



Board Report

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Agenda Number: 39.

REVISED
CONSTRUCTION COMMITTEE
JUNE 15, 2017

SUBJECT: Foothill Gold Line Extension Phase 2B

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING a Life of Project Budget for the Foothill Gold Line Extension Phase 2B Light Rail Project in the amount of \$1,406,870,758.
- B. AUTHORIZING the Chief Executive Officer to enter into a Project Funding Agreement (Attachment A) with the Foothill Gold Line Extension Construction Authority including provisions to apply for \$249.2 million in Transit and Intercity Rail Capital Program funds as a Metro priority.
- C. AUTHORIZING the Chief Executive Officer to enter into a Master Cooperative Agreement (Attachment B) with the Gold Line Foothill Extension Construction Authority.

ISSUE

Foothill Gold Line Extension Phase 2B has advanced Preliminary Engineering based on their Certified Final Environmental Impact Report for the 12.3 mile alignment from Glendora to Claremont. The Project includes stations and parking facilities in each of the six cities along the alignment and shares right of way with Southern California Regional Rail Authority (Metrolink) and the Burlington Northern Santa Fe (BNSF) freight line.

The original cost estimates identified in the Measure M expenditure plan for this project were completed based on the environmental document and preliminary planning concepts. As preliminary engineering has advanced, the project alignment, station and parking facilities, grade crossing improvements as well as adjusting track alignments associated with the freight and Metrolink lines have added scope and schedule to the project.

Award of the first of two Design-Build Contracts for advanced utility relocation for the Project is scheduled to be released in October - November 2017 with the primary Mainline Design-Build Contract for the Project scheduled to be released about a year later in December 2018. In order for the Design-Build Contracts to be awarded and the Project to proceed, establishment and authorization of a Life of Project Budget, a Funding Agreement and a Master Cooperative Agreement are critical.

A detailed Funding Agreement and a Master Cooperative Agreement define the roles, responsibilities and processes that are needed for Metro to fund the project and work productively with the Construction Authority. These Agreements set the foundation for identifying and implementing a detailed budget and means of disbursement, tracking and management of the funds, safety and quality throughout the course of the design-build project.

Construction Authority desires that the Project extend into San Bernardino and terminate at the proposed Montclair station (the "Montclair Extension"). However, the attached Funding Agreement and the Master Cooperative Agreement do not fund and do not recognize the Montclair Extension as part of the Project. We will return to this Board for authority before any portion of the funds provided under the Funding Agreement can be used on the Montclair Extension.

BACKGROUND

Funding Agreement

In March 2016 the Board approved the release of the Draft Potential Ballot Measure Expenditure Plan that defines funding from the Measure M Ordinance to be allocated to the Foothill Gold Line Phase 2B Project (the Project) in the amount of \$1,019,000,000. In addition, funding of \$78,000,000 from Local, State, Federal and Other sources was shown for reference purposes. These amounts combined total \$1,097,000,000 which comprised the working budget identified in the Metro Expenditure Plan for the Project. The Board adopted the Ordinance, including the Expenditure Plan on June 23, 2016.

Funds remaining from the Gold Line Foothill Extension Phase 2A Project completed in March 2016 in the amount of \$69,500,000 were allocated to the Foothill Extension Phase 2B Project via Board Actions in accordance with the Funding Agreement for that project. Further, additional funds remaining from Phase 2A in the amount of \$26,967,000 are being requested via Board action this month as a Life of Project (LOP) Budget reduction from Phase 2A for approval for these funds to be applied to Foothill Extension Phase 2B.

For Gold Line Foothill Extension Phase 2B, advancement of preliminary engineering including station and facility design, needed alignment adjustments and railroad safety enhancements related to the shared corridor with Metrolink and BNSF, as well as Metro Holdback costs over the original estimate have generated a total estimated project increase, net of project revenues and credits, in the amount of \$249,197,635. Metro Staff have estimated Metro support costs for labor, non-labor and rail

vehicles and have reviewed the Authority's estimates and concur that additional funding will be necessary to off-set the increased scope and schedule requirements generated by shared corridor interface and improvements.

