



Board Report

File #: 2016-0154, File Type: Program

Agenda Number: 16

PLANNING AND PROGRAMMING COMMITTEE MARCH 16, 2016

SUBJECT: CAP-AND-TRADE TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

ACTION: APPROVE PROJECT APPLICATION PRIORITIZATION AND SUBMITTAL

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to submit project applications for grant funds from California's Cap-and-Trade Transit and Intercity Rail Capital program.

ISSUE

Applications for grant funds from California's Cap-and-Trade Transit and Intercity Rail Capital Program (TIRCP) are due to Caltrans' Office of Mass Transit Programs by the deadline of April 5, 2016. Metro will develop applications for up to four projects that were identified as potential candidates as a result of preliminary staff-level screenings (in alphabetical order):

- Airport Metro Connector;
- Division 20 Portal Expansion/Turnback Facility;
- Gold Line Foothill Extension Phase 2B; and
- Orange Line Electric Bus Purchase.

Following is a discussion of the evaluation process used to select the final grant fund candidates and the criteria used to prioritize the projects as required by TIRCP Guidelines.

DISCUSSION

At the February 2016 Board meeting, approval was granted to develop applications for candidate projects to Caltrans for potential receipt of Cap-and-Trade TIRCP grant funds. Board Report Item #19 (Attachment A) discussed the Program's eligibility criteria and identified potential Metro projects. Attachment A to Item #19 was a matrix of the criteria and of several candidate projects considered as the most competitive for the first cycle of the program at that time. The Board report also identified that staff would return to the Board in March to approve final application submittals.

As indicated in Attachment A, primary goals for TIRCP are greenhouse gas emissions (GHGe) reduction and maximization of benefits to disadvantaged communities. These goals can be met by improving accessibility to economic opportunities, integrating transit operations, creating a new or increasing the capacity of an existing transit system, and/or increasing transit ridership. One of the primary quantifications required by the Guidelines is the GHGe reduction stated as a ratio of metric emissions reductions to dollar of TIRCP grant request.

In this Cycle 2, the TIRCP guidelines impose no limit on the number of applications submitted by any one applicant, nor on the amount of funds requested for any or all of the projects. Current FY 2015-16 estimate for revenue generated from the auction of emissions credits to be continuously appropriated to the TIRCP program is \$200 million. Funds from Cycle 1 auction revenues that were not awarded will be added to this Cycle 2 amount, and the Governor's budget proposes additional funding sources; however the total amount is indeterminate at this time in the State's budget process. At this time we anticipate requesting funding in the range of \$50 million to \$300 million for each of the projects, depending upon each project's financial plan requirements and the relative value of the project.

Priority Setting Process and Recommendations

The guidelines continue to require applicants to prioritize projects if more than one application is submitted. We will prioritize the applications based on their competitiveness in the TIRCP criteria, but the GHGe screenings and comprehensive cost benefit analyses will not be completed prior to the due date of this board report. Therefore, the projects identified herein are stated in alphabetical order:

Airport Metro Connector

The Metro Airport Connector environmental clearance is anticipated for early 2017 and preliminary design work needs to proceed steadily to coincide with improvements planned for the Los Angeles International Airport, which are being undertaken by Los Angeles World Airports.

Division 20 Portal Expansion/Turnback Facility

Constructing the Division 20 improvements will enable Metro to attain needed headway improvements once the Section 2 project is completed. Faster headways will vastly improve passenger capacity and travel times on both the Metro Red and Purple Lines.

Gold Line Foothill Extension Phase 2B Project

This project is an extension of the Gold Line Foothill Light Rail System from Azusa to Claremont. The Gold Line Foothill Construction Authority will be ready to issue design/build construction contracts for this extension in 2017, if the potential ballot measure prioritizes this project and is successful. Applications for TIRCP funds for this project will be submitted subject to anticipated local funding availability.

Orange Line Electric Bus Purchase Project

Metro is proposing to install electrification capabilities on the Metro Orange Line and operate electric buses on this dedicated bus rapid transit (BRT) roadway. If successful, the Orange

Line would be the first all-electric bus BRT in the nation. This project is suitable for several greenhouse gas emissions reduction programs and staff have already prepared applications for other state and federal funds that are directed to promoting the use of zero emission vehicles. A successful TIRCP application will enable Metro to operate this line exclusively with zero emission buses.

