

ATTACHMENT C

Foothill Gold Line Extension Phase 2B Light Rail Project

Measure R Cost Management Process and Policy Analysis

Introduction

The Measure R Cost Management Process and Policy (the Policy) was adopted by the Metro Board of Directors in March 2011. The Policy caps Measure R project funding at the amounts in the Measure R Expenditure Plan. The intent of the Policy is to inform the Metro Board of Directors regarding potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps. The Foothill Gold Line Extension Phase 2B Light Rail Project is subject to this policy analysis.

The establishment of the Foothill Gold Line Extension Phase 2B Light Rail Project Life-of-Project (LOP) budget of \$1,406.9 million requires an increase of \$309.9 million over the assumed total project cost of \$1,097.0 million established in Measure M. The Measure M Expenditure Plan identified \$1,019.0 million in Measure M revenues for the Project with an additional commitment of \$78.0 million in “Local, State, Federal, Other Funding”. The table below summarizes the funding need for the Project and the proposed source of funds:

Table 1 - Foothill Gold Line Extension Phase 2B Light Rail Project Funding Sources

Source/Use	Amount	Notes
Measure M	\$1,019.0 million	Line #5 Measure M Expenditure Plan
Measure R / Proposition C	\$ 96.5 million	Remainder from Phase 2A, see concurrent Board rpt.
Local Agency Contribution	\$ 42.2 million	Measure M 3% Local Agency Contribution
TIRCP ¹	\$ 249.2 million	Metro will submit grant on behalf of Authority
Total Revenue	\$1,406.9 million	
Construction/RW/Vehicles	\$1,406.9 million	Total Cost at LOP Budget approval step.
Total Costs	\$1,406.9 million	

The primary source of funds used to address the funding need for the Project will come from the Transit and Intercity Rail Capital Program (TIRCP). Metro intends to submit a

¹ Transit and Intercity Rail Capital Program. A competitive grant administered by the California State Transportation Agency (CalSTA) and funded through Greenhouse Gas Reduction Fund auction proceeds (AKA “Cap and Trade” Funds).

grant for TIRCP funds on behalf of the Authority in the next grant cycle which is anticipated to start in the Summer/Fall of 2017.

Measure R Cost Management Policy Summary

In summary, the adopted Policy stipulates that project costs will be evaluated at each of the following project milestones:

- 1) Selection of conceptual design alternatives to be studied in the environmental phase;
- 2) Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
- 3) Approval of the final environmental document and entrance into the final design phase;
- 4) Establishment of a life-of-project budget prior to construction; and,
- 5) Any amendment to the life-of-project budget.

If a project increase occurs, the LACMTA 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 the 2009 Long Range Transportation Plan (LRTP) as adjusted by subsequent actions on cost estimates taken by the LACMTA Board of Directors, in this instance, the Measure M Expenditure Plan. With certain exceptions, shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

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

The policy was amended in January 2015 to establish Regional Facility Areas at Ports, airports and Union Station; and states that any:

“...capital project cost increases to Measure R funded projects within the boundaries of these facilities are exempt from the corridor and subregional cost reductions. Cost increases regarding these projects will be addressed from the regional programs share.”

The Foothill Gold Line Extension Phase 2B Light Rail Project does not fall within a Regional Facility Area.

Value Engineering and/or Scope Reductions

There may be potential for value engineering and/or scope reductions as the Project moves closer to finalizing design work. One potential source of scope reductions could

come from reducing the quantity of proposed parking. Other project elements, including grade separations and First/Last Mile features, could counteract these reductions. We will return to the Metro Board with recommended reductions and the associated costs savings or changes once we know the outcome of the future competitive grant opportunities, which are discussed below.

New Local Agency Funding Resources

The Authority has agreed to include assumed funding from the three percent contribution required under Measure M ordinance for the Project. The \$42.2 million identified as “Local Agency Contribution” will satisfy this requirement as well as some portion of the Board-adopted First/Last Mile Policy (Motion 14.1, May 2016 and Motion 14.2, June 2016). In addition, the Metro Board of Directors has previously agreed to transfer funds remaining in Measure R 35% or Proposition C 25% from the Gold Line Foothill Extension Phase 2A to the Foothill Gold Line Extension Phase 2B Light Rail Project LOP. After this step, a funding gap of **\$249.2 million** remains.

