

**Board Report**

File #: 2020-0540, **File Type:** Motion / Motion Response

Agenda Number: 41.

**EXECUTIVE MANAGEMENT COMMITTEE
AUGUST 20, 2020**

**SUBJECT: RESPONSE TO BOARD MOTION REGARDING CEO CALL TO ACTION TO
CONTROL COSTS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the response to Board Motion Item 34.2 (Attachment A) at the May 28, 2020 Board Meeting (Directors Hahn, Garcetti, Butts, Solis) related to Cost Control Pertaining to COVID-19 Board Box.

ISSUE

On May 26, 2020 the Chief Executive Officer issued a Board Box report outlining his “CEO’s Call to Action to Control Costs” in response to financial shortfalls besetting the agency as a result of the COVID-19 pandemic (Attachment B). In this plan, all projects and programs were grouped into two buckets. Bucket 1 was defined as “Work to Continue” where existing funds would be prioritized for COVID-19 high priority tasks such as PPE and cleaning, bus and rail operations and maintenance, major infrastructure projects and projects under executed contracts, legally required payments as contractually obligated, ad federal and state regulatory required activities.

All other projects and programs not listed under Bucket 1 were considered to be part of Bucket 2, where they would be evaluated to be deferred three to six months with the objective of staying on the original Measure M schedule.

At the May 28, 2020 Board Meeting there was discussion involving ways to avoid a hard stop for the four Pillar Projects and ways that all projects could be advanced to bring them to shovel-ready status in accordance with Measure M schedules. The following motion was passed:

- A) Advance Bucket 2 projects towards shovel-ready, consistent with the Measure M expenditure plan, and within the parameters of the FY21 Budget Continuing Resolution;
- B) Report to the Executive Management Committee in August 2020 with an update on Metro’s project acceleration program, including how Metro will ensure projects will be able to compete for any federal infrastructure funding; and

- C) Projects listed in Bucket 2 shall be included in the proposed FY21 Budget to be presented to the Board in September. Any request for further deferral or recommendations on the acceleration of Bucket 2 projects will require justification as part of the Budget.

DISCUSSION

Status of Advancing Pillar Projects and Other Major Capital Projects to Shovel Readiness in accordance with Measure M schedules

The Bucket 2 list identified in the CEO's Call to Action includes all projects in the planning/pre-construction environmental phase including, among others, the following major capital rail projects:

- Pillar Projects
West Santa Ana Branch
Green Line to Torrance
Eastside Extension
Sepulveda Transit Corridor

- Other Rail
East San Fernando Valley LRT
Crenshaw Northern Extension
Centinela Grade Separation

- Other Projects
Vermont Transit Corridor
No-Ho to Pasadena BRT
North San Fernando Valley BRT
I-5 North Capacity Enhancements
LA River Path Central Gap
Orange Line BRT Improvements
Silver Line Electrification

In accordance with the Board Motion, staff have been working with the Office of Management and Budget on the allocation of reduced funding resources available to the Bucket 2 list of projects after the requirements for funding of the Bucket 1 list of essential projects have been met.

The FY21 Budget that is being prepared for presentation to the Board at its September meeting will include allocations for all of the Bucket 2 projects with a commitment to maintain work without hard stops by reprioritizing and proceeding with the most critical tasks during the initial 3-6 month period of anticipated maximum funding shortfalls in FY21, while allowing for acceleration of efforts following this period to minimize impacts to the overall project delivery and Measure M schedules. Funding reductions have had a short term impact of 3-6 months on project schedules, however, as stated above - prioritization of activities with available funding provided for Bucket 2 projects are being

directed toward completion of scheduled environmental clearances and overall revenue service goals.

Current schedules for the Pillar Projects as well as the East San Fernando Valley LRT Project will deliver environmental clearance in the period between FY21 and FY24 (Attachment C). This would provide the level of shovel readiness necessary to compete for state and federal stimulus and other funding sources. The FY21 Budget will keep these projects on this shovel-readiness schedule, subject to anticipated improvements in local revenue generation as we move out of the COVID period of financial constraint.