In order to achieve the total required project budget of \$1,406,870,758, staff have analyzed funding sources and recommend the following:

- Measure M contribution of \$1,019,000,000 as identified in the Metro Expenditure Plan remains unchanged.
- Combined estimated Measure R and/or Proposition C or other available non-federal funds in the amount of \$96,467,000 (comprised of \$69,500,000 and \$26,967,000 as defined in the Background Section of this Report) cost savings from Foothill Gold Line 2A.
- 3% local contribution to project funding required by Measure M \$42,206,123.
- Net project cost increase of \$249,197,635 will be requested through a State Cap and Trade program as a Metro priority to complete funding of the Life of Project Budget.
- If Cap and Trade funds are not made available, the parties will review their project budgets for any cost savings, and if there is still a shortfall, additional resources may be sought including subregional funding and any MTA requested betterments will be funded outside the Project budget. Note: MTA and the Authority will work together and jointly approach the subregion to try and resolve the funding issue. If there is still a shortfall, the Construction Authority will comply with the LACMTA Final Unified Cost Management Process and Policy.

The Measure R Unified Cost Management Process and Policy adopted by the Metro Board of Directors in March 2011 applies to the cost change at this project milestone. Attachment D includes the staff analysis required by the policy. In order to achieve the required funding to complete the Project, a funding shortfall relative to the Measure M Expenditure Plan of \$249,197,635 must be filled. As discussed in Attachment C, the Measure R Cost Management Process and Policy Analysis, and in the Funding Agreement in Attachment A, the additional funds will be requested as a priority through the Transit and Intercity Rail Capital Program (a subset of the "Cap and Trade" trade funds from the State of California). If Cap and Trade funds are not made available, additional resources may be sought using a combination of Metro and sub-regional funding or other project changes as described in Attachment D. The Metro Board's Measure R Cost Management Process and Policy from which subregional funding requirement flows includes all subregional funding, not only Measure M.

Establishment of a Life of Project Budget in the amount of \$1,406,870,758 provides the basis of the Funding Agreement for Gold Line Foothill Extension Phase 2B. The Agreement attached herein as ATTACHMENT A identifies the roles and responsibilities for Metro and the Authority regarding funding and allocation of funds for the project and defines specific procedures that must be followed to disburse payments. Metro staff coordinated extensively with Metro County Counsel, Construction Authority staff and Authority Counsel to develop the final Funding Agreement being presented for execution.

Staff recommendation is to establish a Life of Project Budget in the amount of \$1,406,870,758 and authorize the Chief Executive Officer to enter into the Funding Agreement as shown in Attachment A.

Master Cooperative Agreement

Metro and Construction Authority staff have coordinated extensively to develop the Draft Final Master Cooperative Agreement (ATTACHMENT B). This agreement sets guidelines for cooperation and efficient coordination between the parties that will define how the two agencies interact and manage such items as real estate, right-of-way, design, construction, communications, reporting, achieving substantial completion, safety, quality, progress through systems testing and pre-revenue phases. The agreement also addresses turnback from the Authority to Metro and responsibilities for each party through the closeout process, dispute resolution, warranty items, revenue operations, and final acceptance.

Staff recommendation is to adopt the final Master Cooperative Agreement and authorize the Chief Executive Officer to execute the agreement as shown in ATTACHMENT B.

First Mile/Last Mile

As a supplement to the local contribution for this project, the Los Angeles Metro First Mile/Last Mile program is being evaluated for additional improvements. Planning for additional infrastructure to be funded by First Mile/Last Mile sources and placed in local jurisdictions will be provided by the Foothill Construction Authority and based on guidelines provided by Los Angeles Metro. The local jurisdictions will implement the actual infrastructure improvements and track expenditures.

