inflation.

This assumption is based on bonding capacity through 2057 and does not factor in the sales tax revenue stream after 2057. Revenues received after FY2057 are available to provide the additional debt capacity needed.

Measure M Ordinance allocations combined with the assumed LACMTA Debt Policy limits result in an estimated 58% of Measure M revenue that would not be eligible for bonding. Demonstrating Metro's fiscal responsibility in managing debt.

4. **Local Return is Inadequate and Inequitable.**

Measure M provides for Local Return to be allocated to cities based on population. Final method for allocation will be developed in coordination with the cities. Other sources of population count will be considered during the guideline development with the regional working group.

5. Fares must rise 25%

The farebox recovery ratio is a desired assumption used on behalf of FFGA grant submissions. The Metro Board has not adopted a policy that requires achieving a level of farebox recovery ratio. Metro has initiated the RAM process to increase revenues and cut costs, in our first year of RAM, we have reduced our operating budget by 2.2%, pushed out our deficit by two years, and reduced the projected deficit by half. As we continue to find new ways to cut costs and generate revenues, this will enable us to cover any operating shortfalls.

6. **2% for transit "state of good repair"**

Measure M provides for 2% as a dedicated funding source for state of good repair. This dedicated funding source will allow us to leverage federal/state grants that require a local match. In addition, Measure M allocates 20% for transit operations and 5% for rail operations, both of which are eligible for state of good repair. This flexibility will enable us to leverage even more funds and allocate resources to our priority needs.

7. No dedicated funding for innovation.

Measure M allocates "Visionary Project Seed Funding" for innovative projects beginning in FY18. More than $20 million is estimated for the first 40 years. Further, some subregions have earmarked funding for technology programs.