

South Bay Cities Council of Governments

April 28, 2022

TO: SBCCOG Board of Directors

FROM: Steve Lantz, SBCCOG Transportation Director

RE: Measure M Sub-Regional Equity Program (SEP) Guidelines
Letter to Metro

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 including the Sub-Regional Equity Program (SEP). The ordinance restricts use of funding available within each category to the annual amounts programmed in the Measure M Expenditure Plan. The expenditure planned assigned the South Bay SEP \$130 million in FY 2015 revenues, with escalation accruing until the funds are spent. The Metro Long Range Transportation Plan programs the SEP expenditures in FY 2043.

In 2018, the SBCCOG Board recommended using its entire \$130 million in SEP funds to partially fund the \$250 million Centinela Grade Separation Project on the Metro Crenshaw/LAX (CLAX) light rail line based on an understanding that Metro would deliver the project using the SEP contribution and other regional, state or federal funds.

In April 2020, Metro determined there was a \$90 million cost overrun on the CLAX project, not including the unfunded share of the Centinela Grade Separation Project. Phillip Washington, Metro's CEO, sent Jacki Bacharach a letter (See Exhibit 1) requesting that a proportionate share of one-half of the \$90 million CLAX shortfall (approximately \$23 million) be taken from South Bay SEP funds or South Bay Measure R transit funds. Inglewood Mayor James Butt, who represents the South Bay on the Metro Board, expressed SBCCOG's willingness to support the use of an estimated \$23 million of South Bay SEP funds for the CLAX cost overrun so long as the City of Los Angeles provided its proportionate share and Metro staff recommended to the Metro Board that Metro commit the additional funding needed to complete the Centinela Grade Separation project from regional, state or federal sources.

Metro staff has recently requested comment on proposed policy guidelines for the SEP program (See Exhibit 2). With the change in leadership at Metro since 2018 and 2020 discussions occurred regarding the CLAX cost overrun and Centinela Grade Separation funding, SBCCOG staff believes it is prudent to send a letter to Metro staff refreshing our understanding of the conditions attendant to use of South Bay SEP Funds (See Exhibit 3).

RECOMMENDATION

Approve and send to Metro the letter in Exhibit 3.



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza,
Los Angeles, CA 90012-2952

Phillip A. Washington
Chief Executive Officer
213.922.7555 Tel
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washingtonp@metro.net

April 23, 2020

Exhibit 1

Jacki Bacharach
Executive Director
South Bay Cities Council of Governments
2355 Crenshaw Blvd., # 125
Torrance, CA 90501

Dear Ms. Bacharach:

This letter supercedes the prior, related correspondence dated April 22, 2020.

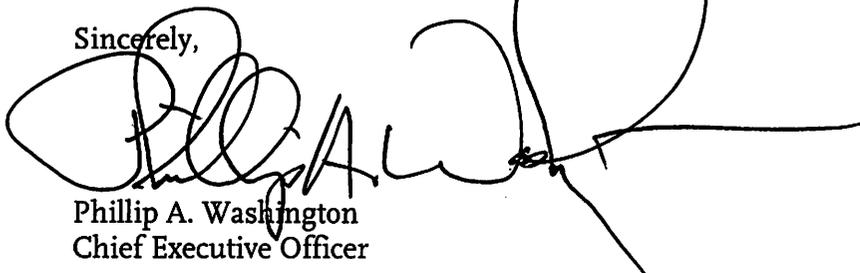
With regard to funding cost increases on the Crenshaw/LAX Transit Project, I have discussed this matter with the Chair, Mayor Butts who is representing the City of Inglewood and the South Bay Cities Council of Governments (SBCCOG). I understand the SBCCOG is willing to support the use of local funds to pay its proportionate share of the \$90 million cost increase for the Crenshaw/LAX Transit Project.

The Project requires additional funding to address a \$90 million increase in the budget. Metro Board policy requires that staff evaluate the use of local funding sources to address a cost increase to a Measure R or M project prior to other countywide sources that could impact other subregions. Our analysis has found that there are Measure M Subregional Equity Program (SEP) funds and Measure R highway funds that might be potentially available from the South Bay and other applicable subregions.

