



**Metro**

## Board Report

**File #:** 2016-0697, **File Type:** Agreement

**Agenda Number:** 6.

### FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 14, 2016

**SUBJECT: CITY OF INGLEWOOD LOCAL CONTRIBUTION TO MEASURE R CRENSHAW /LAX PROJECT**

**ACTION: APPROVE CONTRIBUTION AGREEMENT AND AUTHORIZE EXECUTION**

#### **RECOMMENDATION**

CONSIDER:

- A. APPROVING the **Crenshaw/LAX Light Rail Transit Project Measure R Local Match Financial Contribution Agreement between the City of Inglewood and Metro**; and
- B. AUTHORIZING the Chief Executive Officer to execute the said agreement.

#### **ISSUE**

The financial plan for the Crenshaw/LAX Light Rail Transit Project (“Project”) assumes that local jurisdictions through which the Project runs will make a contribution towards the Project costs (“the 3% Contribution”). For the subject Project, this would include the cities of Los Angeles and Inglewood. The Metro Board has approved and Metro and the City of Los Angeles have previously entered into an agreement for the Los Angeles contribution which is equal to 3% of the estimated project cost as of the date of the agreement multiplied by the percentage of the project track miles located within the City of Los Angeles. Metro staff and the City of Inglewood staff have negotiated a contribution agreement as described below. The agreement was approved by the Inglewood City Council on August 23, 2016. The agreement requires Metro Board approval to be implemented.

#### **DISCUSSION**

In 2012 Metro and City of Inglewood staff negotiated a contribution agreement which provided that the City make a contribution equal to approximately 3% of the estimated Project costs multiplied by the percentage of Project track mileage located with the City of Inglewood. This agreement provided for a contribution of approximately \$17.7 million, financed over 35 years. The agreement was approved by the Metro Board but was not approved by the Inglewood City Council in part due to the on-going negotiation with Metro concerning certain Project elements. With most of these issues now

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resolved, the City indicated its willingness to negotiate a contribution but not based on the terms of the draft 2012 agreement. In large part, the difference between the amount the city was willing to pay and the \$17.8 million lies in the fact that the costs of tunneling for the project is attributable to the portion of the Project that is in the city of Los Angeles and the City of Inglewood believes they receive no benefit from that work. Negotiations ensued and the recommended agreement contains the following provisions:

- Total face value of contribution: \$12 million
- Form of contribution:
  - \$6 million in new first/last mile improvements to be approved by Metro and completed within 6 years of the agreement
  - Additional \$ 6 million financed, with interest accruing from the beginning of the 11<sup>th</sup> year of the note and the first payment commencing in year 11 of the agreement, balance financed over 40 years at 3% interest.
- City obligation secured by lien against City's local allocation of Measure R, Proposition A and Proposition C funds.

### **DETERMINATION OF SAFETY IMPACT**

The recommended action has no impact on safety.

### **FINANCIAL IMPACT**

The original Project plan included a \$17.7M Local Contribution from the City of Inglewood for the benefits of new rail construction within the City. The terms of this agreement have been negotiated such that no funds will be provided during construction of the Project. In lieu of construction contributions, \$6 million will be directed to the City of Inglewood for First / Last mile improvements separate from the currently approved Crenshaw Life of Project (LOP) budget. Six (\$6) million of additional funds will be repaid to Metro commencing 11 years from the date of the signed agreement to be paid over a 40 year term.

#### **Impact to Budget**

Substitute funds need to be identified to replace the \$17.7 million originally planned as the City of Inglewood Local Contribution to the Crenshaw LOP budget. There is no impact to the current fiscal year as no City of Inglewood funds were included in the FY17 adopted budget. The funding sources for the project's capital budget that no longer being provided as a local contribution by the City of Inglewood will be offset by other eligible Metro controlled funding sources including, but not limited to

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Proposition A 35%, Proposition C 25%, federal Congestion Mitigation and Air Quality (CMAQ), and federal Regional Surface Transportation Program (RSTP) funding. The exact funding sources and amounts will be determined through the Long Range Transportation Plan (LRTP) update process, which will need to prioritize this requirement against other needs and their requisite cash flow demands.

