



Board Report

File #: 2016-0329, **File Type:** Program

Agenda Number: 12

**PLANNING AND PROGRAMMING COMMITTEE
MAY 18, 2016**

SUBJECT: REPURPOSING OLDER FEDERAL EARMARKS IN LOS ANGELES COUNTY

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

APPROVAL OF:

- A. CONSOLIDATING up to \$96.0 million in **repurposed Los Angeles County Federal transportation earmarks on State Route 71**, freeing up a corresponding amount of funds for Los Angeles County sponsors;
- B. AUTHORIZING the Chief Executive Officer to:
 - 1. NEGOTIATE AND EXECUTE agreements with participating local agencies for the funds shown in Attachment A, so as to ensure that the exchanged funds being made available are properly administered, used in a timely fashion, and are expended within three years of executing the agreements;
 - 2. PROVIDE 97% replacement funding to Los Angeles County project sponsors for repurposed federal earmarks from the local funds currently planned for State Route 71, unless the sponsor affirmatively opts out of the program by June 30, 2016;
 - 3. Use three percent (3%) of the earmarked amount that LACMTA would retain to administer the exchange program; and
- C. CONSOLIDATING up to \$2.4 million in potentially repurposed Metro-controlled Federal transportation earmarks to allocate on the Airport Metro Connector Project without freeing up any funds.

ISSUE

The Federal Highway Administration (FHWA) and the California Department of Transportation (Caltrans), under the authority of the Consolidated Appropriations Act of 2016 (Act), have initiated the process of repurposing federal transportation earmarks. This Board Report outlines our

recommended approach for maximizing the delivery of transportation projects in Los Angeles County.

DISCUSSION

Background

The Consolidated Appropriations Act of 2016 (Act) allows States and territories to repurpose certain funds originally earmarked for specific projects more than 10 years ago. To qualify under this provision, an earmark must have been designated on or before September 30, 2005 and be less than 10 percent obligated or have received its final voucher and closed with earmarked funds remaining.

Under this Act, local agencies are under no obligation to repurpose their earmarks. Local agencies may wish to deliver the original project or they may wish to repurpose the funds. The repurposed funds may be obligated on a new or existing project in the State and must be within 50 miles of the earmark designation. The project receiving the repurposed earmark funding must be an eligible project under the Surface Transportation Block Grant Program (STPBG).

The FHWA issued guidance on March 8, 2016 for implementation of the earmark repurposing. Caltrans then requested input from the Regional Transportation Planning Agencies to help identify and recommend projects for repurposing. We are working with Caltrans to ensure that transportation funding earmarked for projects in Los Angeles County remain within the county. More information about the earmark repurposing process can be found at this website: <http://www.dot.ca.gov/hq/LocalPrograms/earmark/>.

Local agencies will need to communicate their desire to opt-out of the Exchange Program in writing to Metro by June 30, 2016. The written correspondence must indicate how the local agency intends to repurpose their earmark or if they wish to deliver their original earmark.

Findings

FHWA and Caltrans have provided a list of original earmarked projects which meet the repurposing eligibility requirements established by the Act. Attachment A shows the estimated unobligated funding amounts by agency in Los Angeles County. Caltrans estimates approximately \$96 million in earmarks available for repurposing. The ability to repurpose federal transportation earmarks presents an opportunity to assist local agencies with delivering critical transportation projects.

Subsequent to the release of the FHWA Guidelines, we are participating with several regions throughout the state to establish the roles and responsibilities to manage the repurposing effort. The proposed list of repurposed projects is due to Caltrans by August 1, 2016 and must be obligated by July 1, 2019.

Recommended Approach to Maximize Regional Transportation Funds

The repurposing option afforded by the Act presents an opportunity for Metro and local agencies to better utilize regional transportation funds and to expedite project delivery. To maximize the amount of funding retained in Los Angeles County and to accelerate its use, we propose consolidating the

unobligated earmark amount shown in Attachment A on the SR-71 project. Local agencies may opt-out of this policy and retain their earmarks if they do so by June 30, 2016.

