

# San Luis Obispo County Transportation Expenditure Plan

## I. Introduction

San Luis Obispo County’s transportation system is essential to the safety, mobility, and economic vitality of its residents, businesses, and visitors. Yet existing state and federal revenues are inadequate to maintain local streets and roads, operate reliable transit, and deliver major regional improvements.

This Transportation Expenditure Plan establishes a dedicated local funding source — a voter-approved ½-cent transactions and use tax — projected to generate **approximately \$35 million per year**. All revenues will remain in San Luis Obispo County and may only be used for transportation purposes.

The Plan emphasizes geographic equitable distribution of funds, fairness, transparency, and strong taxpayer safeguards while ensuring flexibility to leverage state and federal funds.

## II. Revenue Distribution

Revenues shall be allocated as follows:

- A. **55% Local Road Repairs and Improvements** distributed by population to each city and the County. (Reviewed every ten years based on census data<sup>1</sup>).
- B. **40% Regional Corridor Improvements** distributed by subregion population within the areas defined as shown.
- C. **4% Mobility Services** for Seniors, Veterans and Mobility Challenged
- D. **1% Administration**



<sup>1</sup> Should a new city become incorporated, the percentages would be adjusted to reflect the updated population distribution.

### **III. Eligible Uses of Funds**

#### **Local Road Repairs and Improvements (55%)**

Funds are distributed by population to the cities and the County. **County funds shall be distributed equally by Supervisorial District.** Funds may be used for:

- A. Local road maintenance, rehabilitation, and repair.
- B. Safe Routes to School and Safe Routes to College programs.
- C. Local intersections, operational and traffic safety improvements.
- D. Bridge safety and seismic retrofits.
- E. Bicycle and pedestrian improvements (sidewalks, crosswalks, multi-use paths).
- F. Community enhancements tied to transportation (streetscape, lighting, landscaping, wayfinding).
- G. Traffic signal improvements and synchronization.
- H. Piers, walkways and other pedestrian or bike paths in and around waterfront and river areas.
- I. Transit services including local trolley services may be funded if desired by a City.

#### **Regional Corridor Improvements (40%)**

Regional project funds shall be distributed by population among subregions **over the life of the measure** and used for:

- A. Highway and major corridor congestion relief such as van or carpool lanes or other congestion relief measures.
- B. Safety and interchange improvements.
- C. Regional bicycle and pedestrian connectors between communities like the Bob Jones Trail.
- D. Interagency Transit Access.
- E. Mitigation impacts for proposed improvements.
- F. Other projects consistent with the adopted Regional Transportation Plan (RTP).

#### **Mobility Services for Seniors, Veterans and Mobility Challenged (4%)**

Funds shall support improvements to mobility programs that prioritize services for seniors, veterans, and mobility challenged.

#### **Administration (1%)**

No more than 1% of annual revenues shall be allocated by the Authority for administration, reporting, auditing, and program oversight.

## **IV. Governing Board and Organizational Structure**

The San Luis Obispo Council of Governments (SLOCOG) serves as the designated Local Transportation Authority for San Luis Obispo County and is responsible for administering the Transportation Measure in compliance with Public Utilities Code (PUC) 180000 et seq. Upon voter approval of the Transportation Measure, the Board of Directors of SLOCOG will serve as the Authority Board, hereafter the Authority, and will oversee its implementation in accordance with the plans and programs detailed in this and future updates of the Expenditure Plan.

This Expenditure Plan provides for the creation of a Citizens' Oversight Committee to ensure transparency and accountability. Details regarding the Committee are contained in this plan (Section XIV). The Biennial Implementation Plan will be prepared and updated by SLOCOG staff and approved by the Authority Board as per the Ordinance Section 14.

Per PUC 180000, the Authority's governing board will include representation as follows:

- Five (5) members of the San Luis Obispo County Board of Supervisors
- One (1) member representing each incorporated city within San Luis Obispo County—Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo—appointed by their respective city councils.

Alternates to the regular members may participate in accordance with SLOCOG bylaws. Should another city become incorporated, it will have one seat on the Authority Board.

## **V. Maintenance of Effort (MOE)**

The enabling legislation in Public Utilities Code PUC 180001(e) states:

It is the intent of the Legislature that funds generated pursuant to this division be used to supplement and not replace existing local revenues used for transportation purposes.