In coordination with Metro's Regional Rail department, we have determined that no joint Metrolink projects are ready for consideration at this time. We will continue to explore this opportunity in future funding cycles. Attachment B to this report is an updated version of the February 2016 matrix, populated with results of the preliminary staff-level screenings undertaken for selection of the projects.

DETERMINATION OF SAFETY IMPACT

The requested actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

Funding required for preparation of project applications was included in cost center 4420 budget for FY 2016.

Impact to Budget

Preparation of project applications will have no impact on the FY2016 budget.

ALTERNATIVES CONSIDERED

The Board could choose not to approve selection candidate projects as set forth herein and instead identify different candidates for application. Staff does not recommended this alternative as the listed projects have the potential to meet the criteria set forth in the Guidelines and should represent the strongest applications on behalf of Metro.

NEXT STEPS

Upon approval, staff will submit the project applications and prioritization, due to Caltrans by April 5, 2016. CalSTA will publish the list of approved projects by August 1, 2016 and the list will be presented to the California Transportation Commission on August 17, 2016. We anticipate funds will be available for allocation by September 1, 2016.

Multi-Year Cap-and-Trade Strategy

Pursuant to Director Butts' Amendment to Item No. 28 on October 22, 2015, Attachment C to Board Report Item #19 (Attachment A), that requested a comprehensive Cap-and-Trade strategy and action plan (Plan), staff has been developing an overall approach for identifying potentially competitive candidate capital transit expansion projects that are in the adopted 2009 Long Range Transportation Plan and that realize a nexus with the Cap-and-Trade Program priorities. The Cycle 2 nominated

projects have been identified as a result of our efforts to develop the requested Plan. Inasmuch as the Plan should also consider the draft expenditure plan for the potential ballot measure currently in development, we will respond to Director Butts' Motion at the April 2016 Board meeting to ensure that all priorities are considered and measured against the Program criteria.

As the GGRF grows and the Cap-and-Trade Program matures to a five-year cycle in FY 2018, we will likely see significant possibilities to strategically apply for funds using a multi-year strategy to compliment the funding profiles of our larger transit projects.

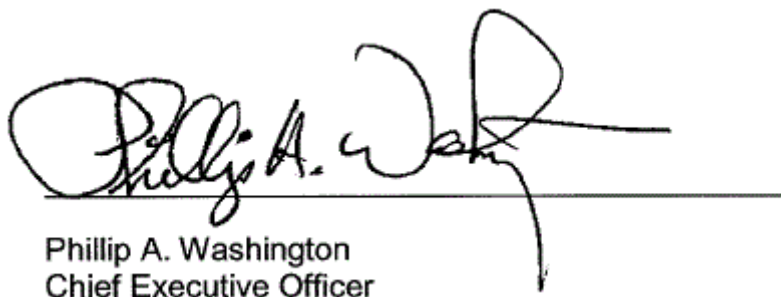
ATTACHMENTS

Attachment A - February 2016 Board Report Item #19

Attachment B - Proposed Metro TIRCP Projects Decision Matrix

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Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319



Phillip A. Washington
Chief Executive Officer



File #:2015-1712, File Type:Program

Agenda Number:19.

**PLANNING AND PROGRAMMING COMMITTEE
FEBRUARY 17, 2016**

SUBJECT: CAP-AND-TRADE PROGRAM

**ACTION: APPROVE CANDIDATE TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM
PROJECTS**

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to approve the development of project applications for grant funds from California's Cap-and-Trade Program's Greenhouse Gas Reduction Fund (GGRF) through the Transit and Intercity Rail Capital Program (TIRCP).

ISSUE

The second cycle of GGRF programming for the Cap-and-Trade's TIRCP is underway; the State's call for projects occurred on February 5, 2016, and grant applications will be due to Caltrans by April 5, 2015. In order to meet this timeline, staff seeks Board approval to develop grant applications for identified candidate projects considered as the most competitive for this program. Staff will return to the Board in March for action on the submission of final project applications and prioritization.

