



Board Report

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OPERATIONS, SAFETY AND CUSTOMER EXPERIENCE COMMITTEE APRIL 20, 2023

SUBJECT: METRO EXPRESSLANES NET TOLL REVENUE

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the guidelines and project eligibility for Round 3 of the ExpressLanes Net Toll Revenue Allocations (Attachments A and D);
- B. APPROVING the Metro ExpressLanes Round 3 Net Toll Revenue Grant Applications (Attachments B and C); and
- C. AUTHORIZING the Chief Executive Officer (CEO) to extend all in-progress Round 1 and Round 2 Net Toll Revenue projects' lapsing dates by two years (Attachment E).

ISSUE

State law requires net toll revenues generated from the ExpressLanes program to be reinvested for transportation improvements in the corridor where generated, pursuant to an expenditure plan adopted by the Metro Board. Gross toll revenues generated from the ExpressLanes are first used to cover the direct expenses related to the maintenance, administration, and operation of the lanes per Metro Board policy. Following Board Policy, the remaining revenue is then used to maintain project reserves, to support incremental additional transit service on the ExpressLanes, and for freeway/roadway improvements and system connectivity/ active transportation projects identified through a competitive grant program (Net Toll Revenue Grants).

All projects awarded grants are required to ensure timely use of funds, including beginning to use the funds within one year of executing their funding agreement. This provision is the same process used during the first two grant rounds. Projects from the first two rounds that have begun work and continue to make progress can have their lapsing date extended.

BACKGROUND

The net toll revenue program's primary objective is to increase mobility and person throughput

through the implementation of integrated strategies that enhance transit operations, transportation demand management, transportation systems management, active transportation, and capital investments in the 1-10 and 1-110 corridors. The revenues are collected from users of the ExpressLanes that do not meet the eligibility and occupancy requirements for toll-free travel on the lanes. Revenue generated from these trips is collected and then used to cover costs of operations, including toll collections, toll facility capital costs, service center support, Caltrans maintenance, CHP enforcement, and other routine operating and maintenance requirements. After all, costs are paid, excess or “net” revenue can be re-invested into the corridor where the revenue was generated.

In October 2015 the Board approved the re-investment framework for the 110 and 10 ExpressLanes expenditure plan with the following conditions:

- 1.Reinvestments in the transportation corridors provide a direct benefit to reducing congestion on the Metro ExpressLanes (I-10 and I-110);
- 2.A set aside of funds to be placed into a reserve account ;
- 3.Funding for the continuation of the incremental Transit Service improvements to address social equity considerations;
- 4.A set aside of 20% of the available grant funds to Caltrans for corridor improvements;
- 5.Any remaining funds available for allocation to the Grant Program comprised of three categories: Transit Use (TU), System Connectivity/Active Transportation (SC/AT), and Roadway Improvements (RI);and,
- 6.Grant funds to be reinvested in projects/programs that provide direct mobility benefit to the I-10 and I-110 ExpressLanes within a three mile radius. Projects beyond a three mile radius must demonstrate regional significance.

In August 2016, the Metro Board approved Round 2 of the net toll revenue grant program in the amount of approximately \$54.2 million in net toll revenue funds to projects with a direct mobility benefit to the ExpressLanes Corridors. The 2016 Board adopted guidelines were modified from the initial \$26.7 million round of funding in 2014 to better reflect changing program requirements, including Caltrans set-aside funding, sustainability goals, and improvements related to technology advancement.

The overall program is comprised of two elements: a set-aside component and a competitive grant. The set-aside is comprised of funds provided to continue the operation of transit services and encourage increased transit ridership, as well as a reserve fund and revenue necessary to support Caltrans’ projects in the corridor. The competitive grant provides funding to implement multi-modal mobility options, including freeway/roadway improvements, transit enhancements, and active transportation and system connectivity. Funding allocations for competitive grants are approved by the Board.

As outlined in Attachment A, Round 1 and Round 2 contain a similar mix of transit, system connectivity, and roadway improvements. Some of the prior funding for transit projects include Torrance Transit expansion, electric bus procurement, , LA Galaxy Shuttle Bus, and City of Gardena Transit Service on the I-110. Active transportation awards included projects focused on first mile/last mile, complete streets, healthy communities, station improvements, bicycle facilities, and various pedestrian safety enhancements. Roadway improvements included Great Street projects, vision zero traffic signal improvements, Intelligent Transportation System (ITS) enhancements, and other

freeway and traffic signal improvements along the I-10 and I-110 corridors.