Each Agency receiving revenues for "Local Projects" shall annually maintain, at a minimum, the same level of local fully discretionary general fund revenues that were expended on average for fiscal years 2023/24, 2024/25 and 2025/26, for transportation purposes. Dedicated funds for transportation such as gas tax revenues are not counted as general fund revenues. Transfers into the general fund will not be counted as general fund revenues. Grant awards and general fund revenues used as matching funds for grant awards will not be counted as general fund revenues.

Unusual one-time general fund allocations that have been expended for transportation purposes may be exempted prior to determining the Agency's average expenditure for the three fiscal years noted above at the discretion of the Authority.

An agency petitioning for an exception under this provision must supply evidence of the need for special consideration, and the petition must be approved by a majority vote of the Authority Board.

The Authority shall not allocate any Net Revenues to any jurisdiction for any fiscal year until that jurisdiction has certified to the Authority that it has included in its budget for that fiscal year an amount of local discretionary funds for streets and roads purposes at least equal to the level of its maintenance of effort requirement. An annual independent audit will be conducted by the Authority to verify that the maintenance of effort requirements are being met by the jurisdiction. Any Net Revenues not allocated pursuant to the maintenance of effort requirement shall jurisdictions be allocated to the remaining eligible jurisdictions according to the formula described in the Section III.

### **Exceptions**

Subject to Authority approval, if any local jurisdiction had extraordinary local discretionary fund expenditures during any fiscal year it may determine that year's minimum expenditure base level of local discretionary funds by:

- (a) subtracting those extraordinary expenses funding, assessment district contributions, development impact funds, redevelopment agency contributions, or other non-recurring contributions) from its total expenditures; or
- (b) petitioning the Authority for special consideration. It is possible that a local jurisdiction may need to revise its minimum expenditure base beyond the subtraction of extraordinary expenses. In this instance, the Authority may allow the establishment of a new base for that jurisdiction's Maintenance of Effort requirement.

A local jurisdiction petitioning the Authority under this provision must supply evidence of the need for special consideration and the petition must be approved by a majority vote of the Authority.

## **VI. Requirements for Eligible Jurisdictions**

To be eligible to receive Net Revenues, a jurisdiction shall satisfy and continue to satisfy the following requirements.

**A. Mitigation Fee Program.** Assess traffic impacts of new development and require new development to pay a fair share of necessary transportation improvements attributable to the new development.

**B. Circulation Element.** Adopt and comply with its Circulation Element as part of the jurisdiction's General Plan,

**C. Capital Improvement Program.** Adopt and update a minimum Five-Year Capital Improvement Program (CIP). The CIP shall include all capital transportation projects, including projects funded by Net Revenues, and shall include transportation projects required to demonstrate compliance with pavement management requirements.

**D. Pavement Management Plan.** Adopt and update a Pavement Management Plan and provide regular reporting on the status of road pavement conditions and implementation of the Pavement Management Plan.

**E. Expenditure Report.** Adopt an Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by the Eligible Jurisdiction which satisfy the Maintenance of Effort requirements. The Expenditure Report shall be submitted by the end of six (6) months following the end of the jurisdiction's fiscal year and include the following:

1. All Net Revenue fund balances and interest earned.
2. Expenditures identified by type (i.e., capital, operations, administration, etc.), and program or project.

**F. Project Final Report.** Provide Authority with a Project Final Report for regional projects within six months following completion of a project funded with Net Revenues.

**G. Time Limits for Use of Net Revenues for Regional Projects.**

1. Agree that Net Revenues for Regional Projects shall be expended or encumbered no later than the end of the fiscal year for which the Net Revenues are programmed. A request for extension of the encumbrance deadline for no more than thirty-six months may be submitted to the Authority no less than ninety days prior to the deadline. The Authority may approve one or more requests for extension of the encumbrance deadline.
2. In the event the time limits for use of Net Revenues for Regional Projects are not satisfied then any retained Net Revenues that were allocated to an Eligible Jurisdiction and interest earned thereon shall be returned to the

Authority and these Net Revenues and interest earned thereon shall be available for allocation to any project within the same source program.

