

South Bay Cities Council of Governments

April 27, 2023

TO: SBCCOG Board of Directors

FROM: SBCCOG Transportation Committee

SUBJECT: City of Inglewood request to reallocate Measure M South Bay SEP funds

ISSUE

Now that the Inglewood Transit Connector (ITC) Project is in full predevelopment, and the Centinela Grade Separation (CGS) Project has progressed to a level of planning that allows a more complete understanding of the relative CGS and ITC project benefits, costs and impacts, the City of Inglewood (City) submitted a motion and letter template at the March 23, 2023 Transportation Committee meeting (Attachment A) which requested that SBCCOG support the City's request for Metro to suspend the CGS project and re-allocate South Bay Subregional Equity Program (SEP) funding from the CGS project to the ITC project, provided that the City receives the full funding grant agreement from the FTA. The City further requests that should the ITC not move forward, the SEP would remain available for the Centinela Grade Separation Project to address specific traffic congestion challenges within the City.

The motion also asks the SBCCOG to work with the City and the ITC Joint Powers Authority to ensure there is a sufficient "backstop" consistent with FTA requirements necessary to advance the ITC Project in a timely manner. The goal for the "backstop" amount is 10% of the current estimated cost of the project which is \$1.8 billion or \$180 million. The "backstop" is a secondary contingency reserve in addition to the 25-30% contingency built into the project budget.

In response to the Inglewood motion and based on the recommendations of the Transportation Committee to the Board, SBCCOG staff has drafted a letter to Metro supporting the re-allocation of the funds with conditions (Attachment B). In addition, SBCCOG staff has drafted a letter to Metro (Attachment C) demanding the immediate return of \$22 million previously committed to funding the South Bay proportionate share of a \$90 million Crenshaw / LAX project cost overrun to the South Bay SEP account due to the failure of the City of Los Angeles and Metro to meet the conditions of the SBCCOG commitment

BACKGROUND

The estimated cost of the Centinela Grade Separation (CGS) project has grown to more than \$300 million. In addition, the updated CGS construction will conflict with construction of the Inglewood Transit Connector (ITC) station that is adjacent to the Crenshaw LAX (CLAX) Line Downtown Inglewood station.

The \$1.75-\$1.85 billion ITC Project has made significant strides over the past year, having received compliance with the California Environmental Quality Act and having secured more than \$750 million in local, state, and federal funds (including \$233.7 million from the SBCCOG Measure R subregional funds). The funding that has been secured is anticipated to provide the non-federal match needed to be awarded a federal Capital Investment Grant, administered by the Federal Transit Administration (FTA) which, with the already committed funds, is anticipated to fully fund the Project.

The City and Metro have formed a Joint Powers Authority (JPA) that is solely dedicated to overseeing the design, construction, financing, operation, and maintenance of the ITC project. Acting in cooperation with the JPA, the City has prequalified 3 developer teams that are anticipated to formally bid on the project, with a design, build, finance, operate and maintain (DBFOM) contract award anticipated in Q3 2023. The City anticipates approval by the Federal Transit Administration (FTA) to enter the engineering phase of the project soon. The City and JPA are working aggressively to maintain this project schedule in order to begin construction in early 2024 and complete construction and 6 months of pre-revenue-service testing of the ITC Project in early 2028, with the goal of providing service for the 2028 Olympic and Paralympic Games in July 2028.

The ITC project team recently engaged with the FTA in a detailed risk assessment workshop during which the FTA reviewed the extensive measures that the team is putting in place to mitigate the risk of cost overruns, including the contingency of approximately 25-30% in the project budget. Nevertheless, the JPA, the developer teams, and their financing partners, all seek assurance that there will be sufficient financial resources throughout design and construction, including a secondary “backstop” contingency reserve only to be used if unforeseen circumstances arise that justify additional funding to complete the ITC Project, beyond the contingency that is already allocated within the project budget.