The California State Transportation Agency (CalSTA), the administrator of TIRCP, intends to adopt a two-year program of projects, which in this Cycle 2 will be FY 2016-17 and 2017-18. Attachment A identifies the major capital project candidates nominated by various Metro departments to be evaluated in accordance with the rigorous evaluation criteria provided in the draft TIRCP Guidelines, illustrating graphically which projects evolved as the most viable for an award of grant funds. As with the last cycle, project readiness continues to be a major consideration, as allocations must be requested in the fiscal year of project programming. The projects that staff are considering as potentially competitive candidates for this cycle, in no order of priority, are the Airport Metro Connector; Division 20 Portal Expansion/Turnback Facility for the Red/Purple Line; Gold Line Foothill Extension Phase 2B; potential joint Metrolink projects; Orange Line Electric Bus Purchase; and the Westside Purple Line Extension Section 2.

DISCUSSION

The TIRCP was created by California State Legislature to provide grants to fund capital improvements and operational investments specifically designed to reduce greenhouse gas

emissions by reducing vehicle miles traveled throughout California. The grant funds are derived from California's Cap-and-Trade Program and are the result of quarterly auctions of emission credits for greenhouse gas emitters regulated under Assembly Bill (AB) 32. Auction proceeds are then reinvested in various projects to further reduce emissions. No fund estimate has yet been determined for Cycle 2, however the Governor's draft FY 2016-17 budget recommends that approximately \$600 million be invested in the TIRCP program.

Unlike the first cycle, where applicants were limited to an award of approximately \$40 million for any one major capital project per applicant agency, Cycle 2 draft Guidelines are silent on both award limits and the number of applications that can be submitted by any one agency. However, as could be expected, the selection process promises to be rigorous.

Cycles 1 and 2 have been two-year programs; starting in FY 2018 CalSTA will move to five-year program cycles with the first year being FY 2018-19. Additional five year programs will be approved by April 1st of each even-numbered year thereafter, adopting a program for the allocation and expenditure of moneys during those five fiscal years.

TIRCP Goals and Objectives

The goals of the TIRCP are to provide monies to fund transformative capital improvements that modernize California's intercity rail, bus, ferry, and rail transit systems to achieve all of the following objectives:

- Reduce greenhouse gas emissions;
- Expand and improve rail service to increase ridership;
- Integrate the rail service of the State's various rail operations, including integration with the high-speed rail system;
- Improve safety; and
- Provide a benefit to disadvantaged communities, and address a community need.

Project Eligibility Criteria

CalSTA intends to fund a small number of transformative projects that will significantly reduce vehicle miles traveled, congestion, and greenhouse gas emissions by creating a new transit system, increasing the capacity of an existing transit system, or otherwise significantly increasing the ridership of a transit system, linking key destinations and improving accessibility to economic opportunities.

Project application evaluations will focus on the above objectives, as well as secondary evaluation criteria that consider the co-benefits of support for sustainable communities strategies, collaboration between rail operators, geographic equity, consistency with an adopted Sustainable Communities Strategy, leveraged supplemental funding (including from other GGRF programs), integration across other transportation modes and, if applicable, a financial plan that evidences support for service expansion. Those projects that score highly on multiple secondary evaluation criteria, with clear documentation of claimed benefits, demonstration of a high degree of project readiness, with few risks related to completion and achievement of the proposed benefits, will be highly rated by CalSTA.

Maximizing benefits to disadvantaged communities (DAC) continues to be a legislatively-mandated goal of Cap-and-Trade Program. Attachment B uses California Environmental Protection Agency's (CalEPA) environmental health screening tool information as a background to Metro's existing and planned transportation projects and illustrates that the DACs, as defined, are disproportionately located in Los Angeles County and served by Metro's transit system.

CalSTA continues to give priority to applications which fund construction or implementation and expresses a preference for projects with clear phases or scalability. Multiple applications from the same agency must be prioritized. Consideration will be given to proposals to fund only preconstruction components for a project, but a full funding plan must be provided to assure construction of a useable segment. In all scenarios, a project or project elements will be considered only if fully funded. While a local funding match is not required, a highly rated project will clearly indicate the acceleration of project delivery made possible due to the inclusion of TIRCP funds to complete the funding package.

Potential Metro Projects

Because the TIRCP application deadline is April 5 and applicants have only 60 days to prepare and submit funding applications, it is necessary to consider potential candidates for Cycle 2 funding in advance of completion of a draft expenditure plan for the potential ballot measure and an updated Long Range Transportation Plan (LRTP). Based on the draft Guidelines criteria and Metro's current project development schedules, staff has preliminarily identified the six above-referenced projects as having the potential to meet the Guidelines criteria. Staff developed the matrix shown in Attachment A and recommends further analysis be undertaken with the goal of submitting one or several applications to CalSTA.