**H. No Supplanting of Funds.** Agree that Net Revenues shall not be used to supplant developer funding which has been or will likely be committed for any transportation project.

**I. Public Notice of Use of Measure Funds.** Member agencies will provide the public with planned use of measure funding as part of its annual or biennial budget process. This includes each City and Community Advisory Council will receive at a minimum, twice per programming year presentations from jurisdictional staff to review proposed investments prior to annual allocations.

### **Determination of Non-Eligibility**

A determination of non-eligibility of a jurisdiction shall be made only after a hearing has been conducted and a determination has been made by the Authority that the jurisdiction is not an Eligible Jurisdiction as provided hereinabove.

## **VII. Taxpayer Safeguards**

- A. **A transportation special revenue fund** (the “Local Transportation Authority Special Revenue Fund”) shall be established to maintain all Revenues.
- B. **Accounting** Receipt, maintenance and expenditure of Net Revenues shall be distinguishable in each jurisdiction’s accounting records from other funding sources, and expenditures of Net Revenues shall be distinguishable by program or project. Interest earned on Net Revenues allocated pursuant to the Ordinance shall be expended only for those purposes for which the Net Revenues were allocated.
- C. No **Net Revenues** shall be used by a jurisdiction for other than transportation purposes authorized by the Ordinance. Any jurisdiction which violates this provision must fully reimburse the Authority for the Net Revenues misspent and shall be deemed ineligible to receive Net Revenues for a period of five (5) years.
- D. A **Citizens Oversight Committee** (“Committee”) shall be established to provide an enhanced level of accountability for expenditure of Revenues under the Ordinance. The Committee will help to ensure that all voter mandates are carried out as required. The roles and responsibilities of the Committee, the selection process for Committee members and related administrative procedures shall be carried out as described in the Section XIII below and Ordinance Section 15.
- ~~E. A **performance assessment** shall be conducted at least once every three years to evaluate the efficiency, effectiveness, economy and program results of the Authority in satisfying the provisions and requirements of the Investment Summary~~

of the Plan, the Plan and the Ordinance. A copy of the performance assessment shall be provided to the Committee.

- F. **Annual status reports** regarding the regional corridor projects and improvements shall be brought before the Authority by local agencies and Authority staff at least annually in public meetings.
- G. **Annual Report** Annually the Authority shall publish a report on how all Revenues have been spent and on progress in implementing projects in the Plan and shall publicly report on the findings and posted on the agency website.

## VIII. Ten-Year Comprehensive Program Review

At least every ten years the Authority shall conduct a comprehensive review of all projects and programs implemented under the Plan to evaluate the performance of the overall program and may revise the Plan to improve its performance. The review shall include consideration of changes to local, state and federal transportation plans and policies; changes in land use, travel and growth projections; changes in project cost estimates and revenue projections; right-of-way constraints and other project constraints; level of public support for the Plan; and the progress of the Authority and jurisdictions in implementing the Plan. The Authority may amend the Plan based on its comprehensive review, subject to the requirements of Section IX: Reporting, Implementation and Amendments.

## IX. Reporting, Implementation and Amendments

### Administration

In compliance with state and federal requirements, SLOCOG regularly prepares a Regional Transportation Plan (RTP) that identifies priority projects across all transportation modes, including highways, local roads, public transit, bikeways, and aviation.

All updates to the Expenditure Plan will undergo public review and hearings. Candidate projects and priorities may evolve, but the county's extensive transportation needs will ensure robust use of all available funding, including sales tax revenues. During each update, the Authority will review investments across multiple transportation modes to ensure efficiency and equity in addressing mobility needs throughout San Luis Obispo County.

### Annual Report

Each year, the Citizens' Oversight Committee (Section XIV) reviews expenditures and communicates results to the public through an Annual Report.

## Amendment Process

As specified in PUC Section 180207:

- (a) Once per calendar year, the Authority may review and propose amendments to the county's transportation expenditure plan to incorporate additional revenues, account for unanticipated funds, or respond to unforeseen circumstances. Amendments adopted late in the year will not preclude additional amendments in the following year.
- (b) The Authority must notify the County Board of Supervisors and each city council, providing copies of proposed amendments for their review.
- (c) Amendments become effective 45 days after notification.

