

**Board Report**

File #: 2019-0850, **File Type:** Agreement**Agenda Number:** 15.

**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 15, 2020****SUBJECT: ALAMEDA CORRIDOR-EAST (ACE) PROGRAM FUNDING PLAN UPDATE****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

AUTHORIZE the CEO to amend the ACE funding agreement to increase Metro's contribution by \$15,000,000 (5.5% increase to the 2007 amount of \$274,323,220) for a new total amount of \$289,323,220 and program \$19,453,420, which includes previously committed funding. Metro will not participate in any future project cost increases or overruns.

ISSUE

The San Gabriel Valley Council of Governments (SGVCOG) plans to seek a programming of State Prop 1B funds in January 2020 and an allocation of SB1 Trade Corridor Enhancement Program (TCEP) funds in June 2020 from the California Transportation Commission (CTC) for the two final ACE grade separations. To do so, the SGVCOG needs to demonstrate that 1) there is a 1:1 match for the Prop 1B funds; and 2) both projects are fully funded and identify all funding sources by March 2020 for the TCEP funds. Metro's contribution to the ACE Project (Project), which has historically equaled 17 percent of the total Project cost, has been an integral element of the local funding for delivering the Project. The Metro Board most recently approved a revised Metro 17 percent contribution in November 2007 and since then various factors, including cost escalation for right-of-way and capital construction over the last decade, and scope changes have increased the total cost.

With a Board adoption of the Measure R and Measure M Cost Management Policy (Policy) in July 2018, and given the Project receives Measure R funds, staff applied the Policy to evaluate the cost increase and potential strategies available to close the funding gap. As such, Metro Board approval of the revised Project cost and associated Metro contribution amount is needed to address this cost increase and demonstrate a fully funded plan for the two projects to allow SGVCOG to secure a fund allocation from the CTC and move the projects into the construction phase as scheduled.

BACKGROUND

Metro and SGVCOG (previously ACE) entered into a funding agreement in July 1998 to support construction of a series of rail-highway grade separation and at-grade safety projects constituting the Alameda Corridor-East Project.

In June 1999 (item #42), the Metro Board approved its commitment to contribute a maximum of 17 percent , or \$161,500,000 based on the Project cost of \$950,000,000, and not participate in any cost increases or overruns. In November 2007 (Item #6), the Board approved an additional increase in Metro's contribution amount to a total of \$274,323,220 to reflect the revised Project cost at \$1,613,666,000. Since then, \$269,869,800 of the Metro contribution amount has been programmed for ACE projects, with a remaining unprogrammed balance of \$4,453,420.

Since 2007, various factors, including scope changes to projects and increased right-of-way and capital construction costs, have resulted in an increase in the Project cost to \$1,765,540,000. As identified in Attachment A, the maximum Metro contribution based on the revised Project cost would be \$300,141,800 with net increase of \$25,818,580. However, SGVCOG is requesting a maximum Metro contribution of \$289,323,220 with a net increase of \$15,000,000.

SGVCOG has been successful in securing the 83 percent of match funding for all projects delivered to date, as required under the agreement with Metro. The sources for these funds include federal, state, and private funds. Measure R was also approved in 2008, and this provides \$400 million of funding for the ACE project that is included as match funding.

In May 2018, the CTC adopted the 2018 TCEP, which included an award of \$49,000,000 in TCEP for Montebello Boulevard Grade Separation and \$29,000,000 for Turnbull Canyon Road Grade Separation projects. These TCEP funds are programmed in the fiscal year 2020 and require the SGVCOG to request and receive approval for fund allocation from CTC no later than June 2020. Therefore, a total of \$19,453,420, including \$15,000,000 of the recommended increase and the \$4,453,420 balance of the prior Metro contribution, is needed for immediate programming to support the allocation of the TCEP funds.

DISCUSSION

Since its inception in 1998, the San Gabriel Valley Council of Governments, Alameda Corridor-East Project has been successful in implementing and delivering construction projects to mitigate vehicle delays and collisions at rail-highway crossing to address community concerns over safety, noise, air quality, and emergency vehicle access.

The SGVCOG has delivered 12 projects to date, and eight projects are currently active. These completed projects have eliminated at-grade crossings, and improved traveler safety across the San Gabriel Valley where Union Pacific's freight mainlines move containerized cargo through a number of communities. These projects strongly support Metro's Agency Strategic Goal as they eliminate vehicle delays at at-grade crossings while freight trains travel through the area, and improve quality of life for the surrounding communities by improving safety, and eliminating noise impacts and tailpipe emissions from idling vehicles at such crossings.