SOUTH BAY FUNDING AVAILABILITY

The City is requesting that the SBCCOG reserve all available South Bay SEP funding as the “backstop” funding source beginning in FY 2023/24. The Metro Long Range Transportation Program allocates \$130 million (\$2015) of SEP funds between 2043 and 2057 for the Centinela Grade Separation project. Since reserving SEP funds as a “backstop” does not constitute an expenditure of the funds, the exact amount available will not be known until the year of expenditure of the SEP funds is determined and an appropriate discount from the FY 2043 \$130 million SEP fund can be calculated to reflect year-of-expenditure funding levels.

If the SEP accumulates through 2043, Metro staff estimates it will grow to \$316.2 million. However, Metro policy allows consideration of accelerating the available funds at a discounted rate of 4.5% per year of acceleration of the future SEP allocations. If the \$316.2 million scheduled in FY 2043 were accelerated to FY 2024, the \$316.2 million would be discounted to \$101.3 million.

In April 2020, the SBCCOG was asked by Metro to contribute SEP funds for a \$90 million cost overrun on the CLAX line construction costs. The SBCCOG Board supported commitment of its proportionate share (determined later to be \$22 million) with the following conditions:

1. 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 balance of the \$90 million overrun from [Metro's non-subregional sources or] from the Central Area Subregion and Westside Subregion SEP funds or from City of Los Angeles local funding sources;
2. This contribution share constitutes a one-time contribution on the condition that no further requests for additional South Bay sub-regional funding for the Crenshaw/LAX line will be sought by Metro; and,
3. Consistent with [Metro's] commitment to Metro Chair and Inglewood Mayor James Butts, the SEP contribution to the Crenshaw/LAX cost overrun is contingent on Metro staff recommending a full-funding strategy and implementation timeline for the Centinela Grade Separation project by June 2020 that includes, at a maximum, the remaining balance of the South Bay SEP funding.

The City of Los Angeles has stated that they will not contribute their proportionate share of the \$90 million overrun. In addition, Metro did not provide a CGS full-funding strategy and implementation timeline by June 2020. Metro has transferred the \$22 million out of the SBCCOG SEP account. SBCCOG staff believes that the contingent commitment of \$22 million in South Bay SEP funding should be returned to the SBCCOG based on the City of L. A. and Metro's failure to meet the contingencies noted in the SBCCOG April 2020 support letter.

Metro staff estimates that there will be approximately \$5.5 million in the Measure M SEP sales tax account by 2023. Metro has allocated the \$5.5 million for projects to be approved by the SBCCOG. The SBCCOG could allocate this to the ITC or other Measure M SEP-eligible projects but Metro would need to agree to finance the balance of any SEP commitments beyond the \$5.5 million.

Measure M South Bay SEP funds are currently the only South Bay Measure M funding source that can be used for transit or highway projects. The Measure M South Bay Highway Operational Improvements Program and the two Multi-Year Subregional Programs are restricted by the Measure M Ordinance for highway projects at least until 2028 when the first Decennial Review of the Measure M program is available.

ADDITIONAL CONSIDERATIONS

1. Because initially all the Measure M SEP funds were allocated to the Centinela Grade Separation

Project, there has been no discussion of guidelines for these funds. For Measure R funds, the

SBCCOG has a policy not to fund more than \$250 million for any project. At this point in time, the SBCCOG has already allocated \$233.7 million in Measure R funds to the

ITC project. But as stated, there is currently no SBCCOG policy that caps Measure M SEP funds.

2. The SBCCOG allocates South Bay sub-regional funds for projects, not jurisdictions.

The request by the City that the funding be available for either the ITC or the Centinela Grade Separation project at the City's discretion is in conflict with SBCCOG policy and practice. Furthermore, the City has stated in its motion (attached) that the Centinela Grade Separation project cost now exceeds \$300 million. Before the SBCCOG reserves those funds for this project which would make them unavailable to other SBCCOG cities for their projects, the City should have a funding plan which indicates how the Centinela Grade Separation project can be funded at a current estimated cost of at least \$300 million. This would be consistent with how all other projects are considered for sub-regional funding by the SBCCOG.

