

**Board Report**

File #: 2015-1083, **File Type:** Program**Agenda Number:** 72.

**PLANNING AND PROGRAMMING COMMITTEE
JULY 15, 2015****SUBJECT: I-405 SEPULVEDA PASS IMPROVEMENTS PROJECT****ACTION: AUTHORIZATION TO OBLIGATE UP TO \$90 MILLION IN FEDERAL REGIONAL
SURFACE TRANSPORTATION PROGRAM FUNDS****RECOMMENDATION**

PLANNING AND PROGRAMMING COMMITTEE RECOMMENDED (3-0) authorizing the obligation of \$90 million in **federal Regional Surface Transportation Program funds for the Interstate 405 Sepulveda Pass Improvements project.**

ISSUE

The programming of federal Regional Surface Transportation Program funds in Los Angeles County is a responsibility of the Metro Board of Directors while the administration of federal funds in the Highway Title of MAP-21 are a Caltrans responsibility. To successfully perform the administrative functions, Caltrans requires that the Metro Board of Directors approve the programming of these resources in a timely manner. The Metro Board of Directors must act in July 2015 if we are to preserve the ability to utilize this fund source for the forecasted final cost of the project.

The 2006 California State Senate Bill 1026 authorized Metro to conduct a demonstration program to enter into a design-build contract for the construction of the northbound high-occupancy vehicle (HOV) lane and related improvements on Interstate 405 freeway through the Sepulveda Pass that would complete the final link in one hundred miles of HOV lanes stretching from Orange County to North Los Angeles County. As the project lead, Metro must work with Caltrans to secure the appropriate funds for the project.

DISCUSSION

To date, the Board has approved three increases to the project budget, which is presently \$1,141.4 million. While this action does not increase the Life of Project (LOP) budget, our forecast of the costs to complete the project warrant the preservation of this funding option. Specifically, the action preserves our ability to utilize federal funds from a statewide pool for such an LOP increase if it is approved by the Metro Board of Directors at a later time. Without the Metro Board of Director's approval in July 2015, we believe the funds we are seeking to obligate will be utilized elsewhere in the State of California during the closing days of the Federal Fiscal year FFY 2015. This could delay

our access to the funds and force us to use locally generated sales tax resources to meet these project costs.

DETERMINATION OF SAFETY IMPACT

The changes identified in this board report will have no impact on safety of the overall I-405 at completion.

FINANCIAL IMPACT

The proposed funding strategy is to advance \$90 million of Metro's share of Regional Surface Transportation Program (RSTP) funds from the statewide pool of such funds managed by Caltrans. Toll credits, also available from Caltrans, will be used to obtain a waiver of any matching funds that would otherwise be required for federal RSTP funds. By drawing from the statewide pool and toll credits, 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 ultimate target funding source for the \$90 million commitment to the project.

If we are not successful in rolling the RSTP share advance forward into the statewide pool each year, other projects in Los Angeles County may experience funding delays from this source ranging from several months to as much as a year. We recommend this strategy here anyway only because the risk of failure is clearly worth taking: these expenses are not avoidable and Metro's own cash resources are the only other alternative. If we are not successful in securing RSTP funds, we will return to the Board with alternative approaches. Finally, Caltrans is cooperating with us in this effort because they recognize the partnership role they play in this project's unique delivery strategy where Metro is the project sponsor.

Impact to Budget

The sources of funding for this work are federal RSTP funds. The RSTP funds are broadly eligible for any transportation capital improvement purpose. They can also be used to fund transit preventive maintenance and paratransit services required by the Americans with Disability Act. Because the funds are part of a Caltrans supported advance funding strategy to access national "August Redistribution" funds for the I-405 project, we are not recommending these alternative uses. However, if RSTP funds are not available, we will return to the Board with alternative strategies.

Response to Planning and Programming Committee Inquiry

In approving a similar report for an Interstate 10 project, the Planning and Programming Committee requested that we explain the consequences of failing to advance funding by over-delivering Regional Surface Transportation Program (RSTP) funds each year. To perform this analysis, we assume that the failure to accomplish the over-delivery carry forward occurs in the first year of Metro's capital and operating program, FY 2016. Such a failure would require the acceleration of

other funds, most likely by accelerating our various planned borrowing programs. After such an acceleration of borrowing, subsequent borrowing will have to be deferred to re-balance capital program. We believe a capital program deficit already exists in the amount of \$900 million through the end of the SRTP in FY24. In dollars terms the shortfall may seem large, but remains manageable at 1.8% of the \$54 billion forecasted Metro capital and operating program embedded within the SRTP. While projects already under construction are not yet put at risk by the 1.8% shortfall, any project not yet awarded for construction could be deferred to help resolve the forecasted shortfall in the future. At this juncture, the Board has not set specific priorities that would enable Metro to defer any projects. If the shortfall becomes unmanageable, we will return to the Board with specific recommendations on how to proceed.

ALTERNATIVES CONSIDERED

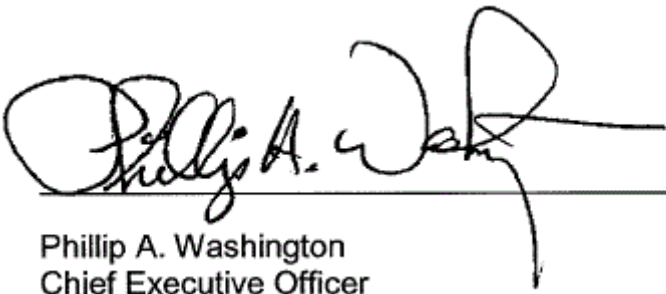
Efforts to mitigate the funding increase will continue, however, the cumulative value of Provisional Sum work, Change Orders and Professional Services will exceed the previously increased LOP budget.

NEXT STEPS

With the approval of the recommendations, staff will work with Caltrans to identify and reprogram additional funds for the I-405 Project. Other necessary funding exchanges, budget actions, and funding agreements to fund the project will be brought back to the Metro Board of Directors as necessary.

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