



Board Report

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PLANNING AND PROGRAMMING COMMITTEE SEPTEMBER 18, 2019

SUBJECT: FEDERAL AND STATE FUNDING OPPORTUNITIES AND STRATEGIES

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on funding opportunities and strategies.

ISSUE

The Measure M expenditure plan recognized that Metro must secure federal and state funding to leverage the revenues generated through Measure M and implement the priority projects approved by the voters in 2016. Concurrent with the passage of Measure M, important funding opportunities at the federal level, through the passage of the Fixing America's Surface Transportation (FAST) Act of 2015, and the state level, through the passage of the Road Repair and Accountability Act of 2017 (Senate Bill 1 or SB-1) have provided Metro with opportunities to secure vital funding to deliver these priority projects.

To maximize Metro's ability to secure as much federal and state funding as possible, staff implemented the Evaluative Criteria Framework in 2017 as the set of guiding principles to support decisions on project evaluation and selection for the various funding programs, each with its own set of evaluative criteria to consider. Thanks to the Board's support of this method of selecting projects for both competitive and formula grant funding programs, Metro staff secured over \$2.4 billion in federal and state funding awards between 2018 and 2019.

Metro staff anticipates additional cycles of funding to be made available through various on-going federal and state funding programs in Fiscal Year 2020 (FY 20). To build upon the success of the last two years, staff will continue to use the Evaluative Criteria Framework to guide staff recommendations for submitting funding applications to these grant programs. This report provides information and an overview of anticipated schedules for federal and state grant funding opportunities expected to be available in FY 20.

BACKGROUND

Local jurisdictions, subregional agencies, and system users throughout Los Angeles County depend on federal and state funding to complete the funding needed to implement important Measure M,

Long Range Transportation Plan (LRTP), and other Board priority projects. Metro's previous successful efforts to leverage and supplement Measure M dollars with federal and state funds (Attachment A) relied upon the use of the Evaluative Criteria Framework introduced in 2017 to maximize Metro's competitiveness in each of the various funding programs to secure as much funding as possible for priority projects. With ongoing SB-1 funding programs entering into the next cycle of grant opportunities, it is vital that Metro staff continue to use the Evaluative Criteria Framework to analyze, evaluate, and submit applications for Metro priority projects to these funding programs to ensure maximum competitiveness for state discretionary funding.

DISCUSSION

SB-1 provides Metro with an opportunity to secure ongoing funding available at the state level in FY 20. By statute the majority of the funding eligible for Metro under SB-1 is administered through statewide competitive grant programs. The number of state funding programs-when combined with ongoing federal funding programs available in FY 20-has challenged Metro to use a strategic, comprehensive planning method to analyze the various funding programs and evaluate the many Board priorities adopted through Measure M, the Long Range Transportation Plan (LRTP), and other board actions to determine the best course of action to compete for as much state and federal funding for Metro's priority projects. The Evaluative Criteria Framework developed by Metro staff for the first cycle of state and federal funding programs proved very successful in this regard, allowing Metro to secure over \$2.3 billion in new revenues to leverage existing Measure M commitments for a variety of priority projects throughout Los Angeles County (as shown in Attachment A).

As staff prepares to undertake another cycle of federal and state grant applications, the Evaluative Criteria Framework will allow Metro to be competitive for these funding programs by reducing risks associated with project readiness and project costs and by developing competitive grant applications for projects most suitable for each respective program. Metro staff will also be able to leverage state funding as match for federal funding opportunities, and vice versa, to optimize the leveraging of Measure M funding.

The Evaluative Criteria Framework comprises six main project assessment parameters to guide project selection for competitive state and federal grant opportunities:

- 1) Sustain Measure M and other Pre-Measure M/LRTP Priorities and Schedules** - As Metro moves forward with the implementation of Measure M, staff must actively pursue funding opportunities and strategies that can effectively support realizing prior assumptions of other local, state, and federal revenues; however, it is imperative that Metro commits and identifies the amounts and sources of funding match.
- 2) Match Competitiveness of Projects to New/Expanded Programs Criteria** - As program guidelines are adopted, Metro staff will need to review application criteria and identify projects that are not only eligible, but highly competitive.
- 3) Certainty (Formula) vs. Risk (Competitive/Discretionary)** - Staff is tasked with identifying competitive capital projects that can tolerate some uncertainty with timing for competitive funding, and retaining projects that are either less competitive or less tolerant of timing risk for formula funding.

- 4) **Geographic Balance** - Measure M created a structure for geographic balance in the expenditure plan. As state and federal funding is pursued, geographic balance may be achieved over the entire program portfolio and over multiple discretionary program cycles.
- 5) **Consistency with Board Policies and Directives** - In addition to specific projects identified in Measure M, Measure R and the 2009 LRTP, the Metro Board has expressed or adopted plans and policies for other interests over time. Consistency with these types of Board interests and policies will be considered.
- 6) **Consistency with Metro LRTP and SCAG Regional Transportation Plan (RTP)** - Consistency with the LRTP and RTP is a frequently used screening criterion.