### **ALTERNATIVES CONSIDERED**

The alternative is to not approve the subject agreement and seek to negotiate alternatives terms. This is not recommended. The negotiations have been protracted, the parties have negotiated in good faith and additional negotiations will likely not be fruitful. The agreement will provide needed First/Last Mile improvements and a long term contribution to partially reimbursement for Project costs.

..Next\_Steps

### **NEXT STEPS**

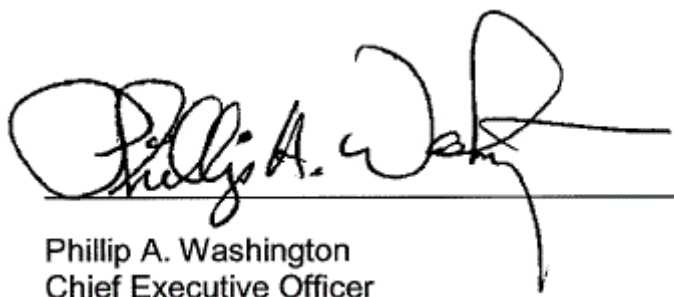
Upon Board approval, the CEO will execute the agreement and the Metro and city staff will proceed to identify the eligible First/Last Mile improvements.

### **ATTACHMENTS**

Attachment A - Measure R Local Match Financial Contribution Agreement (Draft)

Prepared by: Calvin Hollis, Senior Executive Officer, (213) 922-7319

Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



Phillip A. Washington  
Chief Executive Officer

**CRENSHAW LIGHT RAIL TRANSIT PROJECT  
MEASURE R LOCAL MATCH FINANCIAL  
CONTRIBUTION AGREEMENT**

This CRENSHAW LIGHT RAIL TRANSIT PROJECT MEASURE R LOCAL MATCH FINANCIAL CONTRIBUTION AGREEMENT ("**Agreement**") is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 2016 ("**Execution Date**"), by and between the CITY OF INGLEWOOD, a municipal corporation (the "**City**"), and the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY ("**LACMTA**"), collectively referred to as "Parties" and individually as a "Party," with reference to the following:

**RECITALS:**

WHEREAS, the City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of the City.

WHEREAS, LACMTA is the public agency designing, constructing and operating the Crenshaw/LAX Transit Corridor Project (the "**Project**"). The Project is a new 8.5 mile light rail line that extends between the Exposition Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line (near the existing Aviation/LAX Station) in Los Angeles County, California. The portion of the rail line that is within the city of Inglewood is 2.93 miles.

WHEREAS, the Project includes eight (8) stations of which two (2) stations are located in the City of Inglewood. LACMTA received state environmental clearance for the Project in September 2011 and federal environmental clearance in December 2011.

WHEREAS, the Project has a life-of-project budget of \$1,749,000,000. The Project is being funded in part with Measure R funds. The Measure R financial plan assumes a local funding match of 3% for all Measure R Projects. The City of Los Angeles and the City of Inglewood are responsible for the 3% local funding match to the Project.

WHEREAS, the parties have agreed that City's contribution of \$12,000,000, to be provided as follows, will be accepted by LACMTA to satisfy the City's local contribution to the Project ("**City's Share**"): (1) City shall contribute \$6,000,000 in LACMTA approved projects which address the connection at the beginning or end of an individual trip, commonly referred to as the first and last mile connection; and (2) City has requested that LACMTA advance the City's Share towards the Project for the City. In exchange, City has agreed to repay the advance by making payments of principal plus interest as set forth in the promissory note with an initial principal balance of \$6,000,000

in the form attached hereto as Exhibit A and incorporated herein by reference (the “**Note**”).

WHEREAS, LACMTA is willing to advance a portion of the City’s Share funding contribution as set forth herein.

WHEREAS, the City took action on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ authorizing City to enter into the transactions set forth in this Agreement.

WHEREAS, LACMTA took action on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ authorizing LACMTA to enter into the transactions set forth in this Agreement.

NOW, THEREFORE, it is mutually agreed by and between the undersigned parties as follows:

1. FUNDING COMMITMENT.

A. City shall contribute \$12,000,000 towards the Project by providing \$6,000,000 in First and Last Mile Improvements Projects (as defined below) and making payments on the \$6,000,000 Note, all as further described herein. The completion of the First and Last Mile Improvements Projects and payment of the Note in full shall constitute City meeting its City Share funding commitment to the Project.