Additional On-going Studies

Metro is currently working with the Construction Authority on a parking study that may result in a

reduction in the number of parking spaces required for the light rail line. Depending on the results of that study and potential resulting impacts to the environmental document and feedback from local jurisdictions, a parking capacity reduction and related cost savings to the project may be implemented.

Further, Metro Regional Rail is currently conducting an independent study reviewing the possibility of future grade separations for Metrolink and Freight rail lines throughout the county and specifically within the shared Gold Line Extension Light Rail Corridor. Grade crossings analyzed for the Gold Line Foothill Extension Phase 2B Project are for the Light Rail Project only in compliance with the Metro Design Criteria and Grade Separation policy. The requested LOP authorization for this Board Report is for the Gold Line Foothill Extension Phase 2B Light Rail only and does not consider potential additional grade separations for the Metrolink and/or BNSF systems. Grade separations for the SCRRA and freight systems have not been budgeted as part of the Gold Line Foothill Extension Project.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety.

FINANCIAL IMPACT

There is no change to the FY17 or FY18 budget as a result of this action. Future funds of \$249,197,635 will be sought through a State Cap and Trade program. Since this is a multiple year project, the project manager and the Chief Program Management Officer will be accountable for budgeting the required costs in future years.

Impact to Budget

The source of funding is Measure M Transit Construction 35% which is not eligible for bus and rail operating expenditures. Other sources of funding, as discussed, are the carry-forward of Measure R 35% and/or Proposition C or other available non-federal funds from Phase 2A, 3% Local Agency Contribution, and the state Transit and Intercity Rail Capital Program (TIRCP), see ATTACHMENT C.

Cap and Trade Funds (TIRCP)

Future funds of \$249,197,635 will be sought through the State Cap and Trade Transit and Intercity Rail Capital program as a priority. The commitment of Cap and Trade Transit and Intercity Rail Capital funds as a priority stems from the Metro Board of Director's action to approve the 2009 Long Range Transportation Plan, which states, in part: "As a first priority, pursue other potential funding sources, excluding Federal New Starts, which are not currently included in the 2009 Long Range Transportation Plan, to be programmed to close the funding gaps on the Gold Line Foothill Extension and Crenshaw/LAX Transit Corridor."

ALTERNATIVES CONSIDERED

The Board may consider delaying establishment of Project LOP until the funding gap of \$249,197,635 is secured. However, this approach could result in a delay in the project start, lead to cost increases and discourage private sector participation. Further, the parties have planned for alternative approaches to handle the funding gap to further reduce the risk that there will be a funding gap.

NEXT STEPS

Upon Board approval, staff will file an application for Cap and Trade Grant funding in early calendar year 2018. The Life of Project Budget will be established, and the Construction Authority will pursue Design Build Contracts for the Utility Relocation and Primary Light Rail Mainline. The Funding Agreement and Master Cooperative Agreements will be circulated for execution by the Metro Chief Executive Officer and the Foothill Gold Line Construction Authority Chief Executive Officer.

ATTACHMENTS

ATTACHMENT A - Funding Agreement

ATTACHMENT B - Master Cooperative Agreement

ATTACHMENT C - Measure R Cost Management Process and Policy Analysis

ATTACHMENT D - Expenditure Plan - Cost and Cashflow Budget

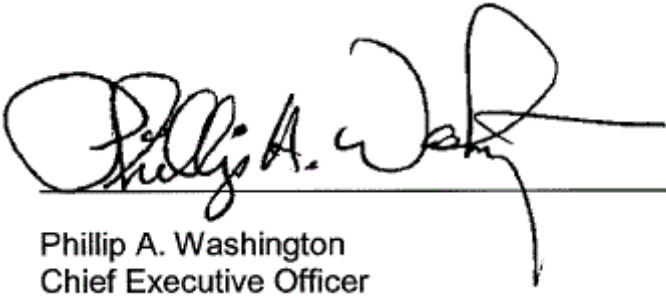
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