To ensure competitiveness of Metro's applications, initial additional analysis to focus our field of candidates will include a preliminary screening of potential greenhouse gas emissions reductions that a project could provide, as well as a refining of project schedules to ensure award of construction contracts could be accomplished within the time frame provided by CalSTA, which is within six months of a request for allocation of the awarded funds from the California Transportation Commission, but no later than the Commission's June 2018 meeting.

The Board will be requested to approve final application submittals and project prioritization at the March Board meeting, prior to the April 5 application deadline.

Multi-Year Cap-and-Trade Strategy

Pursuant to Director Butts' Amendment to Item No. 28 on October 22, 2015 (Attachment C) that requested a comprehensive Cap-and-Trade strategy and action plan (Plan), staff has been developing an overall approach for identifying potentially competitive candidate capital transit expansion projects that are in the adopted 2009 Long Range Transportation Plan and that realize a nexus with the Cap-and-Trade Program priorities. The Cycle 2 nominated projects have been identified as a result of our efforts to develop the requested Plan. Inasmuch as the Plan should also consider the draft expenditure plan for the potential ballot measure currently in development, we will respond to Director Butts' Motion at the April 2016 Board meeting to ensure that all priorities are

considered and measured against the Program criteria.

As the GGRF grows and the Cap-and-Trade Program matures to a five-year cycle in FY 2018, we will likely see significant possibilities to strategically apply for funds using a multi-year strategy to compliment the funding profiles of our larger transit projects.

DETERMINATION OF SAFETY IMPACT

The requested actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

Funding required for preparation of project applications has been included in cost center 4420 budget for FY 2016.

Impact to Budget

Preparation of project applications will have no impact on the FY2016 budget.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the candidate projects contained in Attachment A and instead select one or more other projects considered for application. Staff does not recommended this alternative as the listed projects have the potential to meet the criteria set forth in the Guidelines and should represent at least one competitive application on behalf of Metro.

NEXT STEPS

Upon approval, staff will prepare the project applications, due to Caltrans by April 5, 2016. The Board will be requested to approve final application submittals and project prioritization at the March Board meeting. CalSTA will publish the list of approved projects by August 1, 2016 and the list will be presented to the California Transportation Commission on August 17, 2016. We anticipate funds will be available for allocation between September 1, 2016 and June 30, 2018.

Staff will present the projects for which TIRCP applications are being submitted, and recommended priorities, at the March 2016 Board meeting and will provide the requested Plan at the April 2016 meeting.

ATTACHMENTS

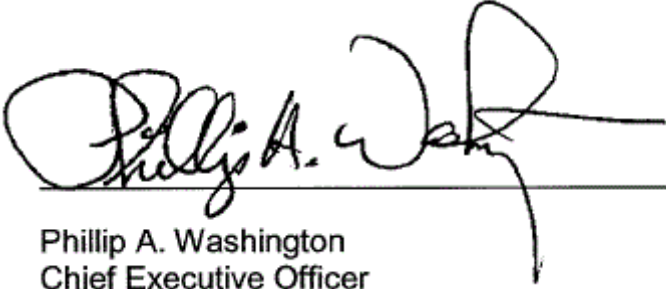
Attachment A - Proposed Metro TIRCP Projects Decision Matrix

Attachment B - Disadvantaged Communities Map

Attachment C - Amendment to Item No. 28 by Director Butts, dated October 22, 2015

Prepared by: Kathleen Sanchez, Regional Programming Manager, (213) 922-2421
Wil Ridder, Executive Officer, (213) 922-2887

Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

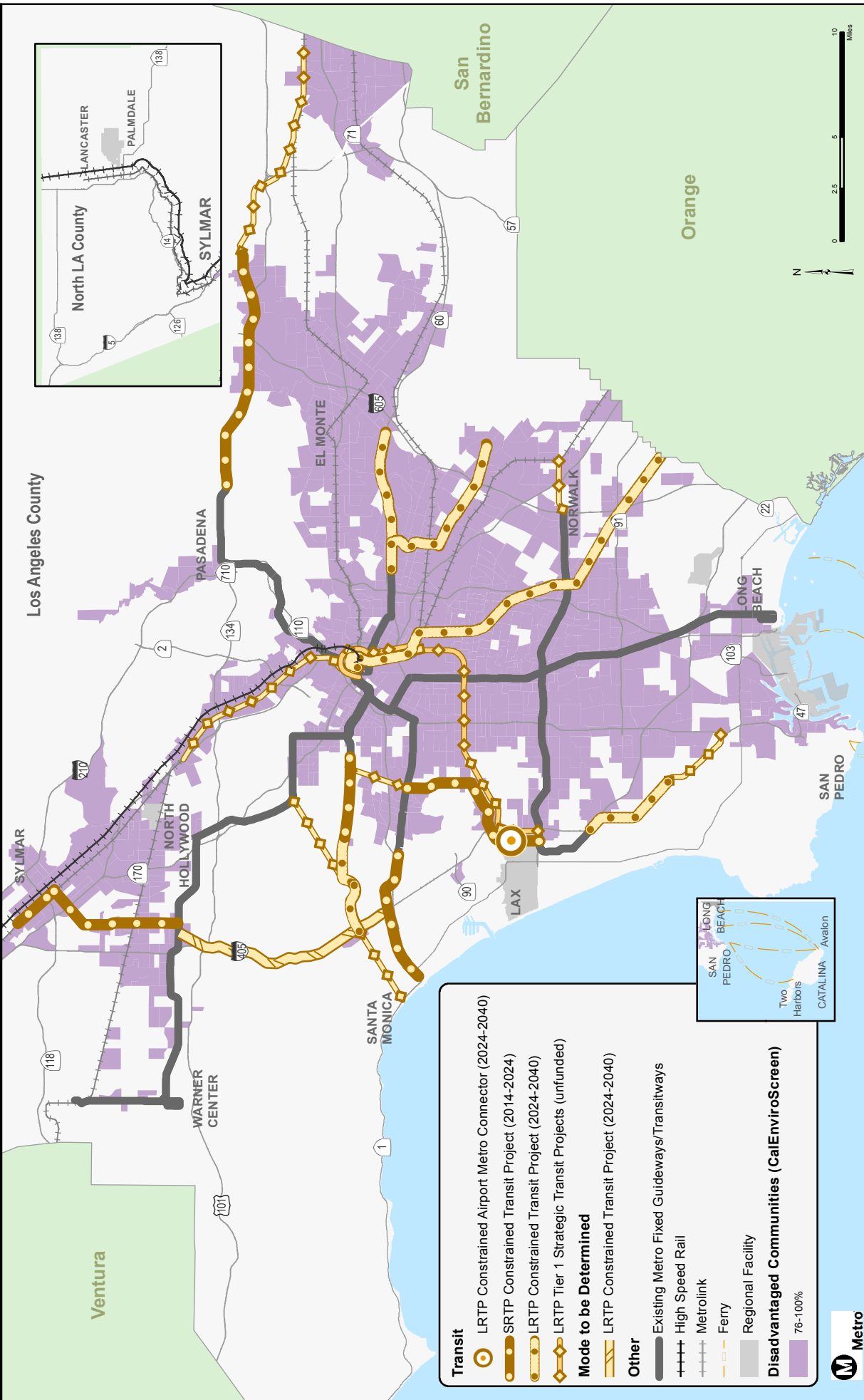
Greenhouse Gas Reduction Fund

Evaluation Criteria

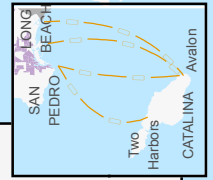
	Metro Priority Criteria				Cal STA Primary Criteria				Cal STA Secondary Criteria					
	Project readiness (allocation by June 2018)	Construction or implementation	Leverage other funds	Scope, cost, and schedule available	Reduce greenhouse gas emissions	Increase ridership	Integrate service	Improve safety	Support Sustainable Communities Strategies (SCS)	Benefit disadvantaged communities	Support collaborative priorities	Geographic equity	Consistent with related SCS plans	Integration across transport modes
PROPOSED SECOND CYCLE PROJECTS														
Airport Metro Connector	Yes	X	X	X	X	X	X	X	X	X	X	X	X	X
Division 20 Portal Expansion/Turnback Facility for Red/Purple Line	Yes	X	X	X	X	X		X		X	X	X		
Gold Line Foothill Extension Phase 2B	Yes	X	X	X	X	X			X	X		X		X
Joint Metrolink Projects	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Orange Line Electric Bus Purchase	Yes	X	X	X	X	X			X	X				
Westside Purple Line Section 2	Yes	X	X	X	X	X		X		x	X		X	X

Note: Proposed projects are listed in alphabetical, not priority, order.

