

TRANSPLAN Technical Advisory Committee

30 Muir Road, Martinez, CA 94553

Participating entities: Cities of Antioch, Brentwood, Oakley and Pittsburg • Contra Costa County
Tri Delta Transit • 511 Contra Costa • Contra Costa Transportation Authority (CCTA) • Caltrans District 4 • BART
TRANSPLAN • State Route 4 Bypass Authority • East Contra Costa Regional Fee & Financing Authority (ECCRFFA)

Meeting Location:
Antioch City Hall, 3rd Floor Conference Room
Tuesday, October 20, 2015, 1:30 to 3:30 p.m.

AGENDA

*NOTE: The Technical Advisory Committee (TAC) agenda/packet is only distributed digitally, **no paper copies will be sent.** If you need a printed copy please contact TRANSPLAN staff.*

Action/Discussion Items (see attachments where noted [♦])

1:30 Item 1: 2015 Measure J Strategic Plan: *At its May meeting, the Contra Costa Transportation Authority (“CCTA”) initiated the update to the 2013 Strategic Plan. Staff will provide an update to the Regional Transportation Planning Committees (“RTPCs”) and seek concurrence on proposed fund programming changes (attachment to be provided at the meeting). The May CCTA staff report is provided for background. ♦ Page 2*

3:30 Item 2: Adjourn to Tuesday, November 17, 2015 at 1:30 p.m.

The Technical Advisory Committee meets on the third Tuesday afternoon of each month, starting at 1:30 p.m. in the third floor conference room of the Antioch City Hall building. The Technical Advisory Committee serves the TRANSPLAN Committee, the East Contra Costa Regional Fee & Financing Authority, and the State Route 4 Bypass Authority.

Persons needing a disability-related accommodation should contact Jamar Stamps, TRANSPLAN staff person, at least 48 hours prior to the starting time of the meeting. Mr. Stamps can be reached at (925) 674-7832 or at jamar.stamps@dcd.cccounty.us.

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ITEM 1
2015 UPDATE TO THE MEASURE J STRATEGIC PLAN

Administration and Projects Committee **STAFF REPORT**

Meeting Date: May 7, 2015

Subject	Approval of Key Policy Issues for the Development of the 2015 Update to the Measure J Strategic Plan – Overall Approach and Development Schedule
Summary of Issues	<p>Staff is proposing to initiate the <i>2015 Measure J Strategic Plan</i> update to reassess sales tax revenue projections, cash flow needs, and debt service costs. Based on this assessment, the timing and size of future bond issuances will also be re-evaluated.</p> <p>The 2015 update will cover the period between FY 2014-15 and FY 2020-21, and will have four major components:</p> <ul style="list-style-type: none"> • Sales tax revenue projections • Program of Projects commitment of funding schedule through FY 2020-21 • Cash flow projections to ensure funding needs are met • Policy section to guide the update to the Strategic Plan
Recommendations	Staff seeks approval of key policy issues that will guide the development of the upcoming update to the Strategic Plan, which is targeted to be adopted in December 2015.
Financial Implications	Measure J sales tax revenues were estimated to total \$2.71 billion in the <i>2013 Measure J Strategic Plan</i> .
Options	The Authority could defer any action pending further deliberations.
Attachments (See APC Packet dated 5/7/15)	A. CCTA Sales Tax Revenue Forecast Update; Economic and Planning Services (EPS), dated April 24, 2015
Changes from Committee	<i>None</i>

Background

Measure J – a continuation of a half-percent countywide sales tax for transportation which was passed by Contra Costa voters in November 2004. The Measure started on April 1, 2009 and will be in effect for 25 years. The Strategic Plan is the blueprint for delivering the voter-approved projects included in the Measure J Expenditure Plan. It provides details on when and how much funding will be available for the various projects, taking into consideration revenue growth, inflation and debt service costs. The last Measure J Strategic Plan was adopted in December 2013, covering the period between FY 2012-13 and FY 2018-19.

Recognizing that there will be economic cycles and that project development might exceed or lag behind forecast schedules, the Authority committed to update the Strategic Plan approximately every two years. Updates to the Strategic Plan are necessary to revisit assumptions relative to revenue growth and inflation, assess progress on delivery of committed projects, and to ensure that project commitments do not exceed projected Measure J revenues.

This 2015 update to the Strategic Plan comes during steady economic growth that resulted in higher than projected revenues in the past year. In addition, the Authority is also poised to issue bonds, currently estimated at \$100 million, in the July to December 2015 time frame depending on the timing of spending down the bond proceeds from the 2012 bonds. The size of the bonds could vary based on cash flow needs, interest rates and other factors. Low interest rates in 2012 have resulted in favorable financing terms and lower than anticipated debt service costs on issued bonds, allowing the Authority to utilize more of Measure J revenues to fund projects as opposed to paying interest costs.