Proposed Use of Repurposed Federal Earmarks

We are proposing to consolidate the repurposed federal transportation earmarks in Los Angeles County on the State Route 71 project in exchange for local funds currently planned for the project. This will allow Metro to consolidate and accelerate the use of federal funding on one large project. This project is eligible and ready to utilize the federal funds made available by the repurposing opportunity on an expedited basis.

Federal Transportation Earmark Exchange Program

Metro will reimburse each local agency up to 97 percent of their earmark amount with local funds. This will allow local agencies to utilize more flexible funding and avoid substantial staff resources in attempting to obligate federal funding on alternative projects. The remaining three percent will be used to cover administration costs of this program.

By allowing local agencies to exchange Federal dollars for more flexible, easier to administer local dollars, Metro and local agencies should see faster delivery of projects to the counties transportation system users. However, to ensure this in fact happens, staff is recommending that a “timely use of funds” provision be applied to the local funds made available under the exchange. Under this provision, local agencies participating in the Federal Transportation Earmark Exchange Program will need to identify a project or have an executed funding agreement with Metro in place by July 1, 2019 to receive their reimbursements. We will then allow up to three years from execution of a Memorandum of Understanding to invoice Metro for the cost of the project.

Proposed Use of Metro-Controlled Earmarks

Caltrans has identified an up-to amount of approximately \$7.7 million in unobligated earmarks which were designated for various Metro-sponsored projects as shown in Attachment B. We are proposing consolidating \$2.4 million in earmarks on the Airport Metro Connector Project. As a regionally significant project at a designated Regional Facility with a current funding need, this project is the most appropriate use of the repurposed earmarks. The remaining \$5.3 million will be obligated to deliver the existing projects, as identified under their respective, original earmarks.

DETERMINATION OF SAFETY IMPACT

Approval of the staff recommendation will have no adverse impact on the safety of Metro customers or employees.

FINANCIAL IMPACT

Adoption of the staff recommendation should have a positive financial impact for Los Angeles County and Metro. Repurposing decade-old transportation earmarks will allow local agencies greater flexibility with the local funds as well as lower the administrative burden for expending the federal earmarks. This opportunity allows more projects to be funded with less money spent on funding

administration costs and federal requirements. We anticipate this approach will accelerate the delivery of transportation improvements to the public.

Impact to Budget

Adoption of the staff recommendation has no impact to the FY2016 Budget. The Chief Planning Officer will be responsible for budgeting of the exchanged projects and costs of administering the program in future budget cycles.

ALTERNATIVES CONSIDERED

The Board of Directors could reject the staff recommendation or direct staff to develop a new policy. Rejection of the staff recommendation is not recommended as it would require each local agency to individually review their earmarked project and submit for repurposing to Caltrans and FHWA. Without the exchange program, many local agencies would face substantial administrative burdens and costs to repurpose their federal funds on new projects.

Developing a new policy is not recommended either. Given the relatively short timeline to submit repurposing requests to Caltrans and FHWA, the time to develop a new policy is limited. The staff recommendation provides the most flexibility for local agencies to deliver transportation projects and avoid increased administrative burdens.

NEXT STEPS

Upon approval of this item, we will work closely with the local agencies identified in Attachment A to solicit their feedback and interest in the exchange program. We will then submit the repurposed earmark list to Caltrans and FHWA for review. For those interested, we will develop a Memorandum of Understanding to establish the parameters of the exchange and the process for invoicing.

Key Milestones Include:

Caltrans 2016 Earmark Repurposing Workgroup Kickoff Meeting	April 14, 2016
Metro sends Interest Letter to Affected Local Agencies	May 26, 2016
Local Agencies Deadline to Opt Out	June 30, 2016
Metro Submits Repurposed List to Caltrans	August 1, 2016
Caltrans Submits Repurposed List to FHWA	August 31, 2016
Deadline for Repurposing Earmarks	September 12, 2016


ATTACHMENTS

- Attachment A - Federal Earmark Amount Available for Repurposing by Agency
- Attachment B - Metro Sponsored Earmarks to be Repurposed or Delivered
- Attachment C - Caltrans/FHWA Earmark Repurposing Timeline

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