B. First and Last Mile Improvements Projects

i. LACMTA will undertake a study (the “**Study**”) in collaboration with City to identify projects which will improve access to the Inglewood Crenshaw LRT Station. The Study will ensure the projects are consistent with LACMTA’s adopted Active Transportation Strategic Plan Guidelines.

ii. From the list of projects identified in the Study, the City will select a list of projects that it desires to design, construct, operate and maintain. The selected projects shall in the aggregate cost at least \$6,000,000 to design and construct and the design and construction budgets for these projects are subject to LACMTA’s review and concurrence. LACMTA shall review City’s selected list of projects and upon LACMTA approval of such City selected projects, the LACMTA approved list of projects will be referred to, and for purposes of this Agreement are defined as, collectively, the “**First and Last Mile Improvements Projects**” and individually, as a “**First and Last Mile Project**.”

iii. City shall expend at least \$6,000,000 on the First and Last Mile Improvements Projects no later than the date (“the “**Expenditure Date**”) that is six (6) years from the date the LACMTA Board of Directors approved this Agreement. For each First and Last Mile Project that is completed and operational by the Expenditure Date, the amount actually expended on such First and Last Mile Project will be credited toward the \$6,000,000.

iv. City shall be responsible to design, construct, operate and maintain each First and Last Mile Project at its sole cost and expense, using local, State or

Federal sources and these sources shall not include any LACMTA grant funds unless specifically provided herein. Notwithstanding the foregoing, if (1) funds from that certain sales tax measure initiated by LACMTA and included in the November 2016 ballot (“2016 Sales Tax Measure”) are allocated to the South Bay Transit and Mobility funding category or, if permitted by the LACMTA Board, the South Bay share of the Subregional Equity Program category (collectively, the “**SB Funds**”) and (2) the South Bay Council of Governments (“**SBCOG**”) allocates any part of the SB Funds to the City for a First and Last Mile Project, then City may use such SBCOG Funds to design, construct, operate and maintain the applicable First and Last Mile Project; provided, however, use of such SBCOG Funds for the First and Last Mile Project must be subject to and consistent with LACMTA’s approved guidelines for such 2016 Sales Tax Measure categories. City will be required to operate and maintain the First and Last Mile Improvements Projects for at least ten (10) years from their respective date of opening.

C. The Note

i. Concurrent with the execution of this Agreement, the City shall execute and deliver to LACMTA the Note which will obligate the City to pay LACMTA \$6,000,000 plus interest on the terms and conditions set forth in the Note. Upon delivery of the Note, City shall also provide LACMTA with a legal opinion that this Agreement and the Note are duly authorized, executed and delivered by the City and constitutes valid legal and binding obligations of the City enforceable against the City in accordance with their respective terms.

ii. By executing the Note and this Agreement, City hereby authorizes LACMTA to advance and LACMTA shall advance on behalf of City \$6,000,000 for use on the Project. City hereby instructs LACMTA not to pay the advance to the City but to apply the \$6,000,000 directly to the Project. Interest on the Note shall accrue commencing on the date that is ten (10) years from the date of the Note until the advance is repaid in full.

D. LACMTA acknowledges that the City intends to fulfill its financial obligations under this Agreement through its local return share of Proposition A, Proposition C and to the extent it is still available, Measure R funds, and if passed, Maker’s local return share of any future sales tax measures initiated by LACMTA and not through the City’s general funds or by exercise of its powers of taxation, should these special funds prove insufficient. Accordingly, nothing in this Agreement shall require the City to expend or promise to expend monies from its general fund to satisfy all or any portion of the obligations set forth in this Agreement or in the Note. Since this is an obligation which is payable out of special funds, it is not an “indebtedness or liability” of the City within the meaning of Section 18 of Article XI of the Constitution. Further, this obligation is not a lien or encumbrance, legal or equitable, upon any of the City’s property or upon any of the City’s income or receipts or revenues, other than the City’s local return share of Proposition A, Proposition C and Measure R funds, and if passed, City’s local return share of any future sales tax measures initiated by LACMTA, which are hereby pledged as payment sources.