Further, the SGVCOG has been highly successful in securing funding for its grade separation projects. To date, the SGVCOG has secured \$244.691 million (14%) from federal, \$744.089 million (41%) from state, and \$131.020 million (6%) from private and other sources that amount to the 83% of the Project cost. This breakdown includes Nogales Street on Union Pacific Railroad's Los Angeles

subdivision, which is not subject to Metro's contribution. This demonstrates the SGVCOG's continuous effort to seek and secure funding to realize much needed projects that enhance mobility, safety and quality of life.

Metro Board approval of the revised total project cost and revised Metro contribution will enable the TCEP funds to be allocated for the Montebello Grade Separation and Turnbull Canyon Road Grade Separation. These projects are scheduled to begin construction in FY21. SGVCOG anticipates completing the ACE Project by 2024 and will commit to not submitting future requests for additional Metro contribution. If future costs increase, SGVCOG will work in coordination with Metro staff to seek the programming of other local funds available to the subregion, such as Measure M subregional equity or goods movement funds.

Equity Platform

The ACE Program supports the Equity Platform Pillar III, Focus and Deliver, by delivering much needed grade separation projects that address impacts experienced by communities exposed to high, and growing, volumes of rail freight movements.

DETERMINATION OF SAFETY IMPACT

This Board action will further Metro's commitment to improving safety across LA County.

FINANCIAL IMPACT

Approval of this Board Action will result in an increase of Metro's contribution to the ACE Project by \$15,000,000. This action also includes the programming of \$19,453,420 as an amendment to the existing ACE Project funding agreement. Since this is a multi-year funding agreement, the Cost Center Manager and Chief Planning Officer will be responsible for budgeting the costs in future years. SGVCOG anticipates completing the ACE Project by 2024 and will commit to not submitting future requests for additional Metro contribution. If future costs increase, SGVCOG will work in coordination with Metro staff to seek the programming of other local funds available to the subregion, such as Measure M subregional equity or goods movement funds.

Impact to Budget

Funds for this action will come from Prop C 25% funds. This fund source is not eligible for bus and rail operations and capital. There are no impacts to the FY20 budget as the drawdown of the funds will commence in subsequent fiscal years starting in FY21.

The identified cost increase is for a Measure R-funded project and must be evaluated based on the Board-adopted Measure R and Measure M Unified Cost Management Policy. The intent of the Policy is to inform the Metro Board regarding potential cost increases to Measure R-funded projects and the strategies available to close any funding gaps. Pursuant to the Policy, shortfalls are to be addressed at the project level prior to evaluation for any additional resources using the following methods:

- 1) Scope reductions;

- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

A detailed Policy analysis of the ACE project is included as Attachment C.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Board approval of revised program cost for the ACE Program and associated Metro's 17 percent contribution would support Metro's Strategic Plan Goal 1) Provide high-quality mobility options that enable people to spend less time traveling, and 3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as it would result in the SGVCOG not receiving the TCEP funds that need to be allocated by June 2020. Further, this may force SGVCOG to forego both grade separation project altogether, resulting in detrimental impacts to the surrounding communities with respect to traffic safety, noise, limited emergency vehicle access and air quality.

NEXT STEPS

Upon Board approval, staff will execute an amendment to increase Metro contribution amount and program funds needed for Montebello Boulevard Grade Separation and Turnbull Canyon Road Grade Separation projects.

ATTACHMENTS

Attachment A - ACE Program Revised Cost and Funding Request

Attachment B - SGVCOG Letter of Request

Attachment C - Measure R and Measure M Unified Cost Management Policy

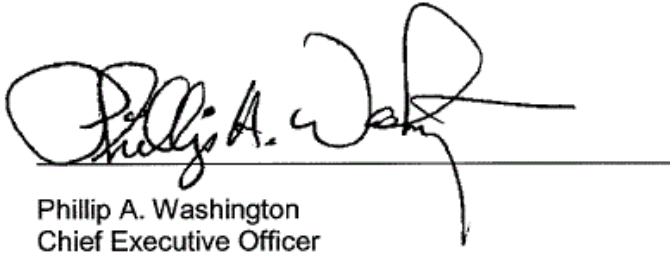
Prepared by: Akiko Yamagami, Manager, Countywide Planning & Development, (213) 418-3114