SUMMARY

Per Metro staff, the amount of available funds is \$79.3 million, excluding the \$22.0 million contribution for Crenshaw/LAX. Should the \$22 million be released back to the SBCCOG, the total would be \$101.3 million I 2024 dollars.

Options for the SBCCOG Board include:

1. Support all or some of the available SEP cash and future SEP-backed bond proceeds should Metro agree to the financing for the ITC "backstop" contingency reserve, or
2. Reserve SEP funding for a more-general Measure M SEP project contingency reserve that would be available to the ITC "backstop" and any other SEP-eligible Measure M highway or transit project, or
3. Receive and file this report and take no action.

Should the Board agree to allocate any or all of the funds for the ITC backstop, it should do so with the written commitment from the City of Inglewood and the ITC JPA that all remaining funds not used for the "backstop" would return to the SBCCOG no later than June 2028 or the City and ITC JPA can request an extension at that time.

STAFF RECOMMENDATIONS:

1. The Board should support suspension of the Centinela Grade Separation project as the city no longer wants to move forward with the project at this time and the funds should be returned to the SBCCOG for reallocation.
2. The Board should review the SEP funding available and determine if it wants to reallocate the currently available SEP funds, which are approximately \$79.3 million, to the ITC project with the condition that the SBCCOG receives a written commitment from the City of Inglewood and the ITC JPA that the funds are only reserved for this project if the FTA provides a full funding grant agreement. And the written commitment should further include that if the full funding grant agreement is obtained, the SBCCOG has no obligation to fund the CGS project and all remaining funds not used for the ITC "backstop" would return to the SBCCOG

no later than June 2028 or the City and ITC JPA can request an extension at that time.

3. Additionally, because contingencies for the SBCCOG contribution to the Crenshaw/LAX cost overrun have not been met, the Board should direct staff to work with Metro to return the \$22 million in SEP funds that Metro has allocated for the South Bay share of the CLAX overrun.
4. When SBCCOG has verified that Metro has returned the \$22 million to the SBCCOG SEP program, the Board should decide at that time whether to allocate these funds to a project or to reserve them in the ITC “backstop”.
5. In the event that the ITC project does not move forward, the City can request that the funding be used for the CSG project accompanied by a plan for how the project will be funded.

TRANSPORTATION COMMITTEE RECOMMENDATIONS:

1. Motion 1 – approved KAJI/O’BRIEN - CRUIKSHANK voted NO.
 - a. Officially suspend the Centinela Grade Separation project with funds returned to the SBCCOG.
 - b. Agree on the amount of funding currently available (anticipated to be \$79.3 million in accelerated SEP, \$22M for Crenshaw-LAX cost overruns returned from Metro for a total of \$101.3 million)
 - c. Reappropriate those funds to the ITC backstop contingency reserve.
 - d. Require written commitment that the funds will only be used as a backstop contingency if FTA provides a full funding agreement by Q1 2024.
 - i. If FTA provides a full funding agreement, all unused funds would be returned to the SBCCOG no later than June 30, 2028 or the City/ITC JPA can request an extension at that time.
 - ii. If a full funding agreement is not received for the ITC by Q1 2024, the funds would go back to the Centinela Grade Separation with a check-in by Q1 2025 (to determine if this project is fully fundable).

2. Motion 2: approved unanimously - Cruikshank, seconded by Tanaka

If ITC is fully funded and does not use all backstop funds by June 2028, those unused funds would return to the SBCCOG and staff would be directed to determine how to best utilize those funds at that time.

3. Motion 3 – approved unanimously - GOMEZ/KAJI

Direct staff to write a letter to Metro requesting the return of the \$22M in SEP funds taken for Crenshaw-LAX cost overruns (Attachment C).

