

# South Bay Cities Council of Governments

Attachment D

March 9, 2020

To: SBCCOG Transportation Committee  
SBCCOG Steering Committee

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

Subject: FY 21-25 Measure R 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

The SBCCOG's Measure R South Bay Highway Program (SBHP) Metro Budget Request includes cashflow estimates based on updated schedules identified in active Measure R project funding agreements, "cost to complete" estimates for projects that have current funding agreements but will need additional funding for project implementation phases that are not in the active funding agreements, and new project requests for which new funding agreements will be needed.

SBCCOG received 24 highway project applications and 14 transit project applications by the October 31, 2019 submittal deadline. The transit projects are being considered in anticipation of a new Metro Measure R SBHP Transfer Policy that would make both transit and highway projects eligible for Measure R SBHP funding for the first time. SBCCOG has assigned recommended transit projects SBHP funding consistent with the existing Measure R SBHP matching formula and contingent on Metro Board approval of a Measure R Transfer Policy. The Metro Board is expected to adopt a policy by May 2020.

SBCCOG's Measure R SBHP 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

## South Bay Cities Council of Governments

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 R SBHP 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 R SBHP reimbursement amounts and schedules in Exhibit 1 are based on:

1. The assumption that the Metro Board of Directors will adopt a Measure R Decennial Transfer Policy before July 1 that allows Measure R SBHP funds to be used for highway and transit projects;
2. Updated schedules and funding requests for Active project phases in current funding agreements;
3. “Cost to complete” estimates provided by lead agencies for projects that have a current funding agreement but will need additional funding amended into active funding agreement for project implementation phases that are not in the active funding agreements; and,
4. New project requests 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 R SBHP 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:

# South Bay Cities Council of Governments

<u>SBHP 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

In applying the recommended formula to specific funding requests, SBCCOG staff realized that the formula worked well for project requests under \$100 million, but was somewhat too low to cover requested amounts for projects larger than \$100 million. However, the subcommittee-recommended formula accommodates all anticipated project reimbursements within the upcoming five years. For those lead agencies that will need 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 also recognized the regional, state and national significance of the estimated \$1 billion Inglewood Transit Connector and the city’s \$250 million request for subregional funds. However, initial five-year funding for the project was recommended to conform to the sub-regional formula that would make available \$230.5 million within the upcoming five years. The city develops more accurate cost estimates and reimbursement schedules, it can request the balance of its formula share up to the \$250 million cap in future Metro Budget Request cycles from funding available after FY 2025.

# South Bay Cities Council of Governments

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 SBHP and MSP funding for active and new projects, the Metro Budget Request item includes a line item for SBCCOG project development and administration. Exhibit 1 also includes a list of Measure R SBHP applications that the subcommittee recommends be deferred or denied.

## NEXT STEPS

Staff 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 9<sup>th</sup> Transportation Committee meeting. The SBCCOG Request should be transmitted to L. A. Metro immediately after SBCCOG 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 policies and actions:

1. Included transit projects be approved contingent on approval of the Metro Measure R Transfer Policy;
2. The projects on the list that are noted as defer or deny be removed from the list and further consideration this year;
3. The funding share formula recommended by the IWG/TOWG Subcommittee be used to calculate Measure R SBHP commitments needed to complete active and new Measure R SBHP projects;
4. The annual funding allocations listed in Exhibit 1 for recommended Measure R SBHP projects; and
5. The SBCCOG Measure R SBHP 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 R SBHP active projects and new project applications