Voter approval (2/3 majority) is required for changes to funding categories or overall allocation formulas as per Ordinance **Section 10**.

## Biennial Implementation Plan

At least once every two years, the Authority will prepare and adopt a **Measure XXX** Implementation Plan. This plan will include a financial component consistent with both the SLOCOG Regional Transportation Improvement Program (RTIP) and the STIP.

Process steps include:

- A. SLOCOG staff, working with member agencies and stakeholders, will draft and update the Implementation Plan biennially.
- B. The Authority Board will review the Draft Implementation Plan, hold public hearings, and incorporate feedback.
- C. Following review, the Authority formally adopts the Implementation Plan.

## Implementation Guidelines

Following voter approval of this Measure, the Authority shall adopt Implementation Guidelines to administer and implement the Expenditure Plan in a manner consistent with the voter-approved purposes of this Measure. The Implementation Guidelines shall establish procedures for project programming and delivery, eligibility requirements, fund distribution, accountability and reporting, audits, amendments, and other administrative matters necessary to ensure effective and transparent use of Measure revenues. The Implementation Guidelines shall not expand or alter the uses of funds authorized by this Measure and shall be adopted by the governing board at a public meeting following a noticed public process.

## **X. Bonding Authority**

To reduce overall costs by advancing construction timelines, the Authority shall have the option to sell or issue, at any time, and from time to time, including on or before the collection of the taxes authorized by the Ordinance Section 16, bonds, notes or other evidences of indebtedness, including capital appreciation bonds, payable from and secured by the proceeds from the sales taxes authorized by this Ordinance and from the proceeds of the existing **Measure (TBD)** sales taxes, in order to finance and refinance the transportation projects identified in the Transportation Expenditure Plan. Bonding indebtedness shall be limited to **35%** of net sales measured at the end of the 30-year program. An additional bonds test (ABT) no lower than **1.5x Maximum Annual Debt Service** will be measured against projected revenues for any consecutive 12-month period in the prior 18 months.

Should the tax be ended by voter action, the obligation to repay the bond debt remains with the agency, in this case the Authority and its member agencies.

## **XI. Independent Financial Audits**

If the Transportation Measure is approved by the voters, the Authority will conduct independent financial audits of all revenues and expenditures associated with the measure in accordance with Public Utilities Code 180000 et seq. These audits will ensure full transparency and accountability in the use of voter-approved sales tax revenues.

The results of the audits will be presented annually to the Authority Board and made available to the public, reinforcing confidence in the administration of the Transportation Measure. Findings will also be shared with the Citizens' Oversight Committee to support their independent review of expenditures and compliance with the Expenditure Plan.

## **XII. Administration Program – 1% of Measure Revenues**

To effectively manage and implement the Transportation Measure, the Authority will cap administration costs at no more than 1% of annual sales tax revenues to administrative activities. This allocation supports the necessary planning, oversight, and program development functions required for successful execution of the measure.

Key administrative responsibilities of the Authority include:

### **A. Annual Work Program and Budget**

Prepare and adopt an annual work program and budget outlining planned expenditures, oversight activities, and administrative costs.

- B. Allocation Program Requirements and Focused Studies**  
Develop requirements for each funding program established by the Regional Programs allowed in the Expenditure Plan and undertake specialized studies needed to implement those programs effectively.
- C. Biennial Implementation Plan**  
Prepare and update the Transportation Measure Implementation Plan every two years, aligning it with the Regional Transportation Improvement Program (RTIP) and State Transportation Improvement Program (STIP).
- D. Regional Project Prioritization**  
Establish and update priority lists for regional projects and rehabilitation projects, in coordination with member jurisdictions and consistent with Expenditure Plan goals.
- E. Independent Annual Audit**  
Conduct an independent audit of all Transportation Measure funds to ensure compliance, fiscal integrity, and accountability to the public.
- F. Public Outreach and Communication**  
Carry out ongoing outreach and public education efforts to keep residents informed about project progress, financial performance, and planned updates.
- G. Bond Issuance for Accelerated Delivery**  
Issue bonds when appropriate to expedite project delivery, reducing overall project costs by leveraging future revenues for near-term improvements.
- H. Revenue Allocation to Local Jurisdictions**  
Distribute Transportation Measure proceeds to incorporated cities and the county in accordance with the formulas and criteria established in the Expenditure Plan.
- I. Support for Oversight Committees and Related Technical Assistance**  
Provide staff support to advisory committees and furnish technical assistance to member jurisdictions to ensure consistent, equitable, and effective program implementation.