INFRASTRUCTURE WORKING GROUP DISCUSSION

1. There was concern expressed about the impact on other cities' projects. If reserved for the ITC project, these funds would not be available to other jurisdictions and it would constrain the SBCCOG's ability in the next 5 years to build other projects.
 - a. Measure M only funded the design phases of city projects. There could be insufficient funds to move forward with right-of-way acquisition and construction.
2. The following projects were listed as possibly being affected and others could be in the pipeline:
 - a. Redondo Beach \$40 million for the Riviera Village Pedestrian Modal Enhancements Project
 - b. Torrance - \$30-40 million for Crenshaw/Pacific Coast Highway intersection improvements
 - c. El Segundo - \$50 million for the Park Place Project
3. SBCCOG Subregional programs provide money for specific projects, not to cities to move the money between projects at the local jurisdiction's discretion.

INFRASTRUCTURE WORKING GROUP RECOMMENDATION

Motion – SEMAAN (Redondo Beach Public Works)/AWAD (Rancho Palos Verdes Public Works) - Approved Unanimously

Any money allocated at this time for the ITC, if not used, should come back to the SBCCOG for reallocation, not returned to the Centinela Grade Separation.

BOARD ACTION

Review Transportation Committee recommendations and Infrastructure Working Group input and approve recommendations from those listed above.

Attachment A

INGLEWOOD MAYOR BUTTS' MOTION

The Inglewood Transit Connector (ITC) Project is poised to address a critical gap in the South Bay's transportation network by connecting the Metro K Line to Kia Forum, Sofi Stadium, Hollywood Park, and the Intuit Dome, as well as to the thousands of units of housing and millions of square feet of commercial space that are coming online and in development which will serve South Bay residents and the region at-large.

In addition to addressing a "first/last" mile gap, the 1.6-mile automated people mover is anticipated to dramatically reduce greenhouse gases through a reduction in millions of vehicle miles traveled and create thousands of construction and permanent jobs and economic investment in a traditionally underserved community.

The Project has made significant strides over the past year, having received compliance with the California Environmental Quality Act and securing \$750 million in local, State and federal funds. The funding that has been secured is anticipated to provide the non-federal match needed to secure a Capital Investment Grant, administered by the Federal Transit Administration (FTA), which collectively, is anticipated to fully fund the Project. The City has been working closely with the FTA to secure this grant and anticipates approval to enter into the engineering phase of the project this Spring.

The City and Metro have partnered to form a Joint Powers Authority (JPA), which is solely dedicated to overseeing the design, construction, financing, operation and maintenance of the ITC Project. Acting in cooperation with the JPA, the City has prequalified 3 developer teams who are anticipated to formally bid on the project, with a final Request for Proposals set to be released at the beginning of April 2023. The City and JPA are working aggressively to maintain this project schedule in order to begin construction in early 2024 and complete the ITC Project in early 2028, with the goal of providing service for the 2028 Olympic and Paralympic Games.

The ITC project team recently engaged with the FTA on a detailed risk assessment workshop during which the FTA reviewed the extensive measures that the team is putting in place to mitigate the risk of cost overruns. Nevertheless, the JPA, the developer teams, and their financing partners, all seek assurances that there will be sufficient financial resources throughout the design and project construction, including a "backstop" in the event that unforeseen circumstances arise that justify additional funding to complete the ITC Project, beyond the approximately 25-30% contingency that is already allocated within the project budget.