Anticipated key actions in the 3 to 6 month period of reduced FY21 budget spending regarding the above projects include:

- August 2020
Sepulveda Transit Corridor Environmental Contract Award
Sepulveda Transit Corridor Receipt of PDA proposals
Crenshaw Northern Extension Environmental Contract Award
- September 2020
Long Range Transportation Plan adoption
Arts District/6th Street Station Environmental Task Order
- October 2020
East San Fernando Valley LRT Final EIS/EIR Certification (*pending FTA approval*)

Update on Project Delivery Acceleration and Opportunities for Securing Federal Funds

Project delivery acceleration is contingent on several factors, mainly statutory, regulatory and financial, including anticipated revenue due to impacts of COVID-19 and our agency's overall financial capacity. Relevant to these factors are also project cost, readiness, and evaluation criteria that have an impact on our eligibility and competitiveness for securing funds from federal and state discretionary and formula grant programs. While some of these factors are beyond Metro's control, others depend on our agency's processes, procedures, and timely actions.

In accordance with Board direction we are working on several strategies that may accelerate project delivery and ensure competing for any federal or other infrastructure recovery funding, including: i) state and federal environmental streamlining; ii) public-private partnerships; iii) engagement with the Federal Transit Administration (FTA) and other grantor agencies focused on positioning our projects for funding from existing and proposed competitive grant programs; iv) regulatory and statutory changes through state and federal legislation; v) assessment of projects eligibility and competitiveness for FTA's Capital Investment Grants (CIG) and Expedited Project Delivery (EPD) programs; and vi) identification of funding opportunities and constraints through the analysis of proposed legislation, including supplemental/emergency funding for transportation projects and programs to support economic recovery from the impacts of COVID-19 and multi-year reauthorization of the Fixing America's Surface Transportation (FAST) Act. The following sections summarize our efforts on several of these key strategies.

State and Federal Environmental Streamlining

The State Legislature is currently considering two bills that would modify the California Environmental Quality Act (CEQA) and could help our projects. SB 757 (Allen) would establish a limited timeframe in which a CEQA lawsuit relating to transit projects would need to be resolved by the courts. This bill is sponsored by Metro and as of the writing of this report is still being negotiated with the committee. The bill would apply to only large projects such as Metro's Pillar Projects and would result in significant savings in legal costs. SB 288 (Weiner) would exempt larger active transportation projects, bus rapid transit projects, limited transit improvements and certain high occupancy toll projects from CEQA. This bill would result in significant time and cost savings to many of Metro's projects which are currently required to complete a full Environmental Impact Report.

Identification of Funding Opportunities and Constraints

As directed by our Chief Executive Officer and consistent with our Board-approved federal and state legislative agendas, our agency has been aggressively engaged in identifying additional sources of funding for our projects. Working closely with the Los Angeles County Congressional Delegation, Metro was able to ensure that the CARES Act delivered much-needed and substantial funding to assist our agency during the COVID-19 pandemic. Likewise, we have and are continuing to work closely with both the House and Senate to ensure that an expected new COVID-19 relief package delivers adequate funds to our agency -- over and above the amount of funding provided to our agency through the CARES Act.

As noted in the Board Motion 34.2, "Congress may consider an ambitious infrastructure package to stimulate and uplift the economy and help address the unprecedented unemployment level". Consistent with this reference to an "ambitious infrastructure package", Metro has been at the forefront nationally in advocating for a major infrastructure package and actively worked with the Chairman of the House Committee on Transportation and Infrastructure to ensure that policies favorable to our agency were embedded in H.R. 2 - the INVEST in America Act. A few highlights in the INVEST in America Act that reflect Metro's Rebuilding America Initiative include the return of the Projects of National and Regional Significance (PNRS) grant program - authorized at \$9 billion for goods movement and transit projects, the return of the successful Local Hire Pilot Program, reforms to Buy America that will incentivize domestic manufacturing of buses and railcars, streamlining reforms and a doubling of funding for the CIG Program (which funds New Starts projects, among other types of projects), a five-fold increase in investments for zero-emission bus programs, positive provisions regarding workforce development programs, and many other policy reforms and provisions that will benefit our agency. Should the INVEST in America Act be adopted into law, it would increase the flow of federal funds to our agency - both formula and discretionary funds - by hundreds of millions of dollars annually.