Project Readiness is Paramount

A key criterion relevant to the first two parameters listed above is project readiness. As these cycles are ongoing and highly competitive, the grantor agencies administering each program competition have adopted aggressive schedules and readiness requirements for the eligibility of projects seeking funding.

These criteria often involve near-term project readiness milestones such as the following:

- Grant application deadline
- Completion of environmental review
- Obligation of funds
- Advertisement/procurement of a construction contract
- Awarding of the construction contract
- Anticipated start/end of construction
- Expenditure of grant funds.

As a result, projects that are submitted to these funding programs for awards encounter several forms of risk if they cannot meet or maintain these strict criteria:

- Projects that do not meet these criteria at the time of application are deemed ineligible to compete for the current funding cycle. Deferral of the project to a future cycle will likely cause delay to the implementation of the project, affecting projects costs, schedules, and other associated benefits. Additionally, Metro may lose the opportunity to put forth another competitive project for the current funding cycle, and may lose an opportunity to fund another project in the next funding cycle that has been displaced due to the deferral of the original project.
- Eligible projects that are awarded funding but that cannot maintain these milestones will ultimately lose the funding award, creating a postponement in the implementation of the project and creating an opportunity cost for Metro to maximize funding within the current cycle. Funding lost in one cycle will not be recovered in future cycles. Additionally, the deferral of this

project to compete for the next funding cycle may cause Metro to lose the opportunity to put forth another project in that cycle due to limited funding capacity.

- Projects that do not maintain their project costs create revenue shortfalls that must be resolved with local/regional funding that may not be readily available or may be committed elsewhere. The funding program criteria do not allow the grantor agency to share in project cost overruns by augmenting a funding award, and the project is not eligible for additional funding in future cycles for the same phase of the project to address these cost overruns.

An additional screening criterion relevant to project readiness, as well as to the last two main parameters listed above, is the status of planning and environmental approvals, such as:

- Inclusion in the adopted LRTP/RTP and Federal Transportation Improvement Program (FTIP)
- Selection of the Locally Preferred Alternative
- Receiving CEQA/NEPA clearances, as applicable.

Equity Platform

The Evaluative Criteria Framework comprises six main project assessment parameters to guide project selection for competitive state and federal grant opportunities. These parameters address equity both directly through project priorities and through the emphasis on consistency with Board policies and directives. The first and primary parameter is focused on sustaining Measure M and other pre-Measure M/Long Range Transportation Plan priorities and schedules. Equity-related factors were considered as part of the five performance measures developed to assess and prioritize Measure M's expenditure plan projects. Specifically, the "Economy" and "Sustainability/Quality of Life" themes included metrics attached to investments in disadvantaged communities. As part of ensuring consistency with Board policies and directives Metro staff will also incorporate equity in the Evaluative Criteria Framework assessment of individual projects under each State and Federal funding program.

FINANCIAL IMPACT

Developing a sound policy for addressing federal and state grant opportunities is an essential part of the strategy to maximize funding for Los Angeles County and fully implement Measure M and the Long Range Transportation Plan.

Impact to Budget

Approving the staff recommendations will have no impact on the FY 2020 Budget. Any grant awards will offset the projected need for non-sales tax resources to implement the Measure M Expenditure Plan, Long Range Transportation Plan, and other Board project priorities and commitments.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This report provides information about staff's efforts to provide funding to make all the goals of the Vision 2028 goals, especially the first goal, provide high-quality mobility options that enable people to

spend less time traveling.

NEXT STEPS

Staff anticipates multiple federal and state funding programs to become available for grant applications during FY 20. Staff will continue to participate in guidelines workshops for these programs to support the inclusion of Metro's objectives within these programs' final guidelines. Staff will also work with Metro departments and with stakeholder agencies (i.e., Caltrans District 7) to evaluate, develop, and prepare projects for grant applications for each respective funding program. Staff will provide Board Boxes and Board Reports at key milestones to present the results of the Evaluative Criteria Framework assessment of individual projects under each state and federal funding program.

Attachment B provides an overview of these grant programs and their anticipated schedules from guideline development to the awarding of grant funding.

ATTACHMENTS

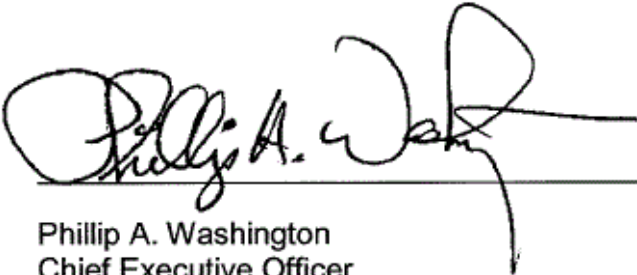
Attachment A - Fiscal Year 2018 and 2019 Federal and State Funding Awards

Attachment B - Anticipated Schedule for Fiscal Year 2020 Federal and State Funding Opportunities

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