

**Board Report**

File #: 2016-0987, **File Type:** Resolution

Agenda Number: 6.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
PLANNING AND PROGRAMMING COMMITTEE
MARCH 15, 2017**

SUBJECT: CAP-AND-TRADE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)

ACTION: APPROVE RESOLUTION FOR FISCAL YEAR 2016-17 LCTOP GRANT FUNDING

RECOMMENDATION

APPROVE the Resolution in Attachment A to:

- A. AUTHORIZE the Chief Executive Officer (CEO) or his designee to **claim \$7,750,898 in fiscal year (FY) 2016-17 LCTOP grant funds for one year of Gold Line Foothill Extension Phase 2A operations and one year of Expo Line Phase 2 operations**; and
- B. CERTIFY that Metro will comply with LCTOP Certification and Assurances and the Authorized Agent requirements, and authorize the CEO or his designee to execute all required documents and any amendments with the California Department of Transportation.

ISSUE

The California Department of Transportation (Caltrans) issued the FY 2016-17 guidelines for the LCTOP in December 2016. Agency claims for FY16-17 LCTOP grant funds are due to Caltrans on March 1, 2017. The grant package must include an adopted Board resolution that provides project information, and certifies that Metro will comply will all conditions and requirements set forth in the certifications and assurances, and authorized agent documents. Therefore, staff is seeking Board approval to submit the resolution contained in Attachment A.

DISCUSSION

Each year the State makes LCTOP grant funds available through the California Air Resource Board's Cap-and-Trade Program. In February, the State Controller's Office notified eligible agencies of FY 2016-17 fund allocation amounts, including \$7,750,898 apportioned to Metro. To claim the grant award, Metro must prepare a request describing the proposed transit expenditures that will be funded using the LCTOP allocation. The grant application package must include a Board resolution that: 1) authorizes the CEO or his designee to claim \$7,750,898 million in FY 2016-17 LCTOP funds; 2) identifies the projects to be funded with the LCTOP funds; and 3) authorizes the CEO or his designee to execute and amend all required LCTOP documents with Caltrans including the Certifications and

Assurances and Authorized Agent forms. As in FY 2015-16, staff is proposing to fund the operations of the Gold Line Foothill Extension Phase 2A and Expo Line Phase 2.

LCTOP Program Funding

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 AB32. Auction proceeds, known as the Greenhouse Gas Reduction Funds (Fund), are to be reinvested in various projects to further reduce emissions. In FY 2016 -17, \$34 million has been allocated to LCTOP statewide, one of 11 such programs, from the Fund.

Transit agencies receiving funds from the LCTOP shall submit expenditure proposals listing projects that meet any of the following criteria:

- Expenditures that directly enhance or expand transit service by supporting new or expanded bus or rail services, new or expanded water-borne transit or expanded intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities,
- Operational expenditures that increase transit mode share,
- Expenditures related to the purchase of zero-emission buses, including electric buses and the installation of the necessary equipment and infrastructure to operate and support zero emissions buses, and
- For agencies whose service area includes a Disadvantaged Community as identified in Section 39711 of the Health and Safety Code, 50% of total funds received shall be expended on projects or services that benefit the DAC.

Project Eligibility Criteria

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 LCTOP is to maximize benefits to Disadvantaged Communities, requiring that transit agencies whose service areas include one or more such communities expend at least 50% of total funds received on projects that provide direct, meaningful, and assured benefit to them.

The California Environmental Protection Agency (CalEPA) has used an environmental health screening tool to delineate Disadvantaged Communities through a calculation based on environmental (especially air quality), socio-economic, and public health factors. Disadvantaged Communities, as defined, are disproportionately located in both Los Angeles County and the Central Valley, and notably less prevalent in other major metropolitan areas.

Metro-specific Considerations in Selecting LCTOP Projects

Staff developed the FY 2015-16 LCTOP funding recommendation 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 2016-17 LCTOP funding recommendation. As stated above, operations of new or expanded rail and bus services that reduce greenhouse gas emissions and provide benefits to disadvantaged communities are eligible for this fund source. Only the first few years of new service operations are eligible to be funded with LCTOP grants because the program goal is to help initiate new service. Therefore staff is recommending using this grant to partially fund another year's operation of Expo Phase 2 and Gold Line Foothill Extension services because these projects best meet the grant eligibility criteria at this point in time. In addition, programming the State grant funds to offset the cost of rail operations allows Metro to free up equal amounts of local funds for other projects.

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 funds would positively impact the agency's budget by making \$7,750,898 available to support the operation of Metro Rail service.

Impact to Budget

Claiming LCTOP funds will have a positive impact on the FY 2017 budget, as LCTOP funds will be disbursed to Metro in June 2017.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the resolution in Attachment A. Staff does not recommend this alternative because it would risk loss of Metro's FY 2016-17 LCTOP fund allocation amount.

NEXT STEPS

- March 30, 2017: Metro submits allocation request to Caltrans.
- June 1, 2017: Caltrans and ARB approve list of projects and submit

to State Controller's Office

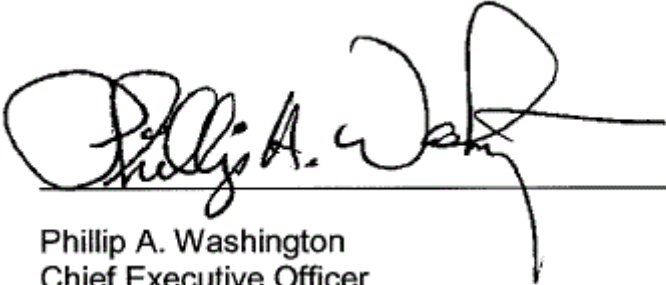
- June 30, 2017: State Controller's Office will release approved project amounts to recipients

ATTACHMENTS

Attachment A - Resolution to Execute LCTOP Projects, Certifications and Assurances and, Authorized Agent Forms

Prepared by: Vince Lorenzo, Sr. Mgr., Transportation Planning, (213) 922-4320
Cosette Stark, DEO, Countywide Planning & Development, (213) 922-2822

Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



Phillip A. Washington
Chief Executive Officer