

## ATTACHMENT A

### I-5 NORTH CAPACITY ENHANCEMENTS FROM SR- 118 TO SR-134; SEGMENT 3

#### 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 I-5 North Capacity Enhancements Project between SR-134 and SR-118 (the Project) is subject to this policy analysis.

The life of project (LOP) budget for the Project, based on the current funding agreement with Caltrans and approved by the Board, is \$880,903,000. The Project is subject to the Policy analysis now due to a proposed \$73,200,000 increase to the LOP budget. Funding for the cost increase is needed through FY 2026. This analysis recommends trade-offs required by the Policy to identify cost reductions or the funds necessary to meet the cost increase.

**Although Metro is identifying local funds to address the Project cost increase, Metro's funding is considered as "front-funding" and or a loan in anticipation of a future repayment and reimbursement for the cost increase by the State and Caltrans.**

##### 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 subregion; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

### Scope Reductions

The Project cost increase is attributable to delays from relocation of utilities and other related work not accounted for in the design, different site conditions, hazardous material encountered, additional work demanded by the affected communities, and design changes. Any attempt to identify and negotiate agreeable reductions to the scope may result in further delays and potential additional costs. 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 Measure R funding and is allocated \$271,500,000 of funding in the Measure R sales tax ordinance Expenditure Plan under the project entitled "I-5 Capacity Enhancement from SR-134 to SR-170." The Project was funded with other local and State funds prior to the adoption of Measure R and \$253,500,000 has yet to be expended. However, in January 2016 (Board report #2015-1763) the Board approved \$223,500,000 to be reprogrammed to the third decade of the Long Range Transportation Plan using Proposition C 25% funds instead of Measure R 20%. This was done to alleviate the need for additional Proposition C 25% debt financing and instead use Measure R 20% cash (i.e., use the Project's Measure R 20% now and replace it with Proposition C 25% in the third decade). There is \$30,000,000 of remaining Measure R 20% and \$223,500,000 of Proposition C 25% that has not yet been spent on the Project and could be used for the cost increase. However, as the Proposition C 25% is programmed by Board action in the third decade of the LRTP, any use of these funds now even as an advance may cause Metro to incur additional debt financing costs. The table below from #2015-1763 shows the funding split of the reprogrammed Measure R, referred to as "replacement project credits."

<b>STAFF RECOMMENDATION - FUNDING OF REPLACEMENT PROJECT CREDITS IN 3<sup>RD</sup> DECADE</b>			
(millions)	D	E	F=D+E
Project	Proposition C 25% Replacement Project Credits	Measure R 20% Replacement Project Credits	Total Replacement Project Credits
I-5 North Capacity Enhancement	\$223.5	\$30.0	\$253.5
I-5 South Capacity Enhancement	\$86.4	\$108.4*	\$194.8
I-5 South Carmenita Interchange	\$40.1	\$92.9	\$133
I-5/SR-14 Capacity Enhancement	\$0	\$88.8	\$88.8
<b>Total</b>	<b>\$350.0</b>	<b>\$320.1</b>	<b>\$670.1</b>

The Project is located in the San Fernando Valley subregion (as defined in the Policy, as amended), and traverses the cities of Los Angeles and Burbank. Local funding resources from both the subregion and cities could be considered for the cost increase.

*Funding Within the Corridor*

The Project shares the corridor with the “Interstate 5 Capacity Enhancement from I-605 to Orange County Line” and “I-5 Carmenita Road Interchange Improvement” projects that are also included in the Measure R Expenditure Plan. Per the #2015-1763 Board action (see previous table), the projects have unused Measure R funds of \$108,400,000 and \$92,900,000, respectfully. The I-5 Carmenita project has completed construction. Any surplus funding from I-5 Carmenita may be needed to fund the remaining necessary expenditures of the projects.

*State and Federal Funding (Discretionary)*

Additional State or federal discretionary funding (where Metro would compete for the funding) is not probable, given the Project has experienced a cost increase and is already well into construction.

Value Engineering

The Project cost increase is attributable to delays from relocation of utilities and other related work not accounted for in the design, different site conditions, hazardous material encountered, additional work demanded by the affected communities, and design changes. Any attempt to identify and negotiate agreeable value engineering may result in further delays and potential additional costs. 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

The Project is on the same highway corridor as the I-5 South and I-5 Carmentia projects. The I-5 South project is still under construction and it is currently not known if there will be any future cost reductions or savings. The I-5 Carmentia project is completed and has unused Proposition C 25% and Measure R 20% funds of \$133,000,000.

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, and additional debt financing would be needed to provide sufficient cash flow for the Project cost increase. The primary eligible source of countywide funding is Proposition C 25%.

*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 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 \$30,000,000 of unused Measure R 20% and \$43,200,000 of Proposition C 25% replacement credits from the Project as an advance to the State to address the \$73,200,000 Project cost increase.

Metro staff will seek reimbursement of the recommended Measure R 20% and Proposition C 25% funding from the State and Caltrans, which will be part of a future loan agreement with the State. Subject to the ultimate form of reimbursement from the State, Metro will ensure subregional equity to the San Fernando Valley in the credit of Measure R 20% and Proposition C 25% funds used to support the loan to the State. Any direct monetary State reimbursements and or loan repayments will first credit the advanced Proposition C 25% to mitigate the amount of Metro debt financing. Metro will seek reimbursement from the State for any borrowing costs that Metro incurs. Metro will designate the loan to Caltrans as a receivable and monitor the amount of principal outstanding and interest payable. All payments received will be deposited into the Proposition C 25% and Measure R 20% funds and increase the amount credited and available to the Project in the San Fernando Valley subregion, until the amount

advanced to Caltrans is repaid. Any State loan repayments secured through the State’s programming of new State funding to other projects in Los Angeles County, within or outside the San Fernando Valley, that effectively offsets other planned or programmed regional funds to those projects will also be managed by Metro to credit the Measure R 20% and Proposition C 25% funds used from the San Fernando Valley subregion including any cost of debt financing incurred.

Metro will also manage any repayments by way of in-kind services on projects in Los Angeles County, within or outside of the San Fernando Valley, by ensuring that the agreed upon amount of those services, which effectively offset other planned or programmed regional funds to those projects, are credited to the San Fernando Valley.

The following table shows the remaining allocation of unused funding, or replacement project credits, for the Measure R I-5 corridor projects if the Board approves this Policy recommendation. The funding for the I-5/SR-14 project is shown as zero as this was previously designated “surplus” per the Measure R ordinance and reprogrammed for other eligible uses in the North County subregion.

<b>STAFF RECOMMENDATION – REVISED FUNDING OF REPLACEMENT PROJECT CREDITS (after funding of November 2020 cost increase)</b>			
(millions)	D	E	F=D+E
Project	Proposition C 25% Replacement Project Credits	Measure R 20% Replacement Project Credits	Total Replacement Project Credits
I-5 North Capacity Enhancement	\$180.3	\$0.0	\$180.3
I-5 South Capacity Enhancement	\$86.4	\$108.4	\$194.8
I-5 South Carmenita Interchange	\$40.1	\$92.9	\$133.0
I-5/SR-14 Capacity Enhancement	\$0.0	\$0.0	\$0.0
<b>Total</b>	<b>\$306.8</b>	<b>\$201.3</b>	<b>\$508.1</b>