

## ATTACHMENT E

### Regional Connector

#### 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 Regional Connector project is subject to this policy analysis.

The Regional Connector Project Life-of-Project (LOP) budget requires an increase of \$199 million, from \$1,551.84 million to \$1,750.84 million. This analysis recommends trade-offs required by this policy to identify the funds necessary to meet the \$199 million cost increase. Table 1 summarizes the approach to addressing the cost increase.

**Table 1 – Strategy to Address Regional Connector Cost Increase (\$ in millions)**

	Repayment of Capital Proj. Loans	Prop. C 25%	MR 35%	CMAQ	CMAQ August Redist.	Total
<b>Regional Connector</b>	\$41.0			\$98.0	\$60.0	<b>\$199.0</b>
<b>Westside Purple Line Ext. Sect. 1</b>	(\$6.6)		\$6.6			<b>\$0.0</b>
<b>Crenshaw/ LAX LRT</b>	(\$34.4)	\$132.4		(\$98.0)		<b>\$0.0</b>
<b>New Revenues/ Efficiencies</b>					(\$60.0)	<b>(\$60.0)</b>
<b>Balance</b>	<b>\$0.0</b>	<b>\$132.4</b>	<b>\$6.6</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$139.0</b>

## **Measure R Cost Management Policy Summary**

The adopted Policy stipulates the following:

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. 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 Regional Connector Project does not fall within a Regional Facility Area.

### Value Engineering and/or Scope Reductions

The Regional Connector Project has undergone several scope reductions, including the removal of the 5<sup>th</sup>/Flower Street Station. Further reductions in scope would likely substantially delay the project or result in a project not consistent with the Locally Preferred Alternative. As a result, we recommend moving to the next step.

### New Local Agency Funding Resources

We recommend programming \$60.0 million in Congestion Mitigation and Air Quality Improvement (CMAQ) Program funds to the project. Given the prohibition on using Proposition A and C funds, CMAQ is the only available discretionary fund source available.

This approach is to advance \$60.0 million of Metro’s share of CMAQ funds through the statewide pool of such funds managed by Caltrans. By drawing from the statewide pool, the funding advance will come from other possible commitments Caltrans could have made to other projects across the entire state. Over time, Metro will seek to roll the advance of its share forward each year by continuing to over-deliver projects into

the statewide pool. If we are successful, each year Caltrans redistributes (in August) similar advances that it receives from a nationwide pool of federal funds. These “August Redistribution” funds from the national pool are the ultimate target funding source for the \$60.0 million commitment to the Regional Connector Project.

We have been successful in the past with this approach. However, there may be the possibility of not being able to roll the CMAQ share advance forward into the statewide pool each year. The tradeoff with this approach is the potential to experience funding delays for CMAQ-funded projects. However, we still recommend this strategy as these expenses are not avoidable and the only other alternative is to fully fund the cost increase with Metro’s own cash resources.

While the passage of Measure M brings new revenue to the agency, the Regional Connector is not part of the expenditure plan and thus is not eligible for Measure M funds.

As a result of this step, a \$139 million funding gap remains. We recommend strategies in the following steps to close the remaining funding gap.

#### Shorter Segmentation

Given that the goal of the Regional Connector project is to provide seamless travel between two points, it is not possible to shorten the project. The two end points of the project (Little Tokyo/Arts District Station and 7th Street/Metro Center Station) are 1.9 miles apart and there is no possible way to shorten the segment between these points which is consistent with the LPA and the operational objectives of the project. We therefore recommend moving to the next step.

#### Other Cost Reductions within the Same Transit Corridor

As the Regional Connector links several corridors together into one, we looked at possible cost reductions along all connected corridors. The corridors included in this analysis were Exposition Light Rail Transit Phase II, Gold Line Foothill Extension Phase 2A, and the Gold Line Eastside Transit Corridor Extension Phase II.

The Exposition Light Rail Transit Phase II and Gold Line Foothill Extension have been completed and have no additional savings which could be transferred to the Regional Connector Project. While the Gold Line Eastside Transit Corridor Extension Phase II is in the same corridor, the funding for the project is outside of the timeframe needed for the Regional Connector.

#### Other Cost Reductions within the Same Sub-region

The Regional Connector Project is located within the Central Subregion. Given that this project will create continuous corridors between several subregions (Central, Gateway, San Gabriel Valley, and Westside), we are recommending that any remaining funding shortfall for the Regional Connector Project be dealt with at the Countywide level.

### Countywide Cost Reductions and/or Other Funds

Given the regional nature of this project, we are proposing shifting funds from the Crenshaw/LAX Transit Light Rail Transit Project and the Westside Purple Line Extension Section 1. This is necessary for two principal reasons: 1) Proposition A and Proposition C funds are restricted to non-subway uses only; and, 2) no additional Measure R 35% Transit Capital can be assigned to this project because the Measure R Expenditure Plan caps the Measure R 35% allocation to the Regional Connector at \$160 million.

We propose transferring \$98 million in CMAQ funds and \$34.4 million in Repayment of Capital Project Loans Fund 3562 from the Crenshaw/LAX Transit Light Rail Transit Project to the Regional Connector. To backfill the Crenshaw/LAX Transit Light Rail Transit Project, we propose using Proposition C 25% by issuing additional bonds.

We also recommend transferring \$6.6 million of Repayment of Capital Project Loans Fund 3562 from the Westside Purple Line Extension Section 1 to the Regional Connector Project. The Westside Purple Line Extension Section 1 will be backfilled with some of the total remaining Measure R 35% designated for all three sections of the Westside Purple Line Extension.