Mayor Butts has conveyed to me that he and the SBCCOG will support the use of the subregional equity program for the South Bay's share of the \$90 million cost increase, so long as Metro staff commits to recommending the funding for the Centinela Grade Separation Project which serves the region. This plan has been agendized for the April 23rd SBCCOG Board meeting. I would like to request from the SBCCOG, in a letter, the approval to apply the South Bay's proportional percentage of subregional equity dollars that the SBCCOG has already earmarked for the Centinela Grade Separation Project. Metro staff will be presenting a progress update including their draft recommendation that the Centinela Grade Separation Project meets Metro's Grade Separation criteria and a proposed full funding strategy and project timeline at the May Metro Planning and Programming Committee meeting.

Because of the local funding support for the Crenshaw/LAX Transit Project and the Centinela Grade Separation Project from Mayor Butts and the SBCCOG, I have committed to the Mayor my leadership in pursuing funding for the Centinela Grade Separation Project and will work with Metro staff, the city, and SBCCOG to identify available local, state, and federal funding sources that can fund the cost to complete these projects of regional significance at the time funds are needed for construction.

Sincerely,



Phillip A. Washington
Chief Executive Officer

Subregional Equity Program (SEP) Guidelines Policy Paper

Exhibit 2

Metro Board Motion 38.1 from May 2020 requests “Standard and explicit criteria for how and when a subregion’s SEP allocation may be accelerated to meet their needs”. Metro staff will propose newly created guidelines that identify how the funds can be programmed and the administration of the program.

BACKGROUND

FASANA AMENDMENT: To provide equivalent funding based on the original allocation of funding (i.e. \$180 million is 13% of such funding based on the San Fernando Valley's share) to each of the other subregions to assure and maintain equitable funding.

On July 25, 2019 the Board approved the Motion by Fasana, Garcetti, Solis and Barger that the Board consistent with the June 2016 Board action that created the Subregional Equity Program, reaffirms that each subregion's Subregional Equity Program allocation as listed in the Measure M Expenditure Plan (line item 68, note s.) is listed in 2015 dollars, consistent with all other figures in the "Most Recent Cost Estimate" column of the Measure M Expenditure Plan. These allocations shall be escalated to year-of-expenditure in accordance with the escalation policies in the Measure M expenditure plan.

The Subregional Equity Program (SEP) is in the Measure M Expenditure Plan and is eligible for Measure M and other funding sources. The total spending available for the SEP is \$1,196 million from FY 2018 to FY 2057. The SEP was added late to the Expenditure Plan after all other projects and programs were included and is currently programmed in the Long Range Transportation Plan (LRTP) financial forecast beginning FY 2043 using Measure M revenues. However, this is only one scenario of the potential funding sources and timing of investments within the SEP.

In four prior instances, SEP funds have been programmed for use prior to FY 2043 – for cost overruns on Foothill 2B in July 2019, Crenshaw/LAX in May 2020, Eastside Access in March 2021, and Westside Section 1 in May 2021. The existing Measure M Final Guidelines and Administrative Procedures do not specifically describe how or when the SEP funds can be programmed. On June 24, 2021 the Board approved the Motion by Hahn, Garcetti, Solis, Butts, Dutra, and Najarian that eliminated the consideration of SEP for project cost increases during construction.

THE PROPOSAL

The proposed process for allocating SEP funds to the subregions will be comparable to the process for other Multi-year Subregional Programs (MSP). Staff will prepare five-year SEP funding estimates for the subregions, including inflation adjustments. The five-year estimate will be updated each October and reflect any funding capacity that Metro staff has identified and could allow the programming of SEP funds during the five-year period. Metro staff has identified additional funding capacity for SEP from the November 2021 Bipartisan Infrastructure Law. Funding capacity could also occur from a reduction in Measure M programmed for a capital project resulting from a decrease in project cost, cancellation or defunding of a project, or provision of other local funds to supplant the Measure M, as identified and requested by a subregion.

