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JUNE 6, 2022

TO: BOARD OF DIRECTORS

THROUGH: STEPHANIE N. WIGGINS 
CHIEF EXECUTIVE OFFICER

FROM: JAMES DE LA LOZA
CHIEF PLANNING OFFICER 

NALINI AHUJA
CHIEF FINANCIAL OFFICER 

**SUBJECT: RESPONSE TO MOTION 44 REGARDING ALAMEDA
CORRIDOR-EAST PROJECTS**

ISSUE

Cost increases associated with the San Gabriel Valley Council of Governments' (SGVCOG) Alameda Corridor-East (ACE) grade separation projects at Montebello Boulevard and Turnbull Canyon Road have created a potential funding shortfall that could jeopardize the timely allocation of state grant funding awarded to these projects by the California Transportation Commission (CTC).

In December 2021 the Metro Board approved Motion 44 (Attached, File# 2021-0767) by Directors Solis, Hahn, Barger, Sandoval, and Butts regarding these grade separation projects—as well as ACE-related pedestrian at-grade improvements in the City of Pomona—and directed the Chief Executive Officer to:

- A. Collaborate with the SGVCOG to evaluate the cost increases for the three projects and potential strategies such as value engineering to close the funding gap;
- B. Explore funding streams such as grant funding and other sources to help the SGVCOG secure sufficient funding to complete all three projects, with priority placed on securing full funding for the grade separation projects prior to the CTC funding allocation vote by no later than June 2022;

- C. Assist and collaborate with SGVCOG in developing Project Labor Agreements for the two grade separation projects to prioritize partnerships with labor in expeditiously advancing construction of the grade separation projects and the employment of Los Angeles County workers;
- D. Report back on all directives in March 2022.

Of primary importance is to address the SGVCOG's need to resolve the funding shortfalls for the Montebello Boulevard and Turnbull Canyon Road projects to ensure that the CTC Trade Corridor Enhancement Program (TCEP) funding is not relinquished. Metro staff have identified a path forward to allow the SGVCOG to secure CTC allocation of TCEP funding by June 2022 for Montebello Boulevard, as well as a potential path forward for the Turnbull Canyon Project, which has received from the CTC at its May 2022 meeting a one-year extension to complete pre-construction activities and secure its local funding shortfall, allowing the SGVCOG additional time to pursue discretionary funding for this project.

This Board Box is the report back to the Board per directive D.

DISCUSSION

The SGVCOG is attempting to fund both the Montebello Boulevard and Turnbull Canyon Road grade separation projects that are along the ACE Trade Corridor. The projects were awarded state grant funding totaling \$116,851,000 and the state has requested that the SGVCOG identify local match funds by no later than June 2022 to allow the state to "allocate" the funds and avoid relinquishing the funds.

The breakdown of the state funds are as follows.

- \$18,851,000 from Proposition 1B Trade Corridor Improvement Fund (TCIF)
- \$78,000,000 from 2018 SB1 Trade Corridor Enhancement Program (TCEP)
- \$20,000,000 from Section 190 priority grade separation funds

The TCIF program no longer exists and has since been replaced with the TCEP. Projects awarded funding from the TCEP are not eligible for additional TCEP funding due to cost increases.

Metro Staff Actions Taken to Address Items A through C

- A. SGVCOG staff were introduced to Metro staff from Program Management and Regional Rail to learn Metro's approaches on value engineering grade separation projects as a strategy to control cost increases.
- B. Metro staff met with the SGVCOG's Executive Director, Director of Government and Community Relations, and Director of Capital Projects on December 14, 2021, and January 4, 2022, to explore opportunities to

close the funding gap. Staff additionally met with SGVCOG on February 18, 22, and 28, April 7, May 17, 2022, and May 26 to discuss financial information prepared by SGVCOG, grant strategies, and ways to leverage and utilize subregional funds. These meetings and subsequent email exchanges resulted in the following staff actions and recommendations.