### **XIII. Citizens' Oversight Committee**

#### **Committee Purpose**

- A. To provide fiscal oversight on the implementation of the Transportation Expenditure Plan ensuring that funds are spent in accordance with the approved Plan.**
- B. To inform the public and confirm that revenues and expenditures from the Transportation Measure are spent as promised to San Luis Obispo County voters.**

## **Committee Formation**

- A. The Committee will be formed within six (6) months following voter approval of the Transportation Measure in San Luis Obispo County.
- B. The Committee shall be a permanent component of the Expenditure Plan and cannot be eliminated by amendment.
- C. Meetings will begin when Transportation Measure revenues are recommended for expenditure, including Implementation Plan updates.

## **Selection and Duties of Committee Chair and Vice Chair**

- A. The Committee will select a Chair and Vice Chair from among its members, each serving a one-year term.
- B. Chair Duties: Call meetings, set agendas, and preside over meetings.
- C. Vice Chair Duties: Perform the Chair's duties in the Chair's absence.

## **Committee Meetings**

- A. The Committee will hold at least two formal meetings annually, with additional meetings scheduled as needed.
- B. All meetings will comply with the Brown Act (open meeting requirements).
- C. Meetings will be conducted in accordance with Robert's Rules of Order.

## **Subcommittee Requirements**

- A. The Committee may form subcommittees to address specific tasks or focus areas.
- B. All subcommittees will consist of an odd number of members to ensure clear decision-making.

The Committee will reflect the geographic and demographic diversity of San Luis Obispo County and consist of 12 members. Each represented organization will nominate its representative, with final appointments approved by the Authority Board.

## **Membership Composition:**

- A. One resident representative appointed by each incorporated city (Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, San Luis Obispo) and one member from each of San Luis Obispo County's Supervisorial District's within the unincorporated areas.

- B. The Authority Board will review and appoint these members. If any jurisdiction is unable to appoint a representative, THE AUTHORITY may fill the position through an open application process. Should a new City become incorporated, a representative from that jurisdiction shall be appointed by the City.

## **Quorum**

- A. A quorum will consist of no fewer than seven (7) members.
- B. Actions may be approved by a simple majority of members present, provided the quorum is met.

## **Term of Membership**

- A. Members serve two-year terms, with a maximum of eight consecutive years of service.
- B. To establish staggered terms, the initial appointments will be divided so that half serve one-year terms and half serve two-year terms, determined by random selection.
- C. Proxy voting is not permitted.

## **Eligibility**

- A. Must be a U.S. citizen, 18 years or older, and a resident of San Luis Obispo County.
- B. Cannot be an elected official of San Luis Obispo County or its cities.
- C. Cannot be an employee of state, county, or city government agencies within San Luis Obispo County (except employees of educational institutions).

## **Staffing**

- A. SLOCOG staff will provide technical and administrative support, including preparation of agendas, meeting materials, and public communications.
- B. Administrative costs for staffing will be funded through the Transportation Measure's administrative allocation.
- C. Expert staff and consultants may be invited to present information or analyses as needed.

## **Responsibilities**

- A. Reviewing and commenting on independent financial and performance audits of Measure funds.

- B. Reviewing periodic reports, studies, and plans related to Measure revenues and expenditures.
- C. Ensuring that expenditures are consistent with the Expenditure Plan.
- D. Conducting an annual review of sales tax revenue use and publicly reporting findings.
- E. Presenting recommendations and findings in a formal annual report to the public and Authority Board.
- F. Accessing information from the Authority's independent auditor and requesting additional information as necessary to fulfill oversight responsibilities.
- G. Remaining informed of advancements in transportation planning and finance to ensure oversight remains relevant and effective through the duration of the Measure.

#### **XIV. Measure Duration**

This Transportation Expenditure Plan shall remain in effect for 30 years as approved by San Luis Obispo County voters.