The South Bay Cities Council of Government's (COG) Sub-Regional Equity Funds, appropriated at \$130 million, and are currently allocated to the Centinela Grade Separation Project (Centinela Project), with a \$22 million conditional commitment to Crenshaw/LAX Project cost over-runs. The objective in allocating these funds to the Centinela Project was to demonstrate the COG's support for addressing a specific traffic congestion challenge -within the City. This solution predated the concept of the ITC Project. However, now that the ITC Project is in full

predevelopment, and the Centinela Project has progressed to a level of planning that allows us to understand the project benefits, costs and impacts, it is clear that the ITC Project will not only have a more regional mobility benefit, but be a more effective solution to address the core objectives for the Centinela Project by significantly reducing vehicle miles traveled and converting drivers that would be using the Centinela and Florence intersection to become transit riders. Furthermore, at an estimated cost of over \$300 million, the Centinela Project now far exceed the amount of funds allocated, and an initial design of the shu-fly component of the Project has exposed that it would significantly interfere with the construction of the ITC Project and adversely impact the feasibility of completing the ITC Project in time to provide passenger service to the 2028 Olympic and Paralympic Games. Given that the ITC Project more effectively addresses the COG's concerns, it is appropriate to reprioritize the funds for this purpose.

WE THEREFORE MOVE THAT THE SBCCOG BOARD OF DIRECTORS:

Approve and send the attached letter to Metro Chief Executive Officer Stephanie Wiggins (CEO) requesting that the South Bay Cities Council of Government Sub-Regional Equity Funds (South Bay Capital Projects Funding), totaling \$130 million, which is currently programmed to the Centinela Grade Separation Program, be re-programmed to prioritize the South Bay Capital Projects Funding for use as a "backstop" for construction of the Inglewood Transit Connector (ITC) Project, and encouraging her to work with the City of Inglewood and the ITC Joint Powers Authority to ensure there is a sufficient backstop necessary to advance the ITC Project in a timely manner.



SOUTH BAY CITIES
COUNCIL OF GOVERNMENTS

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April 28, 2023

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

SUBJECT: SBCCOG REQUEST FOR REALLOCATION OF SUBREGIONAL EQUITY PROGRAM FUNDS

Dear Ms. Wiggins:

At the South Bay Cities Council of Governments (SBCCOG) Board of Directors meeting on April 27, action was taken to reprogram the SBCCOG's Subregional Equity Funds, previously allocated by the SBCCOG to Centinela Grade Separation Project, to the ITC project as a "backstop" reserve for construction. The amount of funding is \$101.3 million which is a combination of the following: 1) \$79.3 million (value of the funds in 2023); 2) \$22 million which was conditionally allocated to the CLAX cost-overrun and the conditions have not been met. These numbers were received from Metro staff.

We appreciate your ongoing efforts to support improvements to the South Bay's mobility network including your agency's efforts to support the Inglewood Transit Connector (ITC) Project. In addition to addressing a "first/last" mile gap, the 1.6-mile automated people mover is anticipated to reduce greenhouse gases through a reduction in millions of vehicle miles traveled and to create thousands of construction and permanent jobs and broader economic investment in a traditionally underserved community.

The ITC Project has made significant strides over the past year, having received compliance with the California Environmental Quality Act and securing more than \$750 million in local, State and federal funds. The funding that has been secured to date is anticipated to provide the non-federal match needed to secure a federal Capital Investment Grant, administered by the Federal Transit Administration (FTA) which, with the state and local funding committed, is anticipated to fully fund the Project. The City, with the support of the Metro Board of Directors and the ITC JPA Board, has been working closely with the FTA to secure this grant, and anticipates approval to enter into Engineering on the Project soon.

As you know, in cooperation with the JPA, the City has prequalified 3 developer teams who are anticipated to formally bid on the project, with a Design, Build, Finance, Operate and Maintain (DBFOM) contract to be awarded in Fall 2023. In order to advance the Project, the JPA, the developer teams, and their financing partners, seek assurance that the ITC project has sufficient financial resources, including a "backstop" secondary reserve account if unforeseen circumstances arise that justify additional funding to

LOCAL GOVERNMENTS IN ACTION

Carson El Segundo Gardena Hawthorne Hermosa Beach Inglewood Lawndale Lomita
Manhattan Beach Palos Verdes Estates Rancho Palos Verdes Redondo Beach Rolling Hills
Rolling Hills Estates Torrance Los Angeles District #15 Los Angeles County

complete the Project, beyond the approximately 25-30% contingency that is already allocated within the project budget.