L RTP Transit Projects



- Transit**
- L RTP Constrained Airport Metro Connector (2024-2040)
 - SRTP Constrained Transit Project (2014-2024)
 - L RTP Constrained Transit Project (2024-2040)
 - L RTP Tier 1 Strategic Transit Projects (unfunded)
- Mode to be Determined**
- L RTP Constrained Transit Project (2024-2040)
- Other**
- Existing Metro Fixed Guideways/Transitways
 - High Speed Rail
 - Metrolink
 - Ferry
 - Regional Facility
- Disadvantaged Communities (CalEnviroScreen)**
- 76-100%



Amendment to Item No. 28 by Director Butts**October 22, 2015**

Consistent with the state statute AB 32, the Air Resources Board (ARB) established a Cap and Trade (C&T) program. In 2012 SB 535 was enacted and requires that 25 percent of C&T auction revenue be used to **benefit** disadvantaged communities and 10 percent of auction revenue **be invested** in disadvantaged communities.

Starting in 2015-16 and beyond, the Legislature and Governor agreed to a continuous appropriation of 60 percent of cap-and-trade revenues for specific programs; including: high-speed rail, affordable housing and sustainable communities, transit and intercity rail capital, and low-carbon transit operations. **The remaining 40 percent of unspent revenue—estimated to be about \$1.5 billion by the end of 2015–16—is available to be allocated in near future legislation.**

Availability of the Cap and Trade auction revenues presents an unprecedented funding opportunity for Metro to aggressively pursue a “fair-share” of revenues, from both the 60 percent continuous appropriation supported programs, as well as the 40 percent—\$1.5 billion—of funds yet to be appropriated by the Legislature. These funds should be a Metro priority to benefit the large number of “Disadvantaged Communities” in Los Angeles County. But outside of using the 2009 LRTP as a template, Metro lacks a comprehensive strategy, including numerical revenue targets, serving as framework for the Metro Board to join with key non-profit stakeholders, sub regional COGs, SCAG, labor, and private sector partners in securing our fair-share of Cap and Trade revenues. In order for Metro to be competitive and demonstrate strong leadership in securing a substantial amount of future Cap and Trade revenues, we need a plan of action.

I, Therefore, Move that the Board direct the CEO to develop a comprehensive Cap and Trade strategy and action plan, including annual numerical revenue targets, for consideration by the Board for the January 2016 Planning and Programming Committee.

I further Move that the strategy should:

1. Identify the potential role of the Cap and Trade funds as part of the proposed Expenditure Plan being developed for consideration as part of sales tax development process; and
2. include a legislative component identifying specific policy and programmatic recommendations on the projected \$1.5 billion of un-appropriated auction revenues to be considered by the Legislature during the 2016 session.

Additionally, the strategy and action plan should focus on all of the transportation related categories of Cap and Trade funding and be developed in direct consultation with sub regional COGs.

TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

Greenhouse Gas Reduction Fund

Evaluation Criteria

	Metro Priority Criteria				Cal STA Primary Criteria				Cal STA Secondary Criteria					
	Project readiness (allocation by June 2018)	Construction or implementation	Leverage other funds	Scope, cost, and schedule available	Reduce greenhouse gas emissions	Increase ridership	Integrate service	Improve safety	Support Sustainable Communities Strategies (SCS)	Benefit disadvantaged communities	Support collaborative priorities	Geographic equity	Consistent with related SCS plans	Integration across transport modes
PROPOSED SECOND CYCLE PROJECTS														
Airport Metro Connector	Yes	X	X		X	X	X		X		X	X		X
Division 20 Portal Expansion/Turnback Facility and Westside Purple Line Section 2	Yes	X	X	X	X	X		X	X	x	X	X	X	X
Gold Line Foothill Extension Phase 2B	Yes	X	X	X	X	X			X	X		X		X
Orange Line Electric Bus Purchase	Yes	X	X	X	X	X			X	X		X	X	X

Note: Proposed projects are listed in alphabetical, not priority, order.