



Honorable Mayor and Members of the Hermosa Beach City Council

ASSIGNMENT AGREEMENT BETWEEN THE CITY OF WEST HOLLYWOOD AND THE CITY OF HERMOSA BEACH FOR THE EXCHANGE OF PROPOSITION A LOCAL RETURN FUNDS

CEQA: Determine the (i.e. project, ordinance, etc.) is exempt from the California Environmental Quality Act.

(Administrative Services Director Brandon Walker)

Recommended Action:

Staff recommends City Council:

1. Approve an Assignment Agreement for a Proposition A (Prop A) Local Return Fund Exchange (**Attachment 1**) with the City of West Hollywood receiving \$800,000 of City of Hermosa Beach Prop A Funds in exchange for \$560,000 of unrestricted funds from the City of West Hollywood; and
2. Add estimated revenue of \$560,000 in Prop A Exchange Funds in the General Fund; and
3. Appropriate \$800,000 for the fund exchange and release Capital Improvement Program (CIP) 102 Bus Stop Improvement Project Budget of \$500,000 in the Prop A Fund to the Fiscal Year (FY) 2024-25 Budget; and
4. Authorize the Interim City Manager to execute documents incidental to the Agreement.

Executive Summary:

The City of Hermosa Beach has excess Prop A Local Return Funds. The City of West Hollywood needs additional Prop A Funds for its transit operations. Staff recommends City Council approve a fund exchange with the City of West Hollywood at an exchange rate of \$0.70 on the dollar, which is the same rate as prior fund exchanges.

Hermosa Beach would receive \$560,000 in unrestricted funds in exchange for \$800,000 in Prop A Local Return Funds restricted for transit operations. The funds received by Hermosa Beach may be used for any City purpose while the exchanged Prop A Funds remain restricted only for Prop A approved transit operations for the City of West Hollywood.

Background:

Prop A Programs administered by Los Angeles County Metropolitan Transportation Authority (LACMTA), is a half-cent sales tax measure approved by Los Angeles County voters in 1980 dedicated to transportation funding such as improved bus service, rail system plans and fare subsidies. Twenty-five percent of the Prop A funds is designated to the Local Return Program to be used by cities and the County to benefit public transit. The City receives approximately \$475,000 annually.

The City currently uses Prop A Local Return Funds for both Community Development and Community Resources departmental programs. Those department programs include the Commuter Express program, Valley Park and community recreation excursion transportation, and local special event shuttles. Previously, the City has used Local Return Funds to purchase bus stop furnishings, shelters, and trash cans on streets with bus routes.

Prop A Local Return Funds may also be traded to other jurisdictions in exchange for General or other funds aside from public transit. Metro requires that Cities timely expend Prop A funds within three years of the last day of the fiscal year in which funds were originally allocated. If unused funds accumulate over a couple of years, these restricted funds may be exchanged with another agency in return for unrestricted funds.

The City has exchanged Prop A Local Return Funds with the City of West Hollywood thrice, occurring in FY 2019-20, FY 2021-22 and FY 2022-23. All previous exchanges were also for \$0.70 on the dollar.

Previously a portion of the unrestricted funds received by the City were used to fund an additional Assistant Engineer. The remaining unrestricted funds were “assigned” in the General Fund Balance for future funding of the Engineer. However, the exchanged unrestricted funds can be used for any general fund municipal use at the City’s discretion.

Past Board, Commission, and Council Actions

Meeting Date	Description	Votes
<u>July 23, 2019</u>	The City Council approved an exchange of \$1,000,000 in Prop A Funds with the City of West Hollywood for \$700,000 of unrestricted funds to be used during the 2018-19 fiscal year.	All Ayes (4-0) (Duclos, Fangary, Massey, Armato) Campbell absent.
<u>July 13, 2021</u>	The City Council approved an exchange of \$700,000 in Prop A Funds with the City of West Hollywood for \$490,000 in unrestricted funds to be used during the 2021-22 fiscal year.	All Ayes (5-0) (Jackson, Campbell, Armato, Detoy, Massey)
<u>April 25, 2023</u>	The City Council approved an exchange of \$700,000 in Prop A Funds with the City of West	All Ayes (5-0)

Meeting Date	Description	Votes
	Hollywood for \$490,000 of unrestricted funds to be used for the 2023-24 fiscal year.	(Jackson, Massey, Francois, Saemann, Detoy)

Discussion:

Excess Prop A Local Return Funds are available from a combination of remaining prior year fund balances and also from releasing the current FY 2024-25 budgeted CIP (Capital Improvement Project) 102 Bus Stop Improvement Project. Currently, the CIP 102 Bus Stop Improvement Project is budgeted for \$500,000 using Prop A Local Return funding. Staff expects to complete bus stop related improvement project work by the end of this fiscal year for \$300,000 using available Proposition C Local Return Funds that are expiring.

Staff recommends exchanging the City’s excess Prop A Local Return Funds for unrestricted funds that may be used for any general fund municipal purpose. The City of West Hollywood has a need for additional Prop A Funds and is agreeable to an exchange.

West Hollywood and Hermosa Beach have tentatively agreed to an exchange rate of \$0.70 on the dollar. Metro confirmed and concurred that this was the prevailing rate for this type of fund exchange.

If approved, the City would receive \$560,000 in unrestricted use funds in exchange for \$800,000 in Prop A fund dollars. If approved, the exchange would be completed as soon as the agreement is signed. West Hollywood will approve the agreement at its June 23, 2025 meeting.

General Plan Consistency:

PLAN Hermosa, the City’s General Plan, was adopted by the City Council in August 2017. The exchange of Prop A funds supports several PLAN Hermosa goals and policies that are listed below.

Governance Element

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policies:

- **1.2: Strategic planning.** Regularly discuss and set priorities at the City Council and management level to prioritize work programs and staffing needs.
- **1.6 Long-term considerations.** Prioritize decisions that provide long-term community benefit and discourage decisions that provide short-term community benefit but reduce long-term opportunities.

Fiscal Impact:

In exchange for \$800,000 in Proposition A Local Return Funds which are only for transit purposes, the City would receive \$560,000 in unrestricted funds for any general fund municipal use at the City's discretion.

Excess Prop A funds are available for the fund exchange due to a combination of accumulated Prop A Fund Balances from prior fiscal years and releasing the \$500,000 CIP 102 Bus Stop Improvement project budget in the Prop A fund. Staff expects to complete bus stop related project work this fiscal year for approximately \$300,000 using available Prop C Local Return Funds that are expiring instead.

Staff has determined excess Prop A funds are available after accounting and fully budgeting ongoing City departmental Prop A programs in the FY 2025-26 Preliminary Budget.

Staff recommends City Council add the exchange fund revenue of \$560,000 to the assigned fund balance in the General Fund in FY 2024-25. Use of the assigned funds would be recommended in FY 2025-26 for future City municipal expenditures and use.

Attachment:

Assignment Agreement with the City of West Hollywood

Respectfully Submitted by: Henry Chao, Finance Manager

Concur: Charlotte Newkirk, Senior Finance Analyst

Concur: Joe SanClemente, Public Works Director

Noted for Fiscal Impact: Brandon Walker, Administrative Services Director

Approved: Steve Napolitano, Interim City Manager