

Alameda Corridor East (ACE)

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 potential cost increases to Measure R- and Measure M-funded projects and the strategies available to close any funding gaps. The Alameda Corridor East Project (the Project) is subject to this policy analysis.

The Project budget (also referred to as the Project cost) was last approved by the Board in November 2007 at \$1,765,540,000 with Metro's contribution equal to \$274,323,220. ACE has requested that Metro increase its contribution by \$15,000,000 to \$289,323,220. 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

According to ACE staff from the San Gabriel Valley Council of Governments (SGVCOG), the scope of the Project was reduced in 2011 by the SGVCOG Governing Board based on a study that prioritized the remaining grade separation projects. As a result, three grade separations were deleted and a Durfee Avenue grade separation project in the City of Pico Rivera (currently under construction) was added. Because of this overall reduction in project scope, we recommend moving to the next step.

New Local Agency Funding Resources

The Project is located in the San Gabriel subregion and Gateway Cities subregion (as defined in the Policy). The Project is eligible for funding from cities in the region, including Measure R and Measure M local return and the Local Streets and Roads program (also known as the gas tax subvention, as expanded by SB 1 statewide fuel taxes). However the SGVCOG has not pursued city funding for the yet-to-be-completed grade separation projects and the potential for obtaining any city funding is uncertain and would delay the receipt of grant funding and start of construction.

The subregions do receive funding through the Multi-year Subregional Programs (MSP) identified in the Measure M Ordinance. The San Gabriel subregion has a \$33,000,000 Goods Movement MSP that is likely eligible for the Project; however, these funds are not available for construction (per the Expenditure Plan) until FY 2048 and would need to be traded with other MSP funds that are available now. Further, the MSP funding is only programmed in one year increments by Metro, per Board guidelines, and the subregion would need some form of leveraging of the funds to make funds available for the current or any future cost increase. The Project is also eligible for the Subregional Equity Program MSP that has \$199,000,000 of funding for San Gabriel and \$244,000,000 for Gateway Cities. San Gabriel (through SGVCOG and Foothill Construction Authority separate action) has already committed \$126,000,000 of this program to the Gold Line extension to Pomona. Nevertheless, the SCVCOG has committed via a December 2019 letter to Metro a future MSP contribution to the Project, if needed for any additional costs.

Value Engineering

The SGVCOG has communicated to Metro that it has conducted formal Value Engineering Reviews on all remaining ACE projects. In accordance with Caltrans design guidelines, reviews were performed at the 35 percent design level and all cost and constructability recommendations are incorporated in the final design. Cost controls have also been exercised during construction. Nearly \$114 million in State Proposition 1B fund savings from the construction phase of the San Gabriel Trench project were or will be programmed for construction of additional ACE projects. As a result, we recommend moving to the next step.

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

This step refers to potential cost reductions on related Measure R and Measure M projects in the Expenditure Plan. We have not identified projects along the Union Pacific and/or Metrolink corridor that are related to the ACE project that could be reduced or eliminated to fund the shortfall. There are also no projects that have existing or potential savings that could be transferred.

Countywide Cost Reductions and/or Other Funds

The ACE corridor has previously been designated as a “project of national and regional significance” by the FHWA due to its impact on the national and regional economy.

Because of this, we recommend that any remaining funding shortfall for the Project be dealt with at the Countywide level.

The Project is eligible for Proposition C 25% Transit-Related Streets and Highways funding and this source has been used in the past for Metro's contribution, in addition to the \$400,000,000 allocated to the Project in the Measure R Expenditure Plan. The Proposition C 25% funds are recommended to address the \$15,000,000 increase in the Project budget.