2. UNDERRUNS, OVERRUNS AND BETTERMENTS.

A. In the event the final cost of the Project is less than the budgeted amount of \$1,749,000,000, the City's share of the local match commitment shall be proportionately reduced and the City shall receive a credit against its contributions by reducing the then outstanding principal amount on the Note and recalculating the payment amount. In no event shall the City's Share exceed \$12,000,000, nor will the City be responsible for any cost overruns or budget increases for the Project.

B. Project Betterments shall be paid by the City separate and apart from this Agreement and shall be defined in and paid pursuant to the Letter of Agreement, which was fully executed by both parties on April 17, 2012 (the "LOA").

### 3. INDEMNITY.

A. The LOA specifies procedures which the parties will follow to identify, plan, design and affect the Project. Section IV of the LOA provides for LACMTA to indemnify the City for its performance under the LOA. As LACMTA will use the City's local contribution amount for the Project, the parties desire to remain consistent with LACMTA's indemnity obligations to City with regard to identifying, planning, designing and affecting the Project. Therefore, the parties hereby agree that the indemnity provided by LACMTA to City under Section VI of the LOA is incorporated herein by reference as though set forth in full.

B. City shall indemnify, defend and hold harmless LACMTA and its officers, employees and agents from and against all claims, damages, losses, liabilities, and costs and expenses (including attorneys' fees) arising out of the performance, by City or its employees and agents, of activities the City is required to perform under this Agreement, including without limitation, the design, construction, operation and maintenance of the First and Last Mile Improvements Projects and payments made under the Note.

### 4. RECORDS AND AUDIT.

A. LACMTA shall maintain any and all documents and records demonstrating or relating to LACMTA's performance of services pursuant to this Agreement. LACMTA shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks or other documents or records evidencing or relating to work, services, expenditures and disbursements charged to the Project. Any and all such documents or records shall be maintained in accordance with generally accepted accounting principles and shall be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by LACMTA pursuant to this Agreement. Any and all such documents or records shall be maintained to the extent required by laws relating to audits of public agencies and their expenditures.

B. City shall have the right to inspect or review any documents or records reasonably required of City to evaluate LACMTA's obligations pursuant to this Agreement. LACMTA shall make all records and documents to be reviewed and inspected by City as a part of any audit or other record review conducted by City available for City's review within ninety (90) days of receiving written notice from City

requesting same. LACMTA shall maintain such data and records in an accessible location and condition for a period of not less than three (3) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last.

C. These audit rights shall not excuse or otherwise affect City's payment obligations hereunder. Any final under or overpayments shall be handled through the audit process.

D. City shall maintain any and all documents and records demonstrating or relating to City's performance of services pursuant to this Agreement. City shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks or other documents or records evidencing or relating to work, services, expenditures and disbursements charged to the First and Last Mile Improvements Projects. Any and all such documents or records shall be maintained in accordance with generally accepted accounting principles and shall be sufficiently complete and detailed so as to permit an accurate evaluation of the services provided by City pursuant to this Agreement. Any and all such documents or records shall be maintained to the extent required by laws relating to audits of public agencies and their expenditures.

B. LACMTA shall have the right to inspect or review any documents or records reasonably required of LACMTA to evaluate City's obligations regarding the First and Last Mile Improvements Projects under this Agreement. City shall make all records and documents to be reviewed and inspected by LACMTA as a part of any audit or other record review conducted by LACMTA available for LACMTA's review within ninety (90) days of receiving written notice from LACMTA requesting same. City shall maintain such data and records in an accessible location and condition for a period of not less than three (3) years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last.

## 5. NOTICES.

A. All notices, demands, requests, or approvals to be given under this Agreement shall be given in writing and conclusively shall be deemed served when delivered personally or on the second business day after the deposit thereof in the United States mail, first class postage prepaid, addressed as hereinafter provided.

B. All notices, demands, requests, or approvals to City shall be addressed to City at:

CITY  
Yvonne Horton  
City Clerk  
City of Inglewood  
One Manchester Boulevard  
Inglewood, California 90301

WITH COPY TO  
City of Inglewood  
One Manchester Boulevard  
Inglewood, California 90301  
  
Attn: City Manager



C. All notices, demands, requests, or approvals to LACMTA shall be addressed to LACMTA at:

Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza,  
Los Angeles, CA 90012  
Attn: Charles Beauvoir, Deputy Executive Officer, Project Management

With a copy to:

Joyce Chang  
Principal Deputy County Counsel  
c/o LACMTA  
One Gateway Plaza, 99-24-2  
Los Angeles, CA 90012

## 6. DEFAULT AND REMEDIES.

A. In the event City fails to perform its obligations under this Agreement, LACMTA shall provide written notice of such breach to City with a 30-day period to cure the breach. If City fails to cure the breach within the 30 day period, then City shall be deemed to be in default under this Agreement.

B. Should City be in default pursuant to Section 1B above, the budgeted value of any First and Last Mile Project which is not completed and operational by the Expenditure Date shall be added together and the resulting cumulative amount shall be referred to as the “**First and Last Mile Outstanding Balance**”). At such time, City’s obligation to provide the First and Last Mile Improvements Projects shall be replaced with the obligation to pay the First and Last Mile Outstanding Balance as set forth herein. The First and Last Mile Outstanding Balance shall be paid in monthly installments over ten years with the outstanding unpaid amounts bearing interest at 3% per annum. City shall pay the First and Last Mile Outstanding Balance by hereby authorizing LACMTA to withhold from City’s local return share of Measure R, Proposition A and Proposition C in an amount sufficient to pay monthly payments in an amount such that at the end of ten years, the First and Last Mile Outstanding Balance plus all accrued and outstanding interest is paid in full.

C. In the event City fails to perform its obligations under the Note, the parties shall comply with the default and remedies sections set forth in the Note.

D. Further and in addition to the rights set forth herein, If City is in default under this Agreement, LACMTA may take any action against and pursue any remedy against City available to LACMTA under this Agreement or at law or in equity.

E. Article V of the LOA provides for resolution of disputes, claims or controversies arising out of or relating to any construction involving or otherwise relating to the Project. The parties desire to remain consistent with the handling of disputes regarding construction of the Project. Therefore, the parties hereby agree that the Resolution of Disputes set forth in Article V of the LOA is incorporated herein by reference as though set forth in full.

## 7. TERM.

This Agreement shall become effective upon the date first referenced above and shall remain in full force and affect until the City has paid the Note in full. Once executed, the City shall have no right to terminate this Agreement.

## 8. INDEPENDENT PARTIES.

The parties to this Agreement will be acting in an independent capacity and not as agents, employees, partners, or joint venturers of one another. Neither the City, LACMTA, nor any of their respective officers or employees or representatives, shall have any control over the conduct of the other party, or the other party's employees, representatives or consultants.

## 9. INTEGRATED CONTRACT.

This Agreement, its Exhibits and the LOA represents the full and complete understanding of every kind or nature whatsoever between the parties hereto relating to the local contribution obligations by the City for the Project. All preliminary negotiations and agreements of whatsoever kind or nature concerning this matter are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by written agreement signed by all the parties. Each and every attachment, if any, to this Agreement is incorporated by reference and made part of this Agreement.

## 10. MISCELLANEOUS.

A. A waiver by a party of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein whether of the same or a different character.

B. This Agreement shall be interpreted, construed and governed according to the laws of the State of California. In the event of litigation between the parties, venue in state trial courts shall lie exclusively in the County of Los Angeles. In the event of litigation in the United States District Court, venue shall lie exclusively in the Central District of California, in Los Angeles. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

C. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute but one and the same instrument, provided, however, that such counterparts shall have been delivered to both Parties to this Agreement.

D. Any provision of this Agreement, which by its nature must be exercised after termination of this Agreement, or obligation that accrued hereunder prior to termination, including without limitation Section 3, will survive termination and remain effective for a reasonable time.

E. Each of the Parties represents and warrants that the person who signs this Agreement on its behalf has authority to bind that Party.

(SIGNATURES ON THE NEXT PAGE)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

CITY OF INGLEWOOD, a municipal  
corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

ATTEST:

\_\_\_\_\_  
City Clerk

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY

By: \_\_\_\_\_  
Phillip A. Washington  
Chief Executive Officer

APPROVED AS TO FORM:

MARY C. WICKHAM  
County Counsel

By: \_\_\_\_\_  
Deputy

## Exhibit A

### Form of Promissory Note