



Board Report

File #: 2015-1388, **File Type:** Program

Agenda Number: 28.

**PLANNING AND PROGRAMMING COMMITTEE
OCTOBER 14, 2015**

SUBJECT: CAP-AND-TRADE LOW CARBON TRANSIT OPERATIONS PROGRAM

**ACTION: APPROVE CANDIDATE LOW CARBON TRANSIT OPERATIONS PROGRAM
RESOLUTION**

RECOMMENDATION

PLANNING AND PROGRAMMING COMMITTEE RECOMMENDED (4-0) approving the Resolution in Attachment A which:

- A. AUTHORIZES the Chief Executive Officer (CEO) or his designee to claim up to \$28 million in **FY 2015-16 the Low Carbon Transit Operations Program (LCTOP) funds from California's Cap-and-Trade Program's Greenhouse Gas Reduction Fund**, including \$24 million in funding appropriated to Metro and up to \$4 million in funding appropriations to any other Los Angeles County eligible recipients which may opt not to claim their appropriation;
- B. IDENTIFIES the projects for which LCTOP funds are to be claimed; and
- C. AUTHORIZES the Chief Executive Officer (CEO) or his designee, as an eligible fund recipient, to execute all required documents of the LCTOP and any amendments thereto with the California Department of Transportation and to execute the attached Authorized Agent form (Attachment B) and the attached Certification and Assurances document (Attachment C).

ISSUE

The California Department of Transportation (Caltrans) issued interim guidelines for the LCTOP program in August 2015. Claims for fiscal year (FY) 2015-16 LCTOP funds are due to Caltrans by November 1, 2015 and are required to include certified authorizing Board Resolutions. Staff is seeking Board approval to submit a claim for identified candidate projects considered as the best suited for this program in terms of eligibility, consistency with the overall goals of the Cap-and-Trade and LCTOP programs, and alignment with Metro's Board-adopted priorities. All LCTOP funds must be applied to a project within two years, and expended within the subsequent two years

DISCUSSION

Board Item #15 from the March 2015 Board meeting, authorized the claim of FY 2014-15 LCTOP

funds, and \$5,897,391 was successfully awarded for Gold Line Foothill Extension Phase 2A Operations. The Resolution approved by the Board in March 2015 identified several projects as candidate recipients of the FY 2014-15 funds as described in Attachment D. Staff recommends continued consideration of two of those selected projects for this year's LCTOP fund application to Caltrans as there is ongoing opportunity to fund these projects. These projects include the Gold Line Foothill Extension Phase 2A Operations and the Expo Light Rail Line Phase 2 Operations.

The LCTOP was created by California Senate Bill 862 to provide funding, on a formula basis, for operational or capital expansion projects to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. The grant funds are derived from California's Cap-and-Trade Program and are the result of quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill AB 32. Auction proceeds, known as the Greenhouse Gas Reduction Fund (Fund), are then reinvested in various projects to further reduce emissions. In FY 2014-15, \$25 million was appropriated to LCTOP, one of 11 such programs, from the Fund. The estimate for FY 2015-16 is anticipated to be \$100 million, and it is assumed the available funds will continue to increase over the next few years, providing substantial opportunities to expand transit services and reduce greenhouse gas emissions.

LCTOP Guidelines

The guidelines state that the LCTOP is to fund operating and capital projects that will reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Transit agencies receiving funds from the LCTOP shall submit expenditure proposals listing projects that meet all of the following criteria:

- Support new or expanded bus or rail services, or expanded intermodal transit facilities,
- Enhance or expand transit service to increase mode share,
- Reduce greenhouse gas emissions, and
- For agencies whose service areas include disadvantaged communities (DAC), 50 percent of total funds received shall be expended on projects or services that benefit the DAC.

Project Eligibility Criteria

Expenditures eligible for funding under LCTOP are those that support new or expanded bus or rail services, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance, and other costs to operate those services or facilities. This could include purchase and replacement of vehicles, connections to active transportation, and reduced-fare transit passes. Project leads may continue these operating costs in the next years of LCTOP funding. All projects must be consistent with the project lead's most recently adopted short-range transit plan, regional plan, or publicly-adopted plan. For project leads in a Metropolitan Planning Organization area, projects must also be consistent with the Sustainable Communities Strategy. Additionally, capital projects must have a useful life not less than that typically required for capital assets pursuant to State General Obligation Law, with buses or rail rolling stock considered to have a useful life of two or more years. The LCTOP specifically requires documentation that each proposed project will achieve

a reduction in greenhouse gas emissions.