Michael Cano, DEO, Countywide Planning & Development, (213) 418-3010

Wil Ridder, EO, Countywide Planning & Development, (213) 922-2887

Laurie Lombardi, SEO, Countywide Planning & Development, (213) 418-3251

Reviewed by: James de la Loza, Chief Planning Officer, (213) 922-2920



Phillip A. Washington
Chief Executive Officer

ACE Program Revised Cost and Funding Request

(\$ x 1,000)

ADDITIONAL METRO FUNDING REQUEST

ACE Projects	2019 Revised		2007 Cost Estimates		Difference	ADDITIONAL METRO FUNDING REQUEST						
	Project Cost	MTA 17%[a]	Project Cost	MTA 17%[b]		FY19	FY20	FY21	FY22	FY23	FY24	FY25
Phase 1												
Grade Crossing Improvements	34,200	5,814	35,200	5,984	(170)							
Nogales St.	49,800	8,466	53,600	9,112	(646)							
East End/Reservoir	79,000	13,430	70,800	12,036	1,394							
Ramona Blvd.	53,100	9,027	48,200	8,194	833							
Temple Ave.	55,322	9,405	63,200	10,744	(1,339)							
Temple Ave. 4th Track	39,386	6,696	17,300	2,941	3,755							
Brea Canyon	73,900	12,563	64,600	10,982	1,581							
Sunset Ave.	93,900	15,963	71,100	12,087	3,876							
Baldwin Ave.	70,400	11,968	67,000	11,390	578							
Subtotal	549,008	93,331	491,000	83,470	9,861							
Phase 2												
San Gabriel Trench	293,427	49,883	459,435	78,104	(28,221)							
Montebello Blvd.	179,954	30,592	130,769	22,231	8,361		15,000					
Puente Ave.	97,378	16,554	161,169	27,399	(10,844)							
Fairway Ave. (SP)	0	0	166,370	28,283	(28,283)							
Fairway Ave. (UP)	224,824	38,220	86,767	14,750	23,470							
Rose Hills Rd.	0	0	48,700	8,279	(8,279)							
Turnbull Canyon Rd.	99,070	16,842	69,456	11,808	5,034							
<i>Hamilton Blvd.</i>	1,800	306			306							
<i>Durfee Ave.</i>	107,841	18,333			18,333							
<i>Fullerton Rd.</i>	159,526	25,261			25,261							
<i>Maple Pedestrian Bridge</i>	25,470				0							
<i>At-Grade Montebello</i>	3,046				0							
<i>At-Grade Pomona</i>	24,196				0							
Subtotal	1,216,532	195,991	1,122,666	190,853	5,139	0	15,000	0	0	0	0	
Grand Total[c]	1,765,540	289,323	1,613,666	274,323	15,000	0	15,000	0	0	0		

*Italics=New Projects**Strikethrough=Deleted Projects*

NOTE: Chart omits Nogales St. (LA) project due to MTA Call for Projects funding

NOTE: Funding request amount reflects the total anticipated amount for Montebello Blvd. and Turnbull Canyon Rd. The programming request amount through this Board approval is \$19,453,420.

[a] - MTA contribution subject to a maximum of \$289,323,220; expenditures on individual projects may be reallocated subject to the MTA maximum amount.

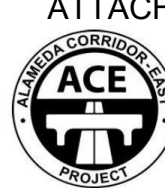
[b] - A portion of the 2007 MTA contribution equal to \$4,453,420 has not yet been programmed by the MTA Board.

[c] - Columns may not total due to rounding.



San Gabriel Valley Council of Governments

4900 Rivergrade Rd. Ste. A120 Irwindale, CA 91706 (626) 962-9292 fax (626) 962-3552 www.theaceproject.org



December 13, 2019

Mr. Phillip A. Washington,
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Mail Stop 99-25-1
Los Angeles, CA 90012-2952

Re: Approval of increased ACE Project budget and match funding

Dear Mr. Washington:

The San Gabriel Valley Council of Governments (SGVCOG) hereby requests Los Angeles County Metropolitan Transportation Authority (Metro) approval of the updated Alameda Corridor-East (ACE) Project budget cost estimate as well as the programming of additional Metro match funding for the Project pursuant to the prior funding agreements made between Metro and the SGVCOG.

Metro's contribution of 17 percent in Proposition C funds to the Project budget was approved by the Metro Board in June 1999, upon initiation of the Project. The Metro Board subsequently approved the updated Project budget cost estimate in November 2007 along with a revised commitment of Prop C match funds. Since then, scope changes to the overall Project were approved in 2011 by the SGVCOG Governing Board in response to an ACE Phase II study prioritizing the remaining projects based on vehicle delay, constructability and crossing collision factors. As a result, three grade separations were deleted and the Durfee Avenue grade separation project in the City of Pico Rivera (currently under construction) was added to the Project.

