

**Board Report**

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**File #:** 2019-0850, **File Type:** Agreement**Agenda Number:** 15.

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**PLANNING AND PROGRAMMING COMMITTEE  
JANUARY 15, 2020****SUBJECT: ALAMEDA CORRIDOR-EAST (ACE) PROGRAM FUNDING PLAN UPDATE****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the CEO to amend the ACE funding agreement to increase Metro's contribution by \$15,000,000 (5.5% increase to the 2007 amount of \$274,323,220) for a new total amount of \$289,323,220 and program \$19,453,420, which includes previously committed funding. Metro will not participate in any future project cost increases or overruns.

**ISSUE**

The San Gabriel Valley Council of Governments (SGVCOG) plans to seek a programming of State Prop 1B funds in January 2020 and an allocation of SB1 Trade Corridor Enhancement Program (TCEP) funds in June 2020 from the California Transportation Commission (CTC) for the two final ACE grade separations. To do so, the SGVCOG needs to demonstrate that 1) there is a 1:1 match for the Prop 1B funds; and 2) both projects are fully funded and identify all funding sources by March 2020 for the TCEP funds. Metro's contribution to the ACE Project (Project), which has historically equaled 17 percent of the total Project cost, has been an integral element of the local funding for delivering the Project. The Metro Board most recently approved a revised Metro 17 percent contribution in November 2007 and since then various factors, including cost escalation for right-of-way and capital construction over the last decade, and scope changes have increased the total cost.

With a Board adoption of the Measure R and Measure M Cost Management Policy (Policy) in July 2018, and given the Project receives Measure R funds, staff applied the Policy to evaluate the cost increase and potential strategies available to close the funding gap. As such, Metro Board approval of the revised Project cost and associated Metro contribution amount is needed to address this cost increase and demonstrate a fully funded plan for the two projects to allow SGVCOG to secure a fund allocation from the CTC and move the projects into the construction phase as scheduled.

**BACKGROUND**

Metro and SGVCOG (previously ACE) entered into a funding agreement in July 1998 to support construction of a series of rail-highway grade separation and at-grade safety projects constituting the Alameda Corridor-East Project.

In June 1999 (item #42), the Metro Board approved its commitment to contribute a maximum of 17 percent , or \$161,500,000 based on the Project cost of \$950,000,000, and not participate in any cost increases or overruns. In November 2007 (Item #6), the Board approved an additional increase in Metro's contribution amount to a total of \$274,323,220 to reflect the revised Project cost at \$1,613,666,000. Since then, \$269,869,800 of the Metro contribution amount has been programmed for ACE projects, with a remaining unprogrammed balance of \$4,453,420.

Since 2007, various factors, including scope changes to projects and increased right-of-way and capital construction costs, have resulted in an increase in the Project cost to \$1,765,540,000. As identified in Attachment A, the maximum Metro contribution based on the revised Project cost would be \$300,141,800 with net increase of \$25,818,580. However, SGVCOG is requesting a maximum Metro contribution of \$289,323,220 with a net increase of \$15,000,000.

SGVCOG has been successful in securing the 83 percent of match funding for all projects delivered to date, as required under the agreement with Metro. The sources for these funds include federal, state, and private funds. Measure R was also approved in 2008, and this provides \$400 million of funding for the ACE project that is included as match funding.

In May 2018, the CTC adopted the 2018 TCEP, which included an award of \$49,000,000 in TCEP for Montebello Boulevard Grade Separation and \$29,000,000 for Turnbull Canyon Road Grade Separation projects. These TCEP funds are programmed in the fiscal year 2020 and require the SGVCOG to request and receive approval for fund allocation from CTC no later than June 2020. Therefore, a total of \$19,453,420, including \$15,000,000 of the recommended increase and the \$4,453,420 balance of the prior Metro contribution, is needed for immediate programming to support the allocation of the TCEP funds.

## **DISCUSSION**

Since its inception in 1998, the San Gabriel Valley Council of Governments, Alameda Corridor-East Project has been successful in implementing and delivering construction projects to mitigate vehicle delays and collisions at rail-highway crossing to address community concerns over safety, noise, air quality, and emergency vehicle access.

