

Eastside Light Rail Access (Gold Line) Project

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R- and Measure M-funded projects and the strategies available to close a funding gap. The Eastside Light Rail Access (Gold Line) is subject to this policy analysis.

The total cost for the project is listed at \$30,000,000 in the Measure R Ordinance Expenditure Plan. The project is subject to the Policy analysis now due to a proposed \$29,703,098 LOP budget for the Eastside Access Improvements Project, which together with expenditures on Phase I and Phase II of the broader “Eastside Access Project” exceed the Expenditure Plan cost. Funding for the cost increase is needed through FY 2023. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following.

If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

The schedule for the Eastside Access Improvements Project has been delayed significantly due to the needed interface with adjacent Metro projects Regional Connector, Center Street, Division 20, and Patsaouras Plaza. Extensive iterations were also required from the design review process that further delayed this project. Because of the delays, Metro needed to request an extension in the TIGER grant period of performance until September 2022. Any attempt to identify and negotiate agreeable

reductions to the scope may result in further delays, potential additional costs, and loss of a portion of the TIGER grant. Because of this, we recommend moving to the next step.

New Local Agency Funding Resources

Local funding resources (i.e., specific to the affected corridor or subregion) are considered in the next step as opposed to countywide or regional sources so as not to impact the funding of other Metro Board-approved projects and programs or subregions in the County.

The project is eligible for both Measure M and Measure R funding and is currently eligible for \$30,000,000 of funding that is identified in the Measure R sales tax ordinance Expenditure Plan, less expenditures already made on Phase I and Phase II.

The project is located in the Central City Area subregion (as defined in the Policy, as amended), with improvements located in the city of Los Angeles. Local funding resources from the subregion and city could be considered for the cost increase.

Subregional Programs and Local Agency Contributions

Measure M includes funding for a transit-eligible multi-year subregional program (MSP) for the Central City Area subregion. The subregion (represented by its Council of Governments) could allocate a portion of the funding for the project. The Central City Area subregion has a Subregional Equity Program (SEP) that is transit-eligible. The Measure M Expenditure Plan includes \$235 million for the Central City Area SEP. The SEP funds are programmed beginning in FY 2043 in the Long Range Transportation Plan Financial Forecast due to limited financial capacity. Staff has previously recommended that the South Bay and Central City Area subregions allocate a portion of the SEP to address a \$90 million cost increase on the Crenshaw/LAX Transit Project, and the San Gabriel Valley subregion allocate \$126 million for Gold Line Foothill 2B.

Per Board action in May 2020 (Motion 38.1 # 2020-0356), use of the SEP requires approval by and 120 days notice to the subregional governing body. Staff is also developing, in partnership with all Board offices, a uniform process by which subregions can elect to use SEP funding.

Local Agency Contributions

Measure M, as well as Measure R and Propositions A and C, provide “local return” funding to Los Angeles. However, prior Board actions relating to the Twenty-Eight by '28 Initiative and funding for the cost increase to Foothill Extension to Pomona did not support use of local return, and it is presumed these funds would not be available for the cost increase to the project.

State and Federal Funding (Discretionary)

The USDOT provided funding in 2015 through a \$11.8 million TIGER grant. Additional State or federal discretionary funding (where Metro would compete for the funding) is not probable, given the project has experienced multiple delays.

Value Engineering

Any attempt to identify and negotiate agreeable value engineering may result in further delays, potential additional costs, and loss of a portion of the TIGER grant. Because of this, we recommend moving to the next step.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

The city receives funding through the Call-For-Projects, the competitive grant program that is funded and managed by Metro for the benefit of LA County cities, transit operators, and State highway projects that was last held in 2015. At times the funding for certain projects in the Call-For-Projects is "de-obligated" if not spent within a reasonable timeframe and this can be a funding source for other uses. Currently there is not a meaningful amount of de-obligated funds available, and all other projects are moving through their respective development process.

Countywide Cost Reductions and/or Other Funds

If new local agency resources are not allocated to the project cost increase, regional or countywide funding could be considered. These funds are programmed for other uses in Metro's financial forecast, during the timeframe when funds are needed for the project cost increase. A reallocation of the funds to the cost increase would divert the funding from other Board-approved uses and or require additional debt financing. Eligible sources of countywide funding include Proposition C 25% (Transit-Related Streets and Highways), Proposition C 40% (Discretionary), and Proposition A 35% (Rail Development).

Through FY 2023, the Proposition C 25% funds are currently planned, from highest to lowest, for debt service on Metro bonds, I-5 South Carpool and Mixed Flow Lanes I-605 to OCL, Freeway Service Patrol, Blue Line Track and System Refurbishment, and the Crenshaw/LAX Locally Funded Activities Project. The Proposition C 40% is planned for Metro bus operations, ADA-paratransit operations, debt service, Metro bus fleet replacement, and the municipal and non-Metro operators. The Proposition A 35% is planned for debt service on Metro bonds, Metro rail operations, Division 20, Heavy Rail Vehicles, and Light Rail Vehicles.

State and Federal Funding (Formula)

Metro receives quasi-formula funding from the State through the Regional Improvement Program (RIP) and Local Partnership Program (LPP). This is considered regional funding as it can be applied countywide to both transit and highway spending. There is currently no capacity in the RIP or LPP through FY 2025. The RIP has been allocated to projects submitted in Metro's 2020 RTIP and the next cycle of the LPP is planned to be used on the \$801 million Division 20 project.

Metro receives federal formula funding from the Congestion Mitigation and Air Quality (CMAQ) Improvement Program and the Surface Transportation Block Grant Program (STBG). These funds are eligible for use on the project, but are currently programmed

for other Metro projects and programs in the Long Range Transportation Plan. Metro also receives an allocation of funds from the “Highway Infrastructure Program,” which is a federal formula grant created in 2018 for uses that include the construction of highways, bridges, tunnels, transit capital, and ITS; operational improvements; highway and transit safety improvements; and pedestrian and bicycle projects, among others. Funding from this grant will be programmed in the pending 2021 Short Range Transportation Plan.

Recommendation

Metro staff recommends the use of \$11.9 million from federal formula funds and Proposition C 25% to fund the cost increase. The programming of the funds does not require subregional approval and can allow the construction contract award to proceed. This reduces the risk that costs are not reimbursed from the federal TIGER grant, which has a deadline of September 2021. Metro staff will concurrently work with the subregion to provide the required 120 day written notification and seek formal approval from the governing body for use of the subregional equity program as a reimbursement or funding source for future expenditures. Should the subregion not approve the use of the funds, Metro staff will return to the Board with an update on the funding sources and a fiscal impact analysis of the use of these funds for the project.