1. Metro staff have explored the feasibility of debt financing to address a portion of the local funding shortfall that is payable from the Measure M multi-year subregional programs. Debt financing may be needed because the amount of multi-year subregional program funding that is allocated to the SGVCOG each year is insufficient to meet the funding gap for the grade separation projects. SGVCOG staff expressed their preference for Metro to loan funds directly to SCVCOG due to a lack of experience with debt financing. Metro staff are evaluating a potential Metro loan and the impact on Metro's liquidity and or debt capacity (if Metro incurs debt to provide funding) and is also assisting SGVCOG to implement and manage a SGVCOG debt financing. This step will be important to address the funding gap for the Montebello Boulevard Project in the near-term.
2. Metro staff evaluated the use of the Subregional Equity Program (SEP), which is one of the Measure M multi-year subregional programs, to fund one or more of the projects. Funding from the SEP may be available for the SGVCOG beginning FY 2024. Metro staff will identify any funding from the SEP by October 2022. This step will also be important to address the funding gap for the Montebello Boulevard Project in the near-term.
3. Metro staff recommend that the SGVCOG apply for the SB1 Active Transportation Program (ATP) Cycle 6 funding for the at-grade pedestrian crossing safety improvements in the City of Pomona. In response to this recommendation, the SGVCOG submitted an Expression of Interest to pursue the ATP Cycle 6 for the safety improvement projects in City of Pomona and a pedestrian safety improvement element for the Montebello Boulevard grade separation project.
4. SGVCOG staff requested that Metro assist with preparing applications for discretionary grants to be made available through the Governor's budget using the state surplus funds. Metro staff is ready to process this assistance request when the grant opportunity is made available.

At this time staff recommends developing a funding plan and loan agreement. The staff will prepare the loan agreement for the Metro Board consideration and approval at the Metro Board August

meeting. The funding plan will begin with an approximately \$22.5 million initial loan in 2026, followed by a \$15.1 loan in 2027 based on cashflow provided by SGVCOG. Repayment is scheduled to begin in 2028 for a period of five years. The exact terms and conditions will be negotiated and approved by the Metro Chief Executive Officer.

- C. SGVCOG staff engaged Chris Hannan, Executive Secretary of the Los Angeles/Orange County Building Construction Trade Council (LA/OC BCTC) on October 14, 2021, to gauge the LA/OC BCTC's interest in developing Project Labor Agreements to work with the SGVCOG on the grade separation projects. LA/OC BCTC indicated their interest and stated they would send documents that delineate objectives and parameters. The SGVCOG staff is waiting for responses and next steps to proceed.

Additional Metro Staff Suggestions for the SGVCOG

Turnbull Canyon Road Project

Through conversations with the SGVCOG staff, Metro staff learned that the Turnbull Canyon Road grade separation project is eligible for a time extension from the CTC for the 2018 SB1 TCEP fund allocation. Metro staff supported this CTC request and is appreciative of the CTC's action at its May 2022 meeting to approve a 12-month extension to the TCEP grant. The project also has a NEPA clearance, which makes the project eligible for federal rail-highway grade separation discretionary funding that is anticipated to become available through the Bipartisan Infrastructure Law (BIL). With the time extension, the SGVCOG may also seek Transit and Intercity Rail Capital Program (TIRCP) funding, administered through the California Transportation Agency (CalSTA). Metro staff strongly support the SGVCOG in exploring these options to address the funding shortfall for the Turnbull Canyon Road grade separation project.

Pomona at-grade Improvements

The at-grade pedestrian improvement projects in Pomona do not have any 2018 TCEP funds, and therefore are not subject to losing state funds. Given the active transportation safety focus of the project, staff encourage the SGVCOG to continue exploring active transportation-focused funding opportunities to demonstrate full funding through the state and Southern California Association of Governments.

NEXT STEPS

We recommend that the SGVCOG take the appropriate steps needed to demonstrate to the state a local funding commitment for Montebello Boulevard and work with Metro staff to leverage the SGVCOG multi-year subregional programs.

The SGVCOG received an extension of the state funding for Turnbull Canyon Road and should then in the following year seek additional funding from the Bipartisan Infrastructure Law, state Transit and Intercity Rail Capital Program grant programs, and new and augmented grade-separation funding from a potential state budget surplus.

