

**Board Report**

File #: 2022-0470, **File Type:** Program**Agenda Number:** 14.

**FINANCE, BUDGET & AUDIT COMMITTEE
AUGUST 17, 2022****SUBJECT: SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION
AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST - MONTEBELLO CORRIDOR
PROJECT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE and delegate authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements to enter into a direct loan of \$61.1 million, current estimate, between the Los Angeles County Metropolitan Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG). The loan advances partial funding for the Montebello Corridor Project that has a total project cost of \$216.2 million.

ISSUE

The SGVCOG is seeking to fund the Montebello Corridor Project, which includes the construction of an underpass on Montebello Boulevard ("Grade Separation Project") and at-grade safety improvements at Vail Avenue, Greenwood Avenue and Maple Avenue ("At-Grade Improvements") along the Alameda Corridor-East ("ACE") Trade Corridor. Cost increases associated with the Grade Separation Project have created a potential funding shortfall that could jeopardize the timely allocation of state grant funding awarded to the Grade Separation Project by the California Transportation Commission ("CTC"). The state has requested that the SGVCOG identify local match funds to allow the state to "allocate" the funds and avoid relinquishing the state grant funding.

BACKGROUND

The SGVCOG established the ACE Construction Authority in 1998 to provide direction and oversight of the ACE Project, which includes a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic on over 70 miles of mainline railroad in the San Gabriel Valley of Los Angeles County. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

In May 2019, the Metro Board of Directors approved San Gabriel Valley Subregion's first Measure M Multi-Year Subregional Program ("MSP") Five-Year Plan and programmed funds in: 1) Active Transportation Program; 2) Bus System Improvement Program; 3) First/Last Mile and Complete

Streets; and 4) Highway Efficiency Program. Measure M MSPs are included in the Measure M Expenditure Plan. All MSP funds are limited to capital projects. The annual update approves additional eligible projects for funding and allows the San Gabriel Valley subregion and implementing agencies to revise the scope of work and schedule.

In December 2021, the Metro Board approved Motion 44 (Attachment A) by Directors Solis, Hahn, Barger, Sandoval, and Butts regarding this Montebello Corridor Project.

Of primary importance is to address the SGVCOG's need to resolve the funding shortfalls for the Montebello Boulevard Grade Separation Project to ensure that the CTC Trade Corridor Enhancement Program ("TCEP") funding is not relinquished. Metro staff has identified a path forward to allow the SGVCOG to secure CTC allocation of TCEP funding for the Grade Separation Project and to complete the At-Grade Improvements through a loan from Metro to the SGVCOG secured by future Measure M MSP funds.

DISCUSSION

At this time, staff recommends developing a funding plan that includes a local match financial contribution agreement between the SGVCOG and Metro. The SGVCOG will repay the advance by making payments of principal plus interest as outlined in the promissory note. The funding plan will begin with an approximately \$16.3 million initial draw in Fiscal Year ("FY") 2026, followed by a \$29.7 million draw in FY 2027 and a \$15.1 million draw in FY 2028 based on cashflow provided by SGVCOG. Repayment is scheduled to begin in FY 2029 for a period of six years. The exact terms and conditions of the promissory note will be negotiated and approved by the Metro CEO or their designee.

Repayment Provisions of the Local Match Financial Contribution Agreement

The loan agreement is payable from Measure M MSP funds that Metro allocates to the SGVCOG, net of any amounts previously programmed by Metro for other identified uses that are included in a funding agreement between Metro and SGVCOG (for the purposes of the loan agreement, "programmed" means the allocation of MSP funds for specified and mutually agreed upon uses).

Metro will identify the amount of MSP available to the SGVCOG in October of each year. The amount of MSP allocated to the SGVCOG will include a rolling five (5) year period beginning with the then current fiscal year, less all amounts previously programmed to the SGVCOG. The amount of allocated MSP in the final year of the five (5) year period will not include any deductions for previously programmed funds as this fiscal year has heretofore not been available to the SGVCOG, and will be reduced by the amount of loan debt service that is payable in this fiscal year. In the event the amount of final year MSP funding is insufficient for loan debt service payable in this fiscal year, all previously allocated but unprogrammed MSP funds will be reduced by the amount needed to fully pay the loan debt service due in the fiscal year. Metro will use the reduced or deducted amount of MSP funds to meet the loan debt service payments.

The MSP funds are comprised of eight (8) separate programs that are designated for specified purposes. The loan is payable from the Goods Movement and Highway Efficiency MSP programs

included in the Measure M Ordinance. The Measure M Ordinance restricts the use on construction of both Goods Movement and Highway Efficiency Program prior to fiscal year 2048. Therefore, the amount of loan debt service paid from the MSP funds will be exchanged with the following MSP that are allocated to the SGVCOG in fiscal years 2018 through 2057: i) Active Transportation Program, ii) Bus System Improvement Program, iii) First/Last Mile and Complete Streets, and iv) Highway Demand Based Program. The amount allocated to the SGVCOG for each MSP that is available for construction in fiscal years 2018 through 2057 is equal to 1% of the total for the first ten years and 3% of the total, adjusted for inflation, in the subsequent thirty years.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Since this is a multi-year project, the Countywide Planning & Development staff will be responsible for budgeting in future years.

Impact to Budget

Approval of this action has no impact on the FY23 budget.

EQUITY PLATFORM

Approval to develop a funding plan for the Montebello Corridor Project that includes a local match financial contribution will ensure the SGVCOG avoids relinquishing the state grant funding and will facilitate the completion of the Grade Separation Project and at-grade safety improvements in Equity Focus Communities ("EFCs") within and adjacent to the project area.

The Montebello Corridor Project enhances safety for vulnerable roadway users by incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (1) Provide high-quality mobility options that enable people to spend less time traveling and (3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as the Project is subject to loss of previously approved State funds.

NEXT STEPS

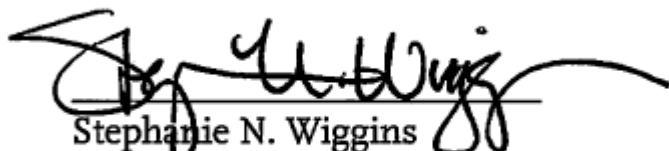
Upon Board approval, staff will take the appropriate steps needed to execute a loan agreement with assistance from County Counsel to demonstrate to the State a local funding commitment for the Montebello Corridor Project.

ATTACHMENTS

Attachment A - Motion 44

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