

**Airport Metro Connector**

**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 Airport Metro Connector Project (AMC) is subject to this policy analysis.

The Airport Metro Connector Project is included in the November 2016 Measure M Expenditure Plan (entitled "Airport Metro Connect 96th St. Station/Green Line Ext LAX") at a cost of \$581,000,000 in 2015 dollars. The estimated Measure M Expenditure Plan cost in nominal or year-of-expenditure dollars is approximately \$637,000,000. AMC is also in the November 2008 Measure R Expenditure Plan (entitled "Green Line Extension to Los Angeles International Airport") at a cost of \$200,000,000 in 2008 dollars.

Metro is intending to set a Life-of-Project (LOP) budget, and this is an increase of \$261,581,000 to the most recent Measure R/M allocation, from \$637,000,000 to \$898,581,000. 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 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 LOP. 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.

The Policy analysis considers options for the cost increase to AMC.

### Scope Reductions or Value Engineering

Metro is intending to award a construction contract for AMC to the low bidder and any scope reduction or value engineering would require a rebid of the contract that will delay the schedule. Given AMC is one building, 100% designed, linked with the schedule of the Crenshaw/LAX line, and has involved extensive coordination with the City of Los Angeles on the design and components of the station, we recommend moving to the next step.

### New Local Agency Funding Resources

AMC is located in the City of Los Angeles and is designated as a “System Connectivity” project in Measure M and a Regional Facility Area in the Policy. Paragraph 6) of the Policy requires that for Measure R Regional Facility Area projects “Cost increases regarding these projects will be addressed from the regional programs share,” and local agency funding is not being considered for the cost increase.

The city is not expected to contribute funding for AMC as part of the 3% local agency funding assumption included in the Measure R and specific provision in the Measure M ordinance.

### Other Cost Reductions within the Same Transit Corridor

The corridor of AMC includes Crenshaw/LAX and the Green Line. However, AMC is designated as a “System Connectivity” project in Measure M and a Regional Facility Area in the Policy. Paragraph 6) of the Policy states that projects within the boundaries of regional facilities are exempt from the corridor and subregional cost reduction requirements of the Policy. Paragraph 7) of the Policy states that System Connectivity projects are exempt from corridor and subregional cost reduction requirements.

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

The AMC is defined as a System Connectivity project in Measure M and a Regional Facility Area in Measure R. Paragraph 6) of the Policy states that projects within the boundaries of regional facilities are exempt from the corridor and subregional cost reduction requirements of the Policy. Paragraph 7) of the Policy states that System Connectivity projects are exempt from corridor and subregional cost reduction requirements.

### Countywide Cost Reductions and/or Other Funds

AMC is eligible for \$200,000,000 of Measure R 35% and \$347,016,000 of Measure M 35% Transit funds as listed in the respective ordinance Expenditure Plan. A portion of the AMC Measure R 35%, \$61,132,242, has already been expended on the Southwest Yard, and is not available for AMC. The Measure M 35% can be fully allocated to the AMC project. AMC was also awarded \$40,000,000 from the State Transit and Intercity Rail and Capital Program and \$150,000,000 from the Solutions for Congested Corridors Program, and FTA has approved the use of \$35,649,778 of federal formula funds for planning work. As shown in the following table, the available, committed funds total \$711,533,536 and leaves a funding need of \$187,047,464.

AMC is additionally eligible for other local funds: Proposition A 35%, Proposition C 40%, Proposition C 25%, Measure R Rail Capital General Improvements 2%, Metro Lease Revenues, State Repayment Fund 3562, and Transportation Development Act Article 4 funds.

**Airport Metro Connector  
Committed Funding (As of April 2021)**

<u>Sources</u>	<u>Amount</u>
Measure R - Transit Capital (35%)	\$138,867,758
Measure M - Transit Construction (35%)	347,016,000
Transit and Intercity Rail Capital Program (TIRCP)	40,000,000
SB1 - Solutions for Congested Corridors Program	150,000,000
Surface Transportation Block Grant Program (STBGP)	2,449,778
Congestion Mitigation & Air Quality Program (CMAQ)	<u>33,200,000</u>
Total, Committed Funding	<u>\$711,533,536</u>
 Proposed LOP Budget	 898,581,000
 Funding Need	 <u>\$187,047,464</u>

*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. The most recent RIP funding was 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. However, the 2020 federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) allocated funding to the State, and the State decided to allocate a portion of the funding through the RIP. Metro expects a \$38 million increase in its RIP share.

Metro receives federal formula funding from the Congestion Mitigation and Air Quality (CMAQ) Improvement Program and the Surface Transportation Block Grant Program (STBG). Although AMC has received these federal funds for planning work, per the Federal Transit Administration, the project right-of-way and construction costs are not eligible for federal funds. 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. The initial apportionments (FFY 2018 \$25,835,214, FFY 2019 \$36,399,992) from this program are only eligible for highway projects and will be allocated to those entering construction.

**Recommendation**

Staff recommends the use of \$124,812,258 of Proposition A 35% and \$62,235,206 of Proposition C 25% to address the \$187,047,464 funding need, as these are the most available of the eligible funding sources. To mitigate the impact on these local funding sources, which are allocated to other uses in the Metro Financial Forecast, \$62,235,206 of the Highway Infrastructure Program funds will be used on Metro highway projects that are currently 100% locally funded, and this will free Proposition C 25% for AMC. The \$38,000,000 increase in RIP from CRRSAA will be allocated to the East San Fernando Valley light rail project, and this will make an equal amount of Proposition A 35% available for AMC. These funding sources are only eligible for capital expenditures. The federal stimulus funds come from the capital project-only eligible portion of CRRSAA funding received by the State of California.