For the City of Pomona pedestrian grade separation, the SGVCOG should continue to pursue state ATP funding through Cycle 6 and pursue any augmented ATP funding from the state budget surplus.

Attached: Motion 44, File 2021-0767

**Board Report**

File #: 2021-0767, **File Type:** Motion / Motion Response**Agenda Number:** 44.

REVISED
REGULAR BOARD MEETING
DECEMBER 2, 2021

Motion by:**DIRECTORS SOLIS, HAHN, BARGER, SANDOVAL, AND BUTTS****Alameda Corridor-East Projects**

The San Gabriel Valley Council of Governments (SGVCOG) intends to seek the allocation of previously programmed state funds for the final two Alameda Corridor-East (ACE) grade separation projects by vote of the California Transportation Commission (CTC) by no later than June 2022. However, due to extraordinary recent increases in construction phase and right-of-way costs as experienced by multiple public projects across the transportation infrastructure sector in Southern California, a shortfall in local match funds to the state funds has developed. If local match is not timely secured, the ACE Project will forfeit a total of \$116,851,000 in state funds programmed to the Montebello Boulevard grade separation project and the Turnbull Canyon Road grade separation project and committed from the following state programs: Proposition 1B Trade Corridor Improvement Fund (\$18,851,000), 2018 SB1 Trade Corridor Enhancement Program (\$78,000,000), and Section 190 priority grade separation funds (\$20,000,000).

Since inception of the ACE Project in 1998, SGVCOG has successfully secured federal, state and local funding and cost-efficiently implemented the design and construction of the ACE Project, a series of rail-highway grade separation and at-grade safety projects in the San Gabriel Valley of Los Angeles County.

The ACE Project was among 25 projects in the nation designated in the federal SAFETEA-LU transportation program legislation in 2005 as Projects of National and Regional Significance, nationally recognized as enhancing the safe, secure, and efficient movement of people and goods through the U.S. to improve the national economy. At the state level, the ACE Project was awarded funding from the 2006 Prop 1B Trade Corridor Improvement Fund intended for infrastructure improvements along federally designated "Trade Corridors of National Significance." LA Metro has acknowledged the regional significance of the ACE Project via multiple funding agreements and amendments since an initial agreement between Metro and SGVCOG (previously the ACE Construction Authority) was entered into in July 1998.

With the federal, state and local funding SGVCOG has fully funded and completed 14 grade separation projects and multiple at-grade crossing safety projects. Three grade separations are fully

funded and currently in construction. Lacking sufficient local funds to advance into construction are two grade separations projects in the design and right-of-way phases, one located in the City of Montebello and another located in the City of Industry and the unincorporated community of Hacienda Heights, as well as a program of at-grade pedestrian crossing safety improvements at four crossings in the City of Pomona. All three projects are located in Metro Equity Focus Communities or within state-defined Disadvantaged Communities.

The total shortfall in local funds for the three projects is estimated at \$136,00,000. Metro can partner with the SGVCOG to provide technical assistance and explore and identify funding streams to help close this funding gap, which will allow SGVCOG to secure a fund allocation vote from the CTC, thereby avoiding forfeiture of the state funds and moving the projects into the construction phase as scheduled.

SUBJECT: ALAMEDA CORRIDOR-EAST PROJECTS

RECOMMENDATION

APPROVE Motion by Directors Solis, Hahn, Barger, Sandoval, and Butts that the Board of Directors direct the Chief Executive Officer to:

- A. Collaborate with the SGVCOG to evaluate the cost increases for the three projects and potential strategies such as value engineering to close the funding gap;
- B. Explore funding streams such as grant funding and other sources to help the SGVCOG secure sufficient funding to complete all three projects, with priority placed on securing full funding for the grade separation projects prior to the CTC funding allocation vote by no later than June 2022;
- C. Assist and collaborate with SGVCOG in developing Project Labor Agreements for the two grade separation projects to prioritize partnerships with labor in expeditiously advancing construction of the grade separation projects and the employment of Los Angeles County workers;
- D. Report back on all directives in March ~~2024~~ 2022.