



Board Report

File #: 2024-0407, File Type: Program

Agenda Number: 26.

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST AND I-605/VALLEY BOULEVARD INTERCHANGE IMPROVEMENTS PROJECTS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING AND DELEGATING authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements and amendments to enter into a direct loan for a not to exceed disbursement amount of \$160,950,000 to be repaid with interest between the Los Angeles County Metropolitan Transportation Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG) to fund the Alameda Corridor-East (ACE) Project and the I-605/Valley Boulevard Interchange Improvements (I-605/Valley) Project (the Projects). This direct loan advances partial funding on future anticipated, available funding from the Measure M Multiyear Subregional Programs (MSP) for the Projects. This direct loan will replace the \$61.1 million direct loan approved at the August 2022 meeting; and
- B. AUTHORIZING the CEO to amend the FY25 Budget by \$31,310,000 to accommodate the cashflow requirements of FY25 for the estimated first-year annual not-to-exceed advance of the direct-loan.

ISSUE

The SGVCOG is seeking to fund the Projects, which include the final five rail-roadway crossings along the ACE Trade Corridor (identified as part of the ACE Phase II Program) and the I-605/Valley Project. Metro has prioritized I-605/Valley out of the other I-605 Hot Spots Program by leading the design phase of work and securing a \$33.57 million Trade Corridor Enhancement Program (TCEP) award to support construction. Cost increases associated with coordinating improvements and construction safety parameters with the Union Pacific Railroad, the increasing cost of labor and materials, and a challenging project bidding environment have created a potential funding shortfall that could jeopardize the timely use of state grant funding awarded by the CTC. The SGVCOG must supplement local match funds to avoid relinquishing the state grant funding.

BACKGROUND

The SGVCOG established the ACE Construction Authority in 1998 to provide direction and oversight of the ACE Project, which includes a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic on over 70 miles of mainline railroad in the San Gabriel Valley of Los Angeles County. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

In May 2019, the Metro Board of Directors approved San Gabriel Valley Subregion's first Measure M MSP Five-Year Plan and programmed funds in: 1) Active Transportation Program; 2) Bus System Improvement Program; 3) First/Last Mile and Complete Streets; and 4) Highway Efficiency Program (this was an "inter-program borrowing" from the Highway Demand Based Prog.). Measure M MSPs are included in the Measure M Expenditure Plan. All MSP funds are limited to capital projects. The annual update approves additional eligible projects for funding and allows the San Gabriel Valley subregion and implementing agencies to revise the scope of work and schedule.

In December 2021, the Metro Board approved Motion 44 by Directors Solis, Hahn, Barger, Sandoval, and Butts regarding various ACE Projects (Attachment A).

At its August 2022 meeting, the Metro Board approved a direct loan to be repaid with interest for an estimated disbursement amount of \$61.1 million to partially fund one of the ACE Projects, the Montebello Corridor Project. SGVCOG is seeking to fund the remaining ACE Projects and the I-605/Valley Project by increasing the original approved amount from \$61.1 million to \$160.9 million and expanding the use of the loan proceeds to the Projects.

Of primary importance is to address the SGVCOG's need to resolve the funding shortfalls and to ensure that key state grant funding is not relinquished for both the ACE Project and the I-605/Valley Project. The SGVCOG has provided a letter (Attachment B) detailing the request for this direct loan, indicating that without an adequate local match, the funds may lapse or their use may be delayed until match funding is secured. The loan agreement will ensure that state funds can be applied in a timely manner and put to full use.

DISCUSSION

At this time, staff recommend developing a funding plan that includes a local match funding agreement between the SGVCOG and Metro. The SGVCOG will repay the advance by making payments of principal plus interest as outlined in the funding agreement. The funding plan will be structured with advances in a not-to exceed annual amount beginning in Fiscal Year (FY) 2025 and ending in FY 2029 based on cashflow provided by SGVCOG. Any unutilized NTE annual advance amounts will roll into the following Fiscal Year(s) and be available for advance up to the total loan amount. Repayment is scheduled to begin in FY 2029, ending when Metro has been paid in full (currently estimated to occur in FY2048). Metro retains approval power over Measure M MSP allocations to the SGVCOG from which the loan will be repaid. The exact terms and conditions of the funding agreement will be negotiated and approved by Metro's CEO or their designee.

