

**Board Report**

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**File #:** 2016-0697, **File Type:** Agreement**Agenda Number:** 6.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 14, 2016****SUBJECT: CITY OF INGLEWOOD LOCAL CONTRIBUTION TO MEASURE R CRENSHAW /LAX PROJECT****ACTION: APPROVE CONTRIBUTION AGREEMENT AND AUTHORIZE EXECUTION****RECOMMENDATION**

CONSIDER:

- A. APPROVING the **Crenshaw/LAX Light Rail Transit Project Measure R Local Match Financial Contribution Agreement between the City of Inglewood and Metro**; and
- B. AUTHORIZING the Chief Executive Officer to execute the said agreement.

**ISSUE**

The financial plan for the Crenshaw/LAX Light Rail Transit Project ("Project") assumes that local jurisdictions through which the Project runs will make a contribution towards the Project costs ("the 3% Contribution"). For the subject Project, this would include the cities of Los Angeles and Inglewood. The Metro Board has approved and Metro and the City of Los Angeles have previously entered into an agreement for the Los Angeles contribution which is equal to 3% of the estimated project cost as of the date of the agreement multiplied by the percentage of the project track miles located within the City of Los Angeles. Metro staff and the City of Inglewood staff have negotiated a contribution agreement as described below. The agreement was approved by the Inglewood City Council on August 23, 2016. The agreement requires Metro Board approval to be implemented.

**DISCUSSION**

In 2012 Metro and City of Inglewood staff negotiated a contribution agreement which provided that the City make a contribution equal to approximately 3% of the estimated Project costs multiplied by the percentage of Project track mileage located with the City of Inglewood. This agreement provided for a contribution of approximately \$17.7 million, financed over 35 years. The agreement was approved by the Metro Board but was not approved by the Inglewood City Council in part due to the on-going negotiation with Metro concerning certain Project elements. With most of these issues now

resolved, the City indicated its willingness to negotiate a contribution but not based on the terms of the draft 2012 agreement. In large part, the difference between the amount the city was willing to pay and the \$17.8 million lies in the fact that the costs of tunneling for the project is attributable to the portion of the Project that is in the city of Los Angeles and the City of Inglewood believes they receive no benefit from that work. Negotiations ensued and the recommended agreement contains the following provisions:

- Total face value of contribution: \$12 million
- Form of contribution:
  - \$6 million in new first/last mile improvements to be approved by Metro and completed within 6 years of the agreement
  - Additional \$ 6 million financed, with interest accruing from the beginning of the 11<sup>th</sup> year of the note and the first payment commencing in year 11 of the agreement, balance financed over 40 years at 3% interest.
- City obligation secured by lien against City's local allocation of Measure R, Proposition A and Proposition C funds.

### **DETERMINATION OF SAFETY IMPACT**

The recommended action has no impact on safety.

### **FINANCIAL IMPACT**

The original Project plan included a \$17.7M Local Contribution from the City of Inglewood for the benefits of new rail construction within the City. The terms of this agreement have been negotiated such that no funds will be provided during construction of the Project. In lieu of construction contributions, \$6 million will be directed to the City of Inglewood for First / Last mile improvements separate from the currently approved Crenshaw Life of Project (LOP) budget. Six (\$6) million of additional funds will be repaid to Metro commencing 11 years from the date of the signed agreement to be paid over a 40 year term.

#### **Impact to Budget**

Substitute funds need to be identified to replace the \$17.7 million originally planned as the City of Inglewood Local Contribution to the Crenshaw LOP budget. There is no impact to the current fiscal year as no City of Inglewood funds were included in the FY17 adopted budget. The funding sources for the project's capital budget that no longer being provided as a local contribution by the City of Inglewood will be offset by other eligible Metro controlled funding sources including, but not limited to

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Proposition A 35%, Proposition C 25%, federal Congestion Mitigation and Air Quality (CMAQ), and federal Regional Surface Transportation Program (RSTP) funding. The exact funding sources and amounts will be determined through the Long Range Transportation Plan (LRTP) update process, which will need to prioritize this requirement against other needs and their requisite cash flow demands.

**ALTERNATIVES CONSIDERED**

The alternative is to not approve the subject agreement and seek to negotiate alternatives terms. This is not recommended. The negotiations have been protracted, the parties have negotiated in good faith and additional negotiations will likely not be fruitful. The agreement will provide needed First/Last Mile improvements and a long term contribution to partially reimbursement for Project costs.

..Next\_Steps

**NEXT STEPS**

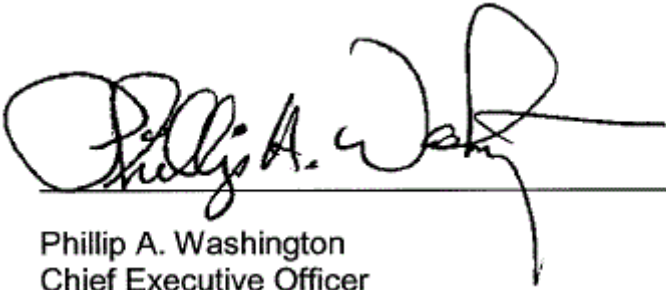
Upon Board approval, the CEO will execute the agreement and the Metro and city staff will proceed to identify the eligible First/Last Mile improvements.

**ATTACHMENTS**

Attachment A - Measure R Local Match Financial Contribution Agreement (Draft)

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Phillip A. Washington  
Chief Executive Officer