The guidelines propose programming of SEP funding outside of the annual MSP process if recommended by Metro staff and in accordance with Board-adopted notice and approval requirements, which include 120 day written notice to affected subregions prior to any recommendation and formal approval by the subregion. The Measure M guidelines require Subregional approval of subregional funding prior to staff making recommendations to the Metro Board. Metro has previously approved the programming of SEP allocations when Board policy required consideration of funding from a subregion and or corridor to address a project cost increase.

The guidelines would also allow advancing the programming if requested by a subregion or other stakeholder and in compliance with existing Board policies, including the Measure M Early Project Delivery Strategy (EPD) from November 2017 and the MSP inter-program borrowing provisions in the Measure M Final Guidelines. The EPD requires scoring of proposals to accelerate funds based on factors including the amount of local match and the status of the project in its development process, so long as the acceleration does not negatively impact the funding of other Measure M projects and programs. Metro staff will evaluate the financial impact of any proposed SEP programming and consider the potential use of debt to finance the SEP that may reduce the immediate cash flow requirement. Metro will accept all proposals by subregions, provide recommendations, and submit the proposals and recommendations to the Metro Board for consideration, which could involve an amendment to the Measure M ordinance. The subregions may also request SEP funding to deliver a project by borrowing, or exchanging, from another MSP that has programmed funding in earlier years, in accordance with the "Cashflow Management" section of the Measure M Final Guidelines. Metro staff will be available to provide technical assistance to the subregions in preparing any proposal to program SEP funds.

Upon adoption by the Metro Board, staff propose to incorporate the SEP guidelines into the Measure M Final Guidelines and post these for public dissemination. Metro staff will be available to accept and review any proposals to program funding in consideration of the provisions of the Ordinance and Board-adopted policies including the EPD.



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www.southbaycities.org

April 28, 2022

Exhibit 3

Ms. Stephanie Wiggins
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, Ca 90012

SUBJECT: SBCCOG Comments Re. Draft Metro Subregional Equity Program Guidelines

Dear Ms. Wiggins:

This letter is sent in response to comments requested by L. A. Metro staff on the draft Measure M Subregional Equity Program (SEP) guidelines. The South Bay Cities Council of Governments (SBCCOG) wants to ensure that the proposed guidelines do not constrain Metro's commitments to fund the Crenshaw/LAX light rail project and the Centinela Grade Separation project using South Bay SEP funds.

In 2018, the SBCCOG made a commitment of the entire \$130 million in our local South Bay SEP funds as a component of a Metro full-funding plan for delivery of the Centinela Grade Separation project on the Crenshaw/LAX line.

That commitment was modified in 2020 when, at Metro's request, the SBCCOG supported use of an appropriate proportionate share of the South Bay SEP funds for the Crenshaw/LAX line cost overrun with the following four conditions:

1. The SBCCOG's proportionate share of the cost overrun is approximately \$23 million;
2. Since the balance of the Crenshaw/LAX line is in the City of Los Angeles, the South Bay SEP funding is contingent on Metro securing the \$45 million in state or federal funds and approximately \$23 million from the Central Area Subregion and Westside Subregion SEP funds or from another City of Los Angeles local funding source;
3. This contribution share constitutes a one-time contribution on the condition and pursuant to subsequent Metro Board Policy that no further "cost containment policy" requests for additional South Bay sub-regional funding for the Crenshaw/LAX line or any other capital project will be sought by Metro; and,
4. Consistent with Phillip Washington's commitment to Metro Chair and Inglewood Mayor James Butts, the SEP contribution to the Crenshaw/LAX cost overrun is contingent on Metro Board approving a full-funding strategy and implementation timeline for the

LOCAL GOVERNMENTS IN ACTION

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regional Centinela Grade Separation project that includes the remaining escalated balance of the South Bay SEP funding.

The SBCCOG Board of Directors reiterates its commitment to work with Metro to ensure that construction of the Crenshaw / LAX line is not delayed further and that the Centinela Grade Separation project will be delivered in a timely fashion. We look forward to all of the parties participating.

Sincerely,

Drew Boyles
SBCCOG Chair
Mayor, City of El Segundo