While the prospect of Congress adopting the INVEST in America Act is far from certain, Metro has -- in a parallel effort -- successfully worked with both House and Senate appropriators to ensure that the FY21 transportation spending bill includes roughly \$300 million for our New Starts Purple Line Westside Extension projects.

The State Legislature is also considering various economic stimulus proposals. These proposals largely rely on borrowing of future funds and therefore create no new revenues. These proposals are not expected to advance during the last month of the 2020 Legislative Session but may receive further consideration if the Legislature convenes in a Special Session later this year.

Staff is also developing an agency-wide survey of projects, with input from all Metro departments, to assess funding opportunities and constraints from the proposed federal and state legislation should they become law. Staff is targeting a presentation to the Board in September on the results of this survey along with a detailed update on the prospective federal funding opportunities.

Regulatory and Statutory Changes

Staff is actively working with national transit partners including the Capital Investment Grants Working Group, which comprises existing and potential CIG/EPD project sponsors and representatives of major consulting firms from the private sector, to support regulatory and statutory changes to better position Metro projects for federal funding. This includes the development of a “*Surface Transportation Reauthorization Paper*” that was submitted to Congress for consideration. This document supports the reauthorization of the CIG/EPD programs in the next surface transportation authorization bill and advocates for legislative and regulatory changes that benefit Metro’s strategy for securing CIG/EPD funds for Metro’s Pillar Projects and other potential projects (such as bus rapid transit), including streamlining the project application and selection process, increasing the funding authorized and appropriated for the programs, and increasing the CIG/EPD and overall federal funding share.

CIG/EPD Project Eligibility and Competitiveness Assessment

Staff is currently assessing the eligibility and competitiveness of the Pillar Projects and other Metro projects for grants from the CIG and/or EPD programs by following the FTA’s justification criteria, estimating each project’s rating, and evaluating how well each project may compete with other projects that have already been submitted to the FTA requesting for funding. This assessment takes into consideration project readiness and local financial commitment for each project, as well as our agency’s assumed financial capacity. As part of this assessment staff is synthesizing the status of projects and timelines for completing the planning process, including selection of the locally preferred alternative and completion of the environmental process, to develop a timeline and strategy for the Board to authorize staff to engage FTA and start the CIG/EPD grant application process for the project(s) it approves. This strategy is targeted for presentation to the Board in September.

NEXT STEPS

Staff will continue to refine the scopes of service for technical and outreach services in accordance with the FY21 Budget, as it is approved by the Board at its September 2020 meeting. Work shall be prioritized in accordance with Measure M schedules for environmental clearance and shovel readiness and staff will report back to the Board on its ongoing efforts to advanced shovel-ready projects into construction. We will continue to pursue additional funding to support timely delivery of these projects in accordance with the Measure M schedules and timelines. We will also present the outcome of our CIG/EPD Project Eligibility and Competitiveness Assessment to the Board at its

September 2020 meeting and seek approval of the funding strategy and authorization to engage the FTA to secure CIG/EPD grants and other federal and state funds.

ATTACHMENTS

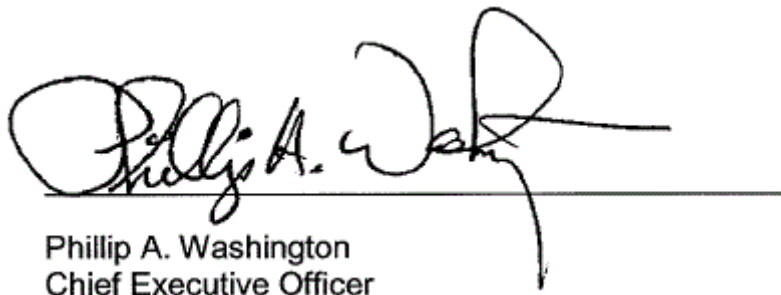
Attachment A - Metro Board Motion Item 34.2 (Legistar File 2020-0391)

Attachment B - Metro Board Box; CEO's Call to Action to Control Costs

Attachment C - Pillar Projects and ESFV Schedules

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