Current staff estimates are that \$124.8 million will be available for allocation across all categories for Round 3, net of the set-asides for transit and Caltrans. Since the Round 2 projects have spent more than 50% (56%) of their grant amounts, staff is seeking approval of the guidelines and applications to begin Round 3 of the net toll revenue allocation.

DISCUSSION

Proposed Reinvestment Guidelines for Round 3:

The Round 3 guidelines will delineate the method by which Metro will disburse the net toll revenues based on six reinvestment principles. Three of the re-investment principles are direct set-asides (Reserve Fund, Transit Operations, and Caltrans set-aside), which are not part of the Grant Program. The set-asides are used to ensure responsible operations for unforeseen events, to support and encourage transit on the corridor, and for Caltrans to provide additional roadway improvements and access to the corridor. The transit funding can be used to directly support transit operating on the corridors. Caltrans can use its allocation for any project or enhancement that benefits mobility within the corridor. Net of the set-asides, the Grant Program allocates surplus revenues among three funding categories: 1) Transit Uses, 2) System Connectivity/Active Transportation, and 3) Roadway Improvements, which are the subject of the Grant Application Package. These three funding categories are recommended as they enhance the Metro ExpressLanes program and promote multi-modal and sustainable transportation strategies in support of Metro's Long Range Transportation Plan.

Consistent with Rounds 1 and 2, a category for Transit Use is recommended because the operation of high frequency transit and feeder service, as well as transit capital improvements, have proven to be effective in creating mode shift and reducing congestion on Metro ExpressLanes. A category for System Connectivity/Active Transportation is recommended to improve system connectivity between transit and the state highway. The category also demonstrates Metro's commitment to advancing sustainable community strategies for Active Transportation. A category for Roadway improvements is recommended to build upon prior investments in signal synchronization and intelligent transportation systems that support travel and increase safety along the corridors.

The proposed guidelines will maintain Core Principles consistent with Rounds 1 and 2:

- Reinvestments in the transportation corridor that provide a direct benefit to reducing congestion on the Metro ExpressLanes corridors (1-10 and 1-110);
- A reserve fund set-aside, consistent with the Board approved Toll Policy to ensure the financial sustainability of the Metro ExpressLanes and enable potential system expansion;
- Direct annual allocation to fund the incremental transit service implemented to support the deployment of the Metro ExpressLanes. The incremental services include Metro J (Silver) Line, Foothill Silver Streak and Route 699, Gardena Lines 1X and 2, and Torrance Transit Line 4. These lines pass through Equity Focused Communities (EFCs);
- Allocate net of set-asides on a competitive basis utilizing targets of 40% for other Transit Uses, 40% for System Connectivity/Active Transportation, and 20% for Roadway Improvements to benefit the ExpressLanes and support sustainable transportation strategies; and,

- Leverage net toll revenues with other funding sources. Locally sponsored capital projects and operating programs are encouraged. The funding will be mutually determined by Metro and the lead agency, proportionate to the local and regional benefits of the project/program.

Eligible Projects/Programs

To be eligible for funds, the project, program, or enhanced transit service must operate along or within three miles of either the I-10 Corridor (between Alameda Street to the west and the El Monte Transit Center to the east) or I-110 corridor (defined as Adams Boulevard to the north and the Harbor Gateway Transit Center to the south). A project/program beyond the 3-mile radius will also be eligible if it can be determined that it is regionally significant and demonstrates a direct benefit to the I-10 or I-110 corridors. Regional significance is defined as those projects/programs that are multi-jurisdictional and/or are included in, or consistent with, the Metro LRTP, Metro Countywide Sustainability Policy and Implementation Plan, or another relevant sub-regional plan.

Application Evaluation Process

The application evaluation process is as follows:

Step 1 - Staff will distribute the application package to eligible applicants and convene workshops to review the application package and guidelines with workshop attendees.

Step 2 - Once all applications have been received, projects will undergo a preliminary eligibility review.

Step 3 - All eligible projects will be scored by a technical review team comprised of Metro and members of the I-10 and I-110 Corridor Advisory Group (CAG).

Step 4 - Once the projects have been ranked, staff will then review to ensure consistency with funding availability and criteria within the corridor and category.

Step 5 - Recommended projects/programs will be submitted to the Board for consideration and funding approval.

Outreach

Consistent with the Rounds 1 and 2 process, on January 18, 2023, staff convened a CAG meeting which included representatives from both corridors to present guideline changes and seek stakeholder input. The summit was attended by 24 agencies representing public and non-profit interests in transit, highways, active transportation, health, and housing. Participants reviewed the proposed guidelines and applications and were given two weeks to provide comments. The proposed guidelines reflect some of the recommendations received from the CAG.