Shorter Segmentation

While shorter segmentation would be possible, it would present several legal, policy, and technical challenges. First, both Measure R and Measure M indicate the full project extending to Claremont. Not constructing the full project would be inconsistent with the Measure M Ordinance. Secondly, the Foothill Gold Line Extension Phase 2B Light Rail Project is environmentally cleared through Montclair in San Bernardino County. The Project also has a supplemental environmental clearance to Claremont. As a result, the project at a minimum must at least reach Claremont. Any shorter segmentation would require an additional supplemental environmental analysis. Third, any shorter segmentation would likely require new land acquisitions for turnback facilities and a reconfiguration of the distribution of parking spaces. This could increase the overall costs of the Project.

Other Cost Reductions within the Same Transit Corridor

The only project that might be deferred in this corridor, other than the Regional Connector, discussed below, are yet to be determined sub-regional Measure M projects for the San Gabriel Valley as a whole. Since we do not know the other projects in this corridor with any specificity at this time, we discuss those projects in the sub-regional step below. The only project which may be considered within the corridor is the Regional Connector. However, since this project is well under construction, removing funds would jeopardize the construction schedule as well as the terms of the New Starts grant and TIFIA loan funding the Regional Connector. We therefore recommend moving to the next step.

Other Cost Reductions within the Same Sub-region

The Foothill Gold Line Extension Phase 2B Light Rail Project is located within the San Gabriel Valley Subregion. Table 2 shows the projects and programs located within the subregion and could be deferred at the Board’s discretion to address the funding need for the Project.

While some of these projects are potentially available for deferment, we do not recommend taking this step until new funding opportunities are first pursued. The majority of the projects shown in Table 2 have significant congestion, environmental, and safety benefits which would be adversely impacted by deferral. While the Subregional Equity Program funds are to be provided as soon as possible, the entire amount would not be potentially realized until 2057. Given the urgent need of the funding for the Project, we recommend moving to the next step now and returning to this step only if necessary later.

Table 2 – San Gabriel Valley Subregion Projects and Programs

Project	Amount Available (FY17-FY27)	Fund Source
I-710 North Extension	\$218.3 million	Measure R 20%
ACE Grade Separations	\$284.4 million	Measure R 20% Proposition C 25%
I-605 Hotspots	\$122.7 million	Measure R 20% Measure M Highway
I-605 Interchange Improvements	\$291.6 million	Measure R 20%
SR-57/SR-60 Interchange Improvements	\$338.6 million	STBGP RIP Measure M Highway
Subregional Equity Program	\$199.0 million	Measure M
2015 Call for Projects	\$ 14.8 million	Proposition C 25%

Countywide Cost Reductions and/or Other Funds

The 2009 LRTP included a policy that any new revenues not then included in the LRTP, would be made available to the Gold Line Foothill Extension and the Crenshaw/LAX Transit Corridor. To address the funding gap for the Foothill Gold Line Extension Phase 2B Light Rail Project, we recommend pursuing grant funding from the Transit and Intercity Rail Capital Program (TIRCP), which is funded from the State of California’s Greenhouse Gas Reduction Fund.

We have previously submitted the Foothill Gold Line Extension Phase 2B Light Rail Project for consideration in the last cycle. While the project scored well, it was ultimately not selected for funding due to the TIRCP funds being oversubscribed.

Subsequently, the California State Legislature approved SB 9, which requires CalSTA to approve, by July 1, 2018, a five-year program of projects, and would require the California Transportation Commission to allocate funding to eligible applicants pursuant to the program of projects, with subsequent programs on a two-year cycle every even-numbered year. This first extension of the TIRCP program is expected to make a substantial amount of funding available.

We are hopeful that resubmitting this project would likely result in a successful grant application within the context of SB 9. With approval of the Board, we can prioritize a TIRCP grant application request totaling \$249.2 million. Should the TIRCP grant award be less than requested, we will return to the Board with additional strategies for identifying additional revenues and/or cost reductions using the steps above.