Repayment Provisions of the Local Match Funding Agreement

The loan agreement is payable from Measure M MSP funds that Metro allocates to the SGVCOG, net of any amounts previously programmed by Metro for other identified uses that are included in a funding agreement between Metro and SGVCOG (for the purposes of the loan agreement, “programmed” means the allocation of MSP funds for specified and mutually agreed upon uses).

Metro will identify the amount of MSP available to the SGVCOG in October of each year, in accordance with the Measure M Guidelines. The amount of MSP allocated to the SGVCOG will include a rolling five (5) year period beginning with the then current fiscal year, less all amounts previously programmed to the SGVCOG. The amount of allocated MSP in the final year of the five (5) year period will not include any deductions for previously programmed funds as this fiscal year has heretofore not been available to the SGVCOG and will be reduced by the amount of loan debt service that is payable in this fiscal year. Debt repayment is expected to commence after all draws on the loan are made (but not earlier than FY 2029). In the event the amount of final year MSP funding is insufficient for loan debt service payable in this fiscal year, all previously allocated but unprogrammed MSP funds will be reduced by the amount needed to fully pay the loan debt service due in the fiscal year. Metro will use the reduced or deducted amount of MSP funds to meet the loan debt service payments.

The MSP funds are comprised of eight (8) separate programs that are designated for specified purposes. The loan is payable from the Highway Efficiency and Goods Movement (Improvement & RR Xing Elim.) MSPs are included in the Measure M Ordinance. The Measure M Ordinance restricts the use on construction of the Highway Efficiency Program and Goods Movement (Improvement & RR Xing Elim.) prior to fiscal year 2048; therefore, the amount of loan debt service paid from the MSP funds will be exchanged (i.e., and inter-program borrowing) with the following MSP that are allocated to the SGVCOG in fiscal years 2018 through 2048: i) Bus System Improvement Program, ii) Subregional Equity Program, and iii) Highway Demand Based Program. The amount allocated to the SGVCOG for each MSP that is available for construction in fiscal years 2018 through 2057, excluding the Subregional Equity Program, is equal to 1% of the total for the first ten years and 3% of the total, adjusted for inflation, in the subsequent thirty years.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro’s patrons or employees.

FINANCIAL IMPACT

Impact to Budget

Upon Board approval, first-year annual funding for the direct loan will be amended into the FY25 budget. Since this is a multi-year loan, the Countywide Planning & Development staff will be responsible for budgeting in future years based on the terms of the executed direct loan.

The source of funds for the direct loan will be Measure M 17% Highway Construction and will be established under project number 475505 (MM MSP- Highway Efficiency Program) in cost center 0441. The increase to the budget will be allocated to the project number based on the expected

usage of the loan proceeds by the SGVCOG for the Projects.

EQUITY PLATFORM

Approval to develop a funding plan for the Projects that includes a local match financial contribution will ensure the SGVCOG avoids relinquishing the state grant funding and will facilitate the completion of the Projects in Equity Focus Communities (EFCs) within and adjacent to the project area.

The Projects enhance safety for vulnerable roadway users by incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

Mobility benefits include:

- Fullerton project would cut vehicle delays by 50.4 hours daily and handle 25,315 vehicles by 2025,
- Montebello project addresses 10 recorded collisions and 3 fatalities,
- Pomona project targets 32 collisions resulting in 19 fatalities and 10 injuries,
- Fairway project would reduce vehicle delays by 27.6 hours daily and has recorded 17 collisions including 3 fatalities, and
- Turnbull Canyon Road Grade Separation project, ranked the 30th most crash-prone in Los Angeles County, aims to reduce 132 collisions recorded since 2010 and enhance emergency response times.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (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 the Projects are subject to loss of \$190.5 million previously approved state funds.

NEXT STEPS

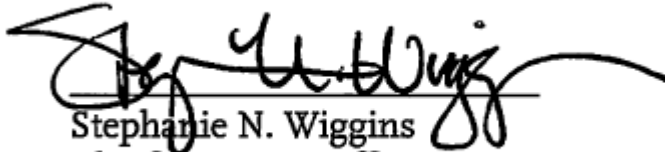
Upon Board approval, staff will finalized negotiations and execute the loan agreement.

ATTACHMENTS

Attachment A - Motion 44
Attachment B - SGVCOG Request Letter

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