Upon release of the application, Metro staff will conduct two workshops for potential project sponsors. The workshops will provide a forum for potential project sponsors to ask questions and receive

guidance on filling out the application packet. Metro staff will also attend the appropriate Councils of Governments (COG) meetings in May/June 2023 to further inform eligible applicants regarding the program. Upon receipt of applications, applicants will have the opportunity to present their projects to the CAG for review and scoring. The CAG scores will be averaged with the Metro staff score to get the final score for the projects.

Changes in the Application

Equity

In alignment with Metro’s focus on equity and equitable benefits to marginalized communities, updates were made to the Net Toll Grant applications. In the updated application, points are given to projects that provide a targeted benefit to Equity Focused Communities (EFC) while providing improvements to mobility. Project points are specifically called out in the Mobility and Equity benefits section, but the entire application will be looked at with an equity focused lens. An equitable project plan will consider the circumstances impacting a community’s mobility and connectivity needs. The project eligibility area is 61% EFC on the I-110 corridor and 32% on the I-10 corridor.

Updated Application Format

To keep up with the modernization of workforce practices, the application will now be available and accepted in an electronic-only format. This update was requested by CAG members to help streamline the application process for project sponsors.

Funding Target Goals for Round 3

If the recommended guidelines are approved by the Metro Board as outlined above, the ROUND 3 expenditure plan will provide the following:

Draft Reinvestment Categories	Estimated Net Toll Revenues	Allocation Target Estima Corridor)	
<i>Net Set-Aside</i>	\$52,250,000		
Set-Aside (Caltrans)*	\$14,510,000		
Set-Aside (Reserve Fund)	\$6,000,000		
Set-Aside (Direct Allocation - Transit Ops)	\$31,740,000		
Grants Targets	\$72,550,000	I-110	I-10**
<i>Allocation Target (40%- Transit Uses)***</i>	\$29,020,000	\$17,855,416	\$11,976,190
<i>Allocation Target (40%- System Connectivity)***</i>	\$29,020,000	\$17,855,416	\$11,976,190
<i>Allocation Target (20%- Roadway Improvements)***</i>	\$14,510,000	\$8,927,708**	\$5,988,095**
TOTAL NET TOLL REVENUE	\$124,800,000		
GRANT FUNDS ALLOCATED			

*The Caltrans allocation is based on 20% of Net Set-Asides for all other Target amounts and is contingent on a master operations and maintenance agreement signed by August 1, 2023. Re-allocation will be established by the Board if no agreement is reached.

**An additional \$1,082,560 was applied to the I-110 net set-aside from a de-obligated project in Round 1. An additional \$920,475 was applied to the I-10 net set-aside from an unused allocation approved in Round 2.

***Baseline targets of 40% for Transit Uses, 40% for System Connectivity/Active Transportation, and 20% for Roadway Improvements are identified as goals; however, the actual allocation of the funding will be based on the merits of the proposed projects and programs.

This expenditure plan addresses transit obligations, Caltrans set-aside (20% of the identified competitive total amount), and reserve funds, and looks ahead to funding agreements and work commencing in FY24, FY25, and FY26.

Net Toll Grant Extensions

In July 2014, the Metro Board approved 20 projects totaling \$19,854,458 as part of the Round 1 Net Toll Revenue Grant Program. Of the 20 projects from Round 1, fourteen (14) have been completed, one (1) is being de-obligated per the project sponsors request, and five (5) are in progress and have expended partial funds.

In August 2016, the Metro Board approved 21 projects totaling \$27.9 million for funding as part of Round 2. Of those projects, nine (9) have been completed, nine are, and twelve (12) are in progress and have expended partial funds.

The Board policy calls for consideration of de-obligation of funding from project sponsors who have not met lapsing deadlines or have not used the entire grant amount to complete the project. This is not recommended, as the COVID-19 pandemic has impacted working environments and has brought financial hardship for many project sponsors resulting in additional delays in project implementation. Prior to the COVID-19 pandemic, many project sponsors expressed concern about staff turnover, labor shortages, and material availability. These issues were exacerbated as a result of the pandemic and have contributed to the majority of the delays. Consequently, staff is recommending a two-year extension from the current month and year of lapsing for the seventeen (17) projects in Attachment D. Staff continues to work directly with the sponsors and have established additional procedures to ensure that progress is made and the projects will be completed.

Transit Service

Continued funding of the direct allocation is recommended to subsidize the incremental operating costs of the transit service deployed to support the Metro ExpressLanes. The transit agencies that receive this direct allocation are Foothill Transit, Torrance Transit, Gardena Municipal Bus Lines, and Metro's J (Silver) Line service. These transit enhancements are a benefit for commuters and other riders by providing more travel choices and reducing congestion on the ExpressLanes.