The South Bay Sub-Regional Equity Funds are currently programmed by the South Bay Cities Council of Governments (SBCCOG) and Metro at \$130 million in 2043. The funding per Metro staff is a total of \$101.3 million - \$79.3 million in current dollars plus \$22 million that was prematurely removed from the SBCCOG account for an overrun on the Crenshaw project.

The objective in allocating these funds to the Centinela Project was to demonstrate the SBCCOG's support for addressing a specific traffic congestion challenge within the City. This solution predated the concept of the ITC Project. Now that the ITC Project is in full predevelopment, and the Centinela Project has progressed to a level of planning that allows us to understand the project benefits, costs and impacts, the ITC Project will be a more effective solution to address the core objectives for the Centinela Project by significantly reducing vehicle miles traveled and converting drivers that would be using the Centinela and Florence intersection to become transit riders. Furthermore, at an estimated cost of over \$300 million, the Centinela Project now far exceeds the amount of funds allocated, and an initial design of the shoo-fly component of the Project has exposed that it would significantly interfere with the construction of the ITC Project and adversely impact the feasibility of completing the ITC Project in time to provide passenger service to the 2028 Olympic and Paralympic Games.

Given that the ITC Project more effectively addresses the specific concerns expressed, the SBCCOG supports the City in suspending the Centinela Grade Separation Project to reprioritize the funds and we ask Metro to take the necessary actions to effectuate this change.

Thank you for your attention to this matter.

Sincerely,

John Cruikshank, SBCCOG Chair
Mayor Pro Tem, Rancho Palos Verdes



Attachment C

April 28, 2023

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

SUBJECT: Return of South Bay SEP Funding

Dear Ms. Wiggins:

In April 2020, the South Bay Cities Council of Governments (SBCCOG) was asked by Metro to approve use of Measure M South Bay Subregional Equity Program (SEP) funds for a proportionate share of a \$90 million cost overrun on the Crenshaw / LAX (CLAX) line construction costs. The proportionate share was calculated based on a formula in which Metro would fund 50% and the cities of Los Angeles and Inglewood would contribute the balance at 25% each.

By this formula, the South Bay share of the \$90 million CLAX overrun is \$22 million. The SBCCOG Board supported using South Bay SEP funds for the proportionate South Bay share with the following conditions:

1. 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 balance of the \$90 million overrun from Metro's non-subregional sources, or from the Central Area Subregion and Westside Subregion SEP funds, or from City of Los Angeles local funding sources;
2. This contribution share constitutes a one-time contribution on the condition that no further requests for additional South Bay subregional funding for the Crenshaw/LAX line will be sought by Metro; and,
3. Consistent with [Metro's] commitment to Metro Chair and Inglewood Mayor James Butts, the SEP contribution to the Crenshaw/LAX cost overrun is contingent on Metro staff recommending a full-funding strategy and implementation timeline for the Centinela Grade Separation project by June 2020 that includes, at a maximum, the remaining balance of the South Bay SEP funding.

LOCAL GOVERNMENTS IN ACTION

Metro staff transferred the \$22 million prematurely out of the SBCCOG SEP account without notifying the SBCCOG of its action. Since the City of Los Angeles has now stated that they will not contribute their proportionate share of the \$90 million overrun at this time and since Metro did not provide a CGS full-funding strategy and implementation timeline by June 2020, SBCCOG must demand that the contingent commitment of \$22 million in South Bay SEP funding be returned by Metro to the SBCCOG SEP account with 3.5% interest accrued from the date the funds were taken to the date they are returned.

Thank you for expeditiously responding to this matter.

Sincerely,

John Cruikshank, SBCCOG Chair
Mayor Pro Tem, Rancho Palos Verdes