The SGVCOG has delivered 12 projects to date, and eight projects are currently active. These completed projects have eliminated at-grade crossings, and improved traveler safety across the San Gabriel Valley where Union Pacific's freight mainlines move containerized cargo through a number of communities. These projects strongly support Metro's Agency Strategic Goal as they eliminate vehicle delays at at-grade crossings while freight trains travel through the area, and improve quality of life for the surrounding communities by improving safety, and eliminating noise impacts and tailpipe emissions from idling vehicles at such crossings.

Further, the SGVCOG has been highly successful in securing funding for its grade separation projects. To date, the SGVCOG has secured \$244.691 million (14%) from federal, \$744.089 million (41%) from state, and \$131.020 million (6%) from private and other sources that amount to the 83% of the Project cost. This breakdown includes Nogales Street on Union Pacific Railroad's Los Angeles

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subdivision, which is not subject to Metro's contribution. This demonstrates the SGVCOG's continuous effort to seek and secure funding to realize much needed projects that enhance mobility, safety and quality of life.

Metro Board approval of the revised total project cost and revised Metro contribution will enable the TCEP funds to be allocated for the Montebello Grade Separation and Turnbull Canyon Road Grade Separation. These projects are scheduled to begin construction in FY21. SGVCOG anticipates completing the ACE Project by 2024 and will commit to not submitting future requests for additional Metro contribution. If future costs increase, SGVCOG will work in coordination with Metro staff to seek the programming of other local funds available to the subregion, such as Measure M subregional equity or goods movement funds.

#### Equity Platform

The ACE Program supports the Equity Platform Pillar III, Focus and Deliver, by delivering much needed grade separation projects that address impacts experienced by communities exposed to high, and growing, volumes of rail freight movements.

#### **DETERMINATION OF SAFETY IMPACT**

This Board action will further Metro's commitment to improving safety across LA County.

#### **FINANCIAL IMPACT**

Approval of this Board Action will result in an increase of Metro's contribution to the ACE Project by \$15,000,000. This action also includes the programming of \$19,453,420 as an amendment to the existing ACE Project funding agreement. Since this is a multi-year funding agreement, the Cost Center Manager and Chief Planning Officer will be responsible for budgeting the costs in future years. SGVCOG anticipates completing the ACE Project by 2024 and will commit to not submitting future requests for additional Metro contribution. If future costs increase, SGVCOG will work in coordination with Metro staff to seek the programming of other local funds available to the subregion, such as Measure M subregional equity or goods movement funds.

#### Impact to Budget

Funds for this action will come from Prop C 25% funds. This fund source is not eligible for bus and rail operations and capital. There are no impacts to the FY20 budget as the drawdown of the funds will commence in subsequent fiscal years starting in FY21.

The identified cost increase is for a Measure R-funded project and must be evaluated based on the Board-adopted Measure R and Measure M Unified Cost Management Policy. The intent of the Policy is to inform the Metro Board regarding potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps. Pursuant to the Policy, shortfalls are to be addressed at the project level prior to evaluation for any additional resources using the following methods:

- 1) Scope reductions;

- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

A detailed Policy analysis of the ACE project is included as Attachment C.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The Board approval of revised program cost for the ACE Program and associated Metro's 17 percent contribution would support Metro's Strategic Plan Goal 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 it would result in the SGVCOG not receiving the TCEP funds that need to be allocated by June 2020. Further, this may force SGVCOG to forego both grade separation project altogether, resulting in detrimental impacts to the surrounding communities with respect to traffic safety, noise, limited emergency vehicle access and air quality.

### **NEXT STEPS**

Upon Board approval, staff will execute an amendment to increase Metro contribution amount and program funds needed for Montebello Boulevard Grade Separation and Turnbull Canyon Road Grade Separation projects.

### **ATTACHMENTS**

Attachment A - ACE Program Revised Cost and Funding Request

Attachment B - SGVCOG Letter of Request

Attachment C - Measure R and Measure M Unified Cost Management Policy

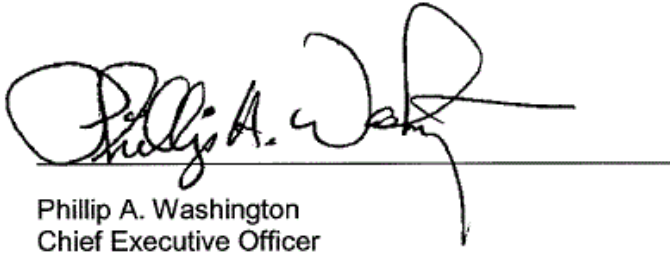
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