



Board Report

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Agenda Number: 15.

PLANNING AND PROGRAMMING COMMITTEE  
SEPTEMBER 20, 2023

**SUBJECT: MEASURE M 3% LOCAL CONTRIBUTION GUIDELINES REVISIONS**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

ADOPT revised Measure M Guidelines, Section VIII - 3% Local Contribution to Major Transit Projects (Attachment A).

**ISSUE**

In June 2023, the Board directed staff to release the draft revised Measure M Guidelines, Section VIII - 3% Local Contribution to Major Transit Projects (Guidelines) for a 30-day public comment period. As a result of completion of the public comment period, the revised guidelines are ready for adoption by the Board.

**BACKGROUND**

The Measure M Ordinance (Ordinance) requires local jurisdictions to pay three percent (3%) of the total cost of new major rail projects. The Measure M Guidelines adopted by the Board in 2017 guide Metro’s implementation of this requirement. In April 2022, the Board requested that staff make several revisions to the Guidelines for consistency and flexibility. The Board adopted these revisions in February 2023 and directed Metro via Motion 10.1 by Directors Hahn, Dutra, Butts, and Sandoval (Attachment B) to make several additional revisions and clarifications. Staff presented the draft revisions to the Board in June 2023 and has circulated them for public comment.

**DISCUSSION**

Measure M Guideline Revisions

The current revisions make a substantive change to allow Metro competitive grant funds (e.g. Metro Active Transport, Transit, and First/Last Mile (MAT)) to be credited toward a jurisdiction’s 3% local contribution. These types of funds were previously ineligible as a local contributions source. The additional flexibility may benefit some jurisdictions that are able to secure competitive funds for in-kind or FLM improvements supporting a major rail project.

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All other revisions are clarifications of existing practice and were discussed in detail prior to the public comment period . These include: clarifying that a jurisdiction without a contribution obligation may credit qualifying in-kind/FLM investments toward a neighboring jurisdiction's local contribution; clarifying that projects or elements added after 30% design would not impact the current project segment's local contribution; and clarifying that in-kind contributions are allowed even if they were constructed prior to 30% design.

Metro released the draft Guideline revisions for public review on June 23, 2023, and advertised the public comment opportunity via mass email and an article in The Source. Six comment letters were received, five of them addressing the Measure M Guidelines revisions. One letter discussed other matters and Metro addressed them separately. The comments and responses have been summarized in Attachment C. Some comments requested changes to the Guidelines or Metro policy that are not acceptable. A request to eliminate the up-to-15-year sales tax withholding, for example, is inconsistent with the Measure M Ordinance. Others suggested adding discussion on information available elsewhere or on case-specific items not appropriate for a guideline document. None of the comments resulted in changes to the Guidelines, but Metro remains committed to collaborating with jurisdictions to develop feasible approaches to satisfying the local contribution.

### Regionally Significant Project Elements

Directive C in Motion 10.1 requested that staff “evaluate a way to exclude the costs associated with regionally significant project elements - such as a new I-105 C Line station on the C Line (Green) or a Maintenance and Storage Facility (MSF) on the Gold Line Eastside Phase 2 - from the total project's cost's 3% local contribution calculation.” Metro's evaluation found that excluding the costs of these facilities from the 3% contribution cost basis was not financially advisable. However, since part of the cost for these facilities is related to other capital projects or existing rail lines, the full cost should not necessarily be allocated to the corridor project facilitating their construction. Instead, Metro will allocate part of the cost of these facilities to the other projects or rail lines that they serve.

In a recent example, costs for the Southwestern Yard were sub-allocated to various projects and operations based on the proportion of vehicles required for the specific project/operation out of the number of vehicles for which the yard was designed. This resulted in 49% of the cost of the yard being allocated to the Crenshaw/LAX Project (K Line) budget. The remaining costs were allocated to future projects (23%) and existing operations (13%), or were unallocated (16%). The Airport Metro Connector Project, for example, assumed 7% of the yard cost and included \$20M in the project budget accordingly. As Metro develops cost estimates for the other projects their share of the Southwestern Yard cost should also be included in the corridor life of project budget. Consistent with past practice, Metro may reevaluate the cost allocations as relevant project scopes are refined.

For the MSF on the future E Line Eastside Extension Phase II Project, Metro will determine the number of vehicles needed for the initial operable segment and will allocate part of the MSF cost to the project based on the proportion of vehicles required out of the number of vehicles for which the yard is designed. The remainder of the cost will be allocated to future projects, such as the Eastside Extension to Whittier, or existing operations. Metro will present these cost allocations for Board consideration when the facility design process reaches 30% completion.

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For the I-105 C Line infill station, Metro will estimate the cost of accommodating and constructing the new station on the existing C Line. This could include, as needed, utility relocations, temporary trackwork, platforms, special track, station access, etc. The share of these costs benefiting other rail lines would be identified and the 3% contribution for the jurisdictions along the West Santa Ana Branch Corridor would be reduced accordingly. At this time no funding for the infill station as a separate project has been identified.

This approach is intended to accurately calculate the share that local jurisdictions should contribute toward major rail projects by excluding elements that can be attributed to other parts of the Metro system. It focuses on Metro project elements and would not include jurisdiction-led improvements that may receive in-kind credit toward a 3% contribution. Such improvements would still be included in the total project cost at 30% design, which is the basis for the 3% contribution.

### **DETERMINATION OF SAFETY IMPACT**

The proposed approval will not have any adverse safety impacts on employees or patrons.

### **FINANCIAL IMPACT**

Approving the recommendations will have no impact on the FY 2023-24 Budget. However, the additional flexibility the revised Guidelines offer may increase the funding gap for rail capital projects.

### **EQUITY PLATFORM**

The substantive changes resulting from this action include expanding eligible funding sources to include Metro competitive grant funds. This will provide additional flexibility to jurisdictions owing a 3% contribution, including those within Equity Focus Communities (EFCs), which is intended to support jurisdictions with fewer financial resources. The remainder of the revisions to the Guidelines clarify existing practices and enhance consistency of current policy with the Measure M Ordinance, and therefore have no impact on equity opportunities. The 3% local contribution is one of the financial resources supporting Metro's major rail transit projects program in the Measure M Expenditure Plan.

These projects will benefit communities by adding new high-quality reliable transit services, many of which will increase mobility, connectivity, and access to opportunities for historically underserved and transit-dependent communities. Metro will continue to conduct outreach and provide technical assistance on the 3% contribution requirement to affected jurisdictions, including assisting with identifying viable financing strategies.

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

The recommendation supports the following strategic plan goals identified in Vision 2028: Goal 1: Provide high-quality mobility options that enable people to spend less time traveling, Goal 3: Enhance communities and lives through mobility and access to opportunity and Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **ALTERNATIVES CONSIDERED**

The Board could elect not to adopt the final revised Guidelines. This is not recommended as the proposed revisions resulted from Board direction and will ensure consistency between Metro's published guidance and the Measure M Ordinance.

### **NEXT STEPS**

The final revised Guidelines will be posted on the Metro website, and Metro staff will continue working closely with cities and the county to implement the 3% contribution requirement, including focused outreach to present the Guideline revisions.

### **ATTACHMENTS**

Attachment A - Measure M 3% Local Contribution Guidelines Final Revisions

Attachment B - Motion 10.1

Attachment C - Summary of Public Comments Received


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