Another significant goal of the LCTOP is to maximize benefits to disadvantaged communities (DAC), requiring that transit agencies whose service areas include one or more DACs expend at least 50% of total funds received on projects that provide direct, meaningful, and assured benefit to DACs. The California Environmental Protection Agency (CalEPA) has used an environmental health screening tool to delineate DACs through a calculation based on environmental (especially air quality), socio-economic, and public health factors. DACs, as defined, are disproportionately located in both Los Angeles County and the Central Valley, and notably less prevalent in other major metropolitan areas. In service areas delineated as DAC on the CalEPA tool, projects will be determined to provide direct, meaningful, and assured benefit to DAC if:

- For low carbon transportation projects, there is a reduction in air pollution for DAC residents; and
- For transit projects, there is a reduction in air pollution for DAC residents or increased or improved access to transit service along transit lines or corridors that have stations or stops in a DAC.

Eligible LCTOP Recipients in Los Angeles County

The LCTOP distributes funding to operators according to State Transit Assistance legal codes to regional transportation planning agencies and transit operators. In Los Angeles County there are 17 eligible recipient agencies, including Metro. Any of these eligible recipients may assume the role of project lead, and any may assume a Contributing Sponsor role. The project lead is responsible for application for funds and implementation of a project, while a Contributing Sponsor may pass funds to the project lead to support a project. In the FY 2014-15 cycle, several eligible recipients assumed the role of Contributing Sponsors supporting Metro as project lead, enabling Metro to apply more funds to the Gold Line Foothill Extension Phase 2A Operations.

Staff intends to solicit Contributing Sponsor assistance again for this cycle of funding, which requires us to poll all 16 other recipient agencies as to their intent. The LCTOP Guidelines requires identification of the Contributing Sponsors in our Board's Resolution approving the project and application for LCTOP funds. Metro's allocation request form and expenditure proposal is due to Caltrans by November 1, 2015, and a second Board Resolution will be required that includes the amount of LCTOP funds requested, a description of the project, and the names of Contributing Sponsors.

Metro-specific Considerations in Selecting LCTOP Projects

The December 2014 Metro Board report on FY 2015-16 Budget Development highlighted the need to identify a combination of \$1.4 billion in revenue enhancements, tradeoffs, and other solutions to address funding commitments made following the adoption of the Short Range Transportation Plan. Staff developed the FY 2014-15 LCTOP funding recommendations with an eye toward LCTOP-eligible projects targeted to improve the balance between Metro's financial commitments and funding

availability and has continued this focus on the FY 2015-16 LCTOP funding recommendations.

DETERMINATION OF SAFETY IMPACT

The requested actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

Adoption of the LCTOP resolution and authorization of the CEO to execute the required documents to claim LCTOP would have a positive impact of up to \$24 million to the agency, as the funds would be used to support the operation of Metro Rail service.

Impact to Budget

Claiming LCTOP funds will have a positive impact on the FY 2016 budget, as LCTOP funds will be disbursed to Metro by March 1, 2016.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the candidate projects described in Attachment D and instead chose other projects. Staff does not recommend this alternative as the recommended projects meet the greenhouse gas reduction and disadvantaged community benefit goals of the LCTOP program, the evaluation criteria in the guidelines, and were selected with Metro's financial requirements and Board-adopted priorities in mind.

The Board could elect to not request LCTOP funds in the current fiscal year, and instead hold these over to accrue enough funds for a more substantial project. However, all funds must be applied to a project within two years, and expended within the subsequent two years. Staff does not recommend holding over the funds, as they can be utilized within the immediate time frame.

NEXT STEPS

- November 1, 2015: The expenditure proposal will be submitted to Caltrans. Staff will request signed letters from Contributing Sponsors to be included in the expenditure proposal and identified in the project Board Resolution.
- February 1, 2016: Caltrans and the California Air Resources Board will finalize a list of approved projects and submit the list to the State Controller's Office (SCO).
- March 1, 2016: SCO will remit the approved funds to Metro.

ATTACHMENTS

Attachment A - Certifying Resolution

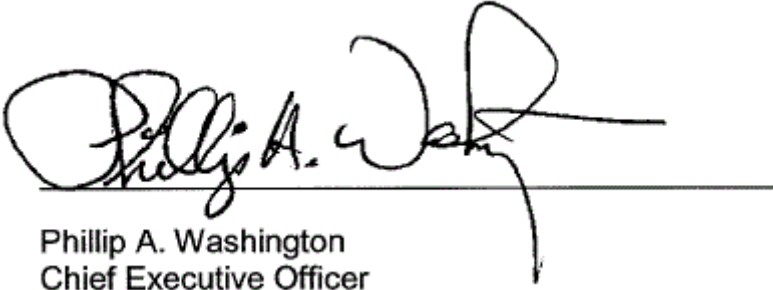
Attachment B - Authorized Agent Form

Attachment C - Certification and Assurances Document

Attachment D - Projects Identified for LCTOP Funding - Descriptions
Attachment E - Disadvantaged Communities Map

Prepared by: Kathleen Sanchez, Regional Programming Manager (213) 922-2421
Wil Ridder, Executive Officer, (213) 922-2887

Reviewed by: Martha Welborne, FAIA, Chief Planning Officer, (213) 922-7267



Phillip A. Washington
Chief Executive Officer