During the height of the COVID-19 pandemic, transit service levels for the lines serviced by direct allocation were reduced in FY21 by as much as 29% from FY20. The reductions were made as a result of the decline in bus ridership. As transit providers continue to deal with COVID-19 pandemic uncertainties, the ridership projections remain speculative for the coming fiscal year. The proposed revenue miles for FY23 are up to 7% higher than FY20 levels for the transit service providers. Staff proposes allocating up to \$7,935,000 annually to address transit services provided by agencies in FY22 and FY23 to subsidize transit service dependent on the level of services provided. Prior year funding for transit has been encumbered and is available to support the agreed upon level of service.

FINANCIAL IMPACT

All recommended actions will be funded with toll revenues generated from the I-10 and I-110 ExpressLanes. No other funds will be required from LACMTA. Funding of \$7,935,000 for incremental transit service is included in the FY22 and FY23 budget requests in project 405549 cost center 2220 (ExpressLanes). The cost center manager and Deputy Chief Operations Officer, Shared Mobility will be responsible for budgeting project and transit service expenditures in future years.

Impact to Budget

There is no impact to the bus and rail operating and capital expenditures. Net Toll Revenues generated from the Metro ExpressLanes' operation comprise the entirety of the funds recommended in this action.

EQUITY PLATFORM

The Net Toll Grant applications will award up to 10 points to projects that demonstrate a significant benefit to EFCs. The projects will be scored on their ability to show how the project will impact EFCs by use of demographic data where available. Project sponsors will collect the necessary data to evaluate the EFC impact and are required to provide before and after data upon completion of the project. Engagement and readiness points are also part of the original criteria and not included in the application updates.

Metro ExpressLanes believes the non-profit community plays a vital role in helping Los Angeles County become more sustainable. The experience, programs, networks, and commitment of the region's non-profit agencies provide a foundation for increased public engagement, positive behavior change, and community commitment; therefore, we are recommending wherever possible for eligible applicants to partner with a non-profit organization to deliver projects. The system connectivity/active transportation application provides up to 10 points for partnering with a non-profit agency. The transit use/roadway improvements application provides up to 5 points for the partnership.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Metro ExpressLanes Net Toll Revenue aligns with Strategic Goals 1: Provide high-quality mobility options that enable people to spend less time traveling and 4: Transform LA County through regional collaboration and national leadership. ExpressLanes provide drivers and transit riders with the option of a more reliable trip while enhancing the overall operational efficiency of the freeway network and enabling collaboration among partners to implement mobility improvements.

ALTERNATIVES CONSIDERED

The Board may choose not to approve or defer approval of any of the requested actions. Staff does not recommend this option as the recommendations further the Board's objective of assuring that funds are optimally utilized and reinvested in mobility options within the region.

NEXT STEPS

Upon adoption of the guidelines, staff will proceed as follows:

- Request Board approval and release grant application package: April 2023
- Meeting with COGs: May/June 2023
- Applicant workshops and meeting with CAGs: May/June 2023
- Application due date: August 2023 reflecting previous Board direction to provide 3 months for application preparation
- Evaluate applications/outreach: August 2023
- Seek Board Approval for recommended grants: October 2023

With Board approval, staff will formally notify and execute agreements with project sponsors and transit operators impacted by the time extension and transit allocation.

ATTACHMENTS

Attachment A - Metro ExpressLanes Round 3 Net Toll Revenue Allocation Guidelines

Attachment B - Project Application - Transit Uses and Roadway Improvements

Attachment C - Project Application - System Connectivity/Active Transportation

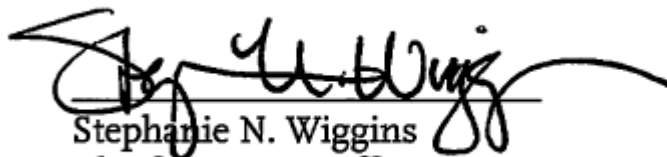
Attachment D - Project Eligibility Guidelines

Attachment E - Net Toll Revenue Grant Program Time Extension Project List

Attachment F - ExpressLanes Equity Focus Communities Map

Prepared by: Michel'le Davis, Sr. Manager, ExpressLanes (213) 418-3136
Stephen Lee, Sr. Manager, ExpressLanes (213) 418-3132
Mark Linsenmayer, DEO, Congestion Reduction (213) 922-5569
Shahrzad Amiri, Deputy Chief Operations Officer, Shared Mobility (213) 922-3061

Reviewed by: Conan Cheung, Chief Operations Officer, (213) 418-3034



Stephanie N. Wiggins
Chief Executive Officer