Policy Issues to guide the development of the *2015 Measure J Strategic Plan*

The policies that were included to guide the development of the 2013 Strategic Plan are expected to remain largely unchanged in the 2015 update. The following key issues are expected to shape the *2015 Measure J Strategic Plan*:

1. Sales tax revenue projections
2. Financial capacity to issue bonds
3. Programming of additional capacity

Sales Tax Revenue Projections

Revenue projections play a major role in shaping the Strategic Plan. The Measure J Expenditure Plan was compiled assuming \$2 billion (in 2004 dollars) in sales tax revenues over 25 years. The Authority carried forward the revenue estimate of \$3.7 billion (or \$1.98 billion in 2004 dollars) in its first Measure J Strategic Plan in 2007. Due to the great recession, the 2009 and 2011 Strategic Plans reduced revenue projections significantly to \$2.55 billion (\$1.55 billion in 2004 dollars) and \$2.45 billion (\$1.50 billion in 2004 dollars), respectively, resulting in the imposition of tighter funding caps on project categories.

For the 2013 Strategic Plan, the Authority adopted EPS baseline revenue forecast of \$2.71 billion (or \$1.68 billion in 2004 dollars). The baseline revenue forecast reflected an economic future marked by a gradual economic recovery followed by a modest trend line growth rate in taxable sales. Over medium to long term, real taxable sales were assumed to be driven by modest county population growth, consistent with Department of Finance demographic forecasts.

In February 2015, staff requested EPS to update its revenue forecast for the 2015 Strategic Plan. Under the baseline scenario, a modest increase in revenues (+0.4% or \$10 million) is projected in overall Measure J revenues over the life of the Measure to \$2.721 billion (or \$1.69 billion in 2004 dollars).

Table 1: Summary of Projections by Scenario

	Baseline	Conservative	Optimistic
Total Sales Tax Revenues (2009-2034)			
2004 dollars	\$1,689,933	\$1,506,563	\$1,810,044
Nominal dollars	\$2,721,231	\$2,354,925	\$2,886,684

Source: Economic & Planning Systems, Inc.

Issue 1: Does the Board wish to use EPS updated baseline revenue projections for the development of the 2015 Strategic Plan? The Board can consider the conservative or the optimistic scenarios.

Staff Recommendation: Staff recommends using EPS baseline revenue updated forecast for the 2015 Strategic Plan (Attachment A).

Financial Capacity to Issue Bonds

To expedite high priority projects throughout Contra Costa, the Authority issued \$200 million fixed rate Bond Anticipation Notes (BANs) in September 2009, which were refinanced to Floating Rate Notes (FRNs) on October 1, 2010. In December 2012, the Authority refinanced the 2010 FRNs at a lower interest rate and issued an additional \$225 million in fixed-rate bonds with very favorable financing terms (low interest rates and no reserve requirements).

The improved revenue outlook and low interest rates has increased bonding capacity compared to the 2013 Strategic Plan. The revised bond capacity provides the opportunity to increase the size of the final bond issuance from \$67 million to up to \$100 million (assuming adoption of the EPS baseline revenue forecast).

Issue 2: Does the Board wish to utilize the increased bond capacity to deliver projects earlier, or adopt a “pay-as-you-go” strategy to fund projects as Measure J funds become available?

Staff Recommendation: Staff recommends utilizing the full bond capacity based on EPS latest baseline revenue estimate to establish maximum funding availability in earlier years. The Authority can revisit the size and timing of the final bond issuance in the 2017 Strategic Plan based on an updated analysis of the Authority’s financial capacity at that time.

Programming of Additional Programming Capacity

The updated baseline revenue projects a slight increase (\$10 million or 0.4%) in revenues over the life of Measure J, compared to the 2013 Strategic Plan. With about 60% of this additional programming capacity set aside for programs, only about \$4 million of this capacity can be programmed to projects. The Authority established programmatic reserves for construction contingency in the 2013 Strategic Plan totaling \$5.69 million. Since then, the Authority approved programming \$2.28 million of this reserve to cover cost increases on eBART (Project 2001). Considering the size of the Authority’s current construction program, staff believes the Authority should hold this additional capacity (\$4 million) as a reserve for unforeseen cost increases.

Issue 3: Does the Board wish to add the \$4 million to restore the programmatic reserve for Measure J projects under construction?

Staff Recommendation: Hold additional capacity in programmatic construction reserve. If needed, funds would be committed from this reserve to cover cost increases through a Strategic Plan amendment.

All other policies will be carried forward in the 2015 Strategic Plan update unchanged, including the maximum caps on project funding categories, policy on fund escalation, and maintenance of subregional equity in programming future funds.

Proposed Schedule for the Development of the *2015 Measure J Strategic Plan*

Date	Description
May 20, 2015	Authority approves overall approach and development schedule
June - August 2015	Work with RTPCs and project sponsors to determine project priorities cash flow needs for projects through FY 2020-21
November 18, 2015	Authority reviews draft <i>2015 Measure J Strategic Plan</i>
December 16, 2015	Authority adopts <i>2015 Measure J Strategic Plan</i>