

South Bay Cities Council of Governments

Attachment C

March 9, 2020

To: SBCCOG Transportation Committee
SBCCOG Steering Committee

From: Jacki Bacharach, Executive Director
Steve Lantz, Transportation Director

Re: FY 21-25 Measure M Metro Budget Request Recommended Projects and Funding Commitments

Adherence to Strategic Plan:

Goal A: Environment, Transportation, and Economic Development. Facilitate, implement, and/or educate members and others about environmental, transportation, and economic development programs that benefit the South Bay. Strategy 5 – Actively pursue opportunities for infrastructure funding for member agencies.

BACKGROUND

Measure M includes four South Bay sub-regional programs funded within the Highway Sub-fund: the Highway Operational Improvements Program (HOIP), two Transportation System Mobility Improvement Programs (TSMIP I and TSMIP II), and the Sub-Regional Equity Program (SREP). The ordinance restricts use of funding available within each category to the annual amounts programmed in the Measure M Expenditure Plan.

The SBCCOG has previously requested that the entire \$130 million in Measure M SREP funding be committed to a grade separation project of the Crenshaw/LAX line crossing through Centinela Boulevard and in the initial 5-year program, Metro Highway staff over committed the TSMIP I revenues available over the upcoming five years and expects to borrow funds from the TSMIP II program should TSMIP cashflow be exhausted during the period.

As a consequence, the SBCCOG's Measure M Metro Budget Request (Exhibit A) includes recommended cashflow reimbursements from the HOIP and TSMIP II programs for each project for each fiscal year over the upcoming five fiscal years (FY 2021-2025). The programming is based on funding requests provided by lead agencies by October 31, 2019 for FY 2020-21 through FY 2024-25.

Lead agencies submit their new project cash flow plans for their entire project. SBCCOG's Metro Budget Request includes an estimate of the annual funding needed to reimburse project expenses over the upcoming five years. Most projects can be completed within five years, but some complex projects with complex environmental or right of way phases may take longer. The funding needed beyond five years for these more complex projects is added in subsequent annual Metro Budget Requests.

Once Metro approves the SBCCOG's funding requests, Metro and the lead agency execute a funding agreement for some or all of the project phases. Metro structures its funding agreement cashflow plans based on anticipated reimbursements tied to anticipated progress on major project

phases (e.g.: environmental clearance, design, right-of-way acquisition, and construction). Metro requires lead agencies to document full funding of each implementation phase that is included in a funding agreement. Consequently, SBCCOG must request funding for each implementation phase for which the lead agency expects to be reimbursed during the upcoming five years. Since a project phase can require reimbursements over multiple years and multiple phases may be completed during the five year period, the SBCCOG five-year Measure M Metro Budget Request provides Metro and the project lead agencies a planning basis for establishing reasonable funding reimbursement schedules over the next five years.

Exhibit 1 also includes a column reflecting the estimated “cost to complete” the projects beyond FY 2025. This column, for information only, provides early estimates of project reimbursements that will need to be programmed in subsequent Metro Budget requests based on project schedule adherence and the need to reimburse expenses incurred after FY 2025.

Some projects in the 5-year Metro Budget Request will not be completed or fully reimbursed within the upcoming five years. These projects include those that will not be initiated until year 3-5, larger projects that will require a significant match from non-subregional funding sources, or those projects that will require full environmental impact evaluation process or acquisition of right-of way. Funding for the post-2025 phases will be included in subsequent Measure M MSP Metro Budget Requests when reimbursement schedules and amounts are able to be more accurately projected.

The Measure M MSP reimbursement amounts and schedules in Exhibit 1 are based on:

1. Updated schedules and funding requests for Active project phases in current funding agreements;
2. “Cost to complete” estimates provided by lead agencies for projects that have a current funding agreement but will need additional funding amended into an active funding agreement for project implementation phases that are not currently in the active funding agreements; and,
3. New project requests that were submitted by October 31, 2019 by lead agency applicants for which new funding agreements will be needed.

Project Application Evaluation and Scoring

A 5-member subcommittee of the Infrastructure Working Group and Transit Operators Working Group evaluated and scored the applications. One of the significant subcommittee tasks was to determine the proportion of cost for each project to be recommended from Measure M MSP subregional revenues over the five-year period. The Subcommittee considered several formula options and ultimately recommended that the subregional funding share of each project be calculated based on an incremental formula, as follows:

<u>MSP Increment of Project Cost</u>	<u>MSP Funding Share</u>
Under \$20 million	100%
\$20 million to \$35 million	90%
\$35 million to \$75 million	30%
\$75 million +	20%

The subcommittee also recommended that the maximum cumulative subregional funding share for each project, whether from Measure R SBHP, Measure MSPs or both, be capped at \$250 million.

The formula is designed so that as the project cost rises, the proportionate subregional share of incremental costs declines. As an example, a \$50 million project would be eligible for a subregional share of \$38 million (76%), as follows:

\$20 million (100% of the first \$20 million in project costs) +
\$13.5 million (90% of the \$15 million incremental project cost between \$20 and \$35 million) +
\$4.5 million (30% of the \$15 million incremental project cost between \$35 and \$50 million) =
\$38 million total

In another example, a \$500 million project would be eligible for a subregional share of \$130.5 million (26 %), as follows:

\$20 million (100% of the first \$20 million in project costs) +
\$13.5 million (90% of the \$15 million incremental project cost between \$20 and \$35 million) +
\$12 million (30% of the \$40 million incremental project cost between \$35 and \$75 million) +
\$85 million (20% of the \$425 million incremental project cost between \$75 and \$500 million) =
\$130.5 million total

The subcommittee-recommended formula accommodates all anticipated project reimbursement requests within the upcoming five years. For those lead agencies that will need additional funding after FY 2025 to complete their projects, the subcommittee recommended that lead agencies with executed funding agreements be allowed to request an amendment of their project funding agreement to add funds up to the recommended cap of \$250 million based on more definitive “cost to complete” project estimates developed in advance of subsequent annual Metro Budget Request cycles.

The subcommittee recommends that Caltrans projects on freeways be required to obtain a match from state or federal funds. In order to not delay project development, the subcommittee recommends that Measure R SBHP or Measure M MSP allocations for Caltrans applications be restricted to PAED and design phases in the current Metro Budget Request. The subcommittee recommends that Caltrans be required to secure commitments from State funds for right-of-way acquisition and/or construction.

In addition to the recommended MSP funding for active and new projects, the Metro Budget Request item includes a line item for SBCCOG project development and administration.

NEXT STEPS

The subcommittee recommendations will be considered by the Transportation Committee at its March 9, 2020 meeting. Because there is no Board of Directors meeting in March, the Steering Committee is delegated SBCCOG approval authority and will consider the Transportation Committee recommendations immediately after the March 9th Transportation Committee

meeting. The SBCCOG Request should be transmitted to L. A. Metro immediately after SBCCOG Steering Committee approval for inclusion in L. A. Metro's FY 2020-21 budget which begins July 1, 2020.

RECOMMENDATIONS

The SBCCOG Transportation Committee and Steering Committee approve the following actions:

1. The funding share formula recommended by the IWG/TOWG Subcommittee be used to calculate Measure M MSP commitments needed to complete active and new Measure M MSP projects.
2. The annual funding allocations listed in Exhibit 1 for recommended projects.
3. The SBCCOG Measure M MSPs Metro Budget Request be transmitted to the L. A. Metro Chair and Board of Directors by March 13, 2020.

Attachment:

Exhibit 1 – FY 2021-2025 Funding allocations for Measure M MSP active projects and new project applications