Active ACE Projects (Not Yet In Construction)							
Improvement Project / City	Cost Est. (\$mil.)	Daily Vehicle-Hrs. Delay (2025)	Daily Train / AADT Counts	Collisions (10 yrs. / Total)	Fatalities / Injuries	Current Phase	Construction Schedule Est.
Montebello Blvd. underpass* / Montebello	\$180.0	43.5	43 / 21,692	2 / 5	3 / 1	ROW / Final Engineering	2021-2024
Turnbull Canyon Rd. overpass** / Industry-Hacienda Heights	\$99.1	38.9	47 / 12,892	4 / 14	3 / 3	ROW / Final Engineering	2021-2023
At-grade safety measures at three crossings / Montebello	\$3.0	N/A	43 / N/A	2 / 3	0 / 1	ROW / Final Engineering	2020-2021
Maple Ave. pedestrian bridge / Montebello	\$25.5	N/A	43 / N/A	0 / 2	0 / 0	ROW / Final Engineering	2020-2021
Five crossings at-grade pedestrian safety / Pomona	\$24.2	N/A	81 / N/A	5 / 32	19 / 9	ROW / Final Engineering	2020-2021

* Additional Prop C needed as local match for \$18.8 million in State Prop 1B funds and \$49 million in State SB1 funds.
**Additional Prop C needed as local match for \$29 million in State SB1 funds.

With this ACE program scope revision as well as increases in construction costs and real estate costs since 2007, the overall total ACE program cost has increased to \$1,765,540,000¹. If approved, the Metro contribution toward the Project would increase by \$15,000,000, or 5.5 percent more than the 2007 amount, for a total of \$289,323,220. With this submittal, however, we are requesting approval of the programming of \$19,453,420 of Prop C or other eligible funds for which the SGVCOG has secured the required 83 percent match in non-Metro funds. The programming request includes a \$4,453,420 balance of Metro's existing contribution that has not yet been programmed. The SGVCOG anticipates completing the ACE Project by 2024 and will commit to not submitting future requests for additional Metro contribution. If future costs increase, the SGVCOG will work in coordination with Metro staff to seek the programming of other local funds available to the subregion, such as Measure M subregional equity or goods movement funds.

We are aware of Metro's uniform cost management policy relating to cost increases on Measure R-funded projects and have undertaken the requirements of the policy, including evaluating value engineering, the use of local funding, and de-scoping the project. The ACE Project scope has been reduced as described above and SGVCOG has conducted formal Value Engineering Reviews on all ACE projects remaining. In accordance with Caltrans design guidelines, reviews were performed at the 35 percent design level and all cost and constructability recommendations are incorporated in the final design. Cost controls have also been exercised during construction. For example, nearly \$114 million in State Proposition 1B fund savings from the construction phase of the San Gabriel Trench project were or will be programmed for construction of additional ACE projects. We believe our reduced and capped request for additional Metro regional funds (the Prop C) demonstrates our commitment to utilize local San Gabriel Valley funding for the project.

The SGVCOG has vigorously pursued new sources of State, Federal and railroad funding for the ACE projects as match for the Metro Prop C funds, most recently securing the programming of \$78 million in new State SB 1 funds in 2018 and \$15 million in State Section 190 Grade Separation program funds this year. The Prop C funds will help provide required match for these SB 1 funds which must be approved by the California Transportation Commission (CTC) no later than June 2020 for allocation to the construction phase of the final two ACE grade separation projects. In addition, the timely commitment by Metro of additional Prop C funds is needed to provide a 1:1 match for \$18.8 million in State Prop 1B savings to be programmed for the Montebello Boulevard project at the next CTC meeting on January 29-30, 2020.

We appreciate Metro's longtime and strong partnership with the SGVCOG in funding the ACE Project for the benefit of the San Gabriel Valley and Los Angeles County. Transmitted with this letter is a SGVCOG staff report dated November 21, 2019 regarding the ACE Project revised

¹ The cost of the Nogales Street (Los Angeles Subdivision) grade separation project is omitted from the calculation of the ACE Project budget because it is the sole ACE project that was provided Metro Call for Projects funding when under the supervision of the Los Angeles County Department of Public Works. With the commitment by Metro of Prop C 17 percent match, the ACE grade separations have been excluded from Call for Projects funding.

cost. Questions regarding this matter may be directed to me or to Government and Community Relations Director Paul Hubler at (626) 373-2685 or [phubler@sgvcog.org](mailto:p hubler@sgvcog.org).

Sincerely,



Mark Christoffels
Chief Engineer

Enclosure: SGVCOG staff report dated November 21, 2019 regarding ACE Project budget

cc: Mr. Wil Ridder
Mr. Michael Cano
Ms. Akiko Yamagami

REPORT

DATE: November 21, 2019

TO: SGVCOG Governing Board Members and Alternates

FROM: Marisa Creter, Executive Director

RE: **REVISED ACE PROJECT BUDGET ESTIMATES**

RECOMMENDED ACTIONS

Adopt Resolution 19-47 approving the revised cost estimate for the ACE Project to \$1.8 billion.

SUMMARY

Given that it has been twelve years since the project cost was updated, staff felt it appropriate for the Governing Board to formally approve the current cost estimate of \$1.8 billion. The cost increase from the 2007 adopted cost estimate of \$1.4 billion is based on the following factors:

1. **Construction cost inflation.** Since 2007 construction costs have increased 34%. The past two years have seen bid increases up to 20% over estimated costs as was witnessed with the recent opening of bids for the Gold Line and the Durfee Road Grade Separation Project. Staff has projected out to the anticipated completion year of 2024 for the remaining ACE projects as well as incorporating actual bids received for projects completed or currently under construction and revised the overall estimated project cost.
2. **Real Estate.** After the recession of 2008 when real estate prices fell, the real estate market re-bounded and costs for real estate acquisitions in the past three years have gone up significantly, especially in the commercial land uses.
3. **Project scope changes.** In 2011, the Governing Board approved an ACE Project Phase II study which updated the original ACE project study done in 1997. This study added the Durfee Avenue Grade Separation Project which was not included in the original Phase I study.

When combined, the above factors have increased the total estimated costs for the ACE Program from \$1.4 billion to \$1.8 billion. A breakdown of the individual project costs is shown in Attachment A attached to this report.

BACKGROUND

The ACE Project cost was adopted by the San Gabriel Valley Council of Governments in 1997 at \$950 million in 1997 dollars. The schedule called for the project to be fully funded by June 2004

REPORT

and completed by 2008. On February 2007 the Governing Board adopted a revised cost estimate of \$1.4 billion which reflected a revised completion date of 2014 and the following factors:


1. **Inflation** - The 1997 cost estimate did not include inflation allowances. While the rate of construction inflation in the early years of the project was relatively modest, it had increased by 113% for the year 2007.
2. **Agency Overhead** - The original cost estimates did not provide for agency overhead. Since the project had no source of revenue other than project funding, additional costs were added.
3. **UPRR Force Account** - Track and signal system reconstruction on the operating railroad, as well as flagging protection, must be performed by the UPRR and is only done on a fully reimbursable basis. The original project cost estimate severely underestimated these costs.
4. **Real Estate/Relocation** - The original cost estimate did not anticipate the increase in real estate costs.
5. **Scope Changes** – As projects were refined from their concepts presented in 1997, costs were adjusted to reflect these design changes.

Given that it has been twelve years since the project cost was updated, staff felt it appropriate for the Governing Board to formally approve a revised estimated cost estimate of \$1.8 billion as outlined in the Summary Section above.

BUDGET IMPACT

The current adopted ACE Program has secured \$1,818,519,000 in funding as shown in Attachment B. Funds committed do not reflect value of properties held by the agency, pending UPRR contributions, Section 130 funding, Measure M funding, or additional Prop C match funds from Metro that staff is currently working on. Current projected costs are \$1,886,312,000. Staff believes with these additional funds the current \$67 million ACE Program funding gap can be closed.

Prepared by: 
Mark Christoffels
Chief Engineer

Approved by: 
Marisa Creter
Executive Director

ATTACHMENTS

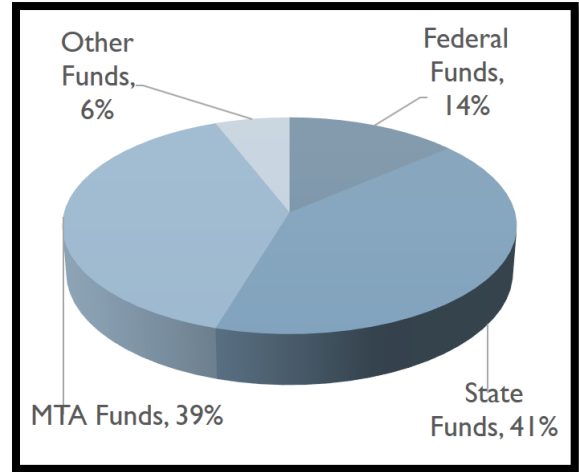
- Attachment A – Individual ACE Project Estimates
- Attachment B – ACE Project Secured Funding
- Attachment C – Resolution 19-47

Attachment A
(shown in \$ millions)

<u>Active ACE Projects</u>		<u>Completed ACE Projects</u>	
At-Grade Pomona	\$ 24,196	Baldwin Ave.	\$ 70.400
Durfee Ave.	\$ 107.841	Brea Canyon Rd.	\$ 73.900
Fairway Dr.	\$ 224.824	Safety Crossings/IRRIS	\$ 34.200
Fullerton Rd.	\$ 159.526	East End/Reservoir St.	\$ 79.000
Montebello Blvd	\$ 179.954	Hamilton Blvd.	\$ 1.800
Turnbull Cyn. Rd.	\$ 99.070	Nogales St. (Alh.)	\$ 49.800
Maple Ave Ped Bridge	\$25.470	Nogales St. (LA)	\$ 120.772
At Grade Montebello	\$3.046	Ramona Ave.	\$ 53.100
		Sunset Ave.	\$ 93.900
		Puente Ave.	\$ 97.378
		San Gabriel Trench	\$ 293.427
		Temple Ave.	\$ 94.708
		<i>Total Cost of Projects:</i>	\$ 1,886.312

Attachment B
(shown in \$ millions)

Federal	\$ 244.691
State	\$ 744.089
MTA	\$ 698.719
Other	\$ 131.020



Total funds committed: \$ 1,818.519

Attachment C

Resolution No. 19-47

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RESOLUTION NO. 19-47

**A RESOLUTION OF THE GOVERNING BOARD OF THE SAN
GABRIEL VALLEY COUNCIL OF GOVERNMENTS (SGVCOG)
APPROVING THE REVISED ACE PROJECT BUDGET**

WHEREAS, the ACE Project estimates of \$1.4 billion were approved on February 12, 2007; and

WHEREAS, cost estimates are updated periodically to reflect current factors and trends; and

WHEREAS, the revised cost estimates have increased due to construction cost inflation, real estate and project scope changes.

NOW, THEREFORE, the Governing Board of the SGVCOG hereby approves the \$1,886.312 million total revised ACE Project budget estimates as shown in Exhibit A.

PASSED AND ADOPTED by the Governing Board of San Gabriel Valley Council of Governments, in the County of Los Angeles, State of California, on the 21st day of November 2019.

San Gabriel Valley Council of Governments

Cynthia Sternquist, President

Resolution No. 19-47

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Attest:

I, Marisa Creter, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Council of Governments, do hereby certify that Resolution 19-47 was adopted at a regular meeting of the Governing Board held on the 21st day of November 2019 by the following vote:

AYES:	
NOES:	
ABSTAIN:	
ABSENT:	

Marisa Creter, Secretary

Exhibit A
(shown in \$ millions)

<u>Active ACE Projects</u>		<u>Completed ACE Projects</u>	
At-Grade Pomona	\$ 24,196	Baldwin Ave.	\$ 70.400
Durfee Ave.	\$ 107.841	Brea Canyon Rd.	\$ 73.900
Fairway Dr.	\$ 224.824	Safety Crossings/IRRIS	\$ 34.200
Fullerton Rd.	\$ 159.526	East End/Reservoir St.	\$ 79.000
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		Puente Ave.	\$ 97.378
		San Gabriel Trench	\$ 293.427
		Temple Ave.	\$ 94.708
		<i>Total Cost of Projects:</i>	\$ 1,886.312

Alameda Corridor East (ACE)

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding potential cost increases to Measure R- and Measure M-funded projects and the strategies available to close any funding gaps. The Alameda Corridor East Project (the Project) is subject to this policy analysis.

The Project budget (also referred to as the Project cost) was last approved by the Board in November 2007 at \$1,765,540,000 with Metro's contribution equal to \$274,323,220. ACE has requested that Metro increase its contribution by \$15,000,000 to \$289,323,220. This analysis recommends trade-offs required by the Policy to identify the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following:

If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value Engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

Scope Reductions

According to ACE staff from the San Gabriel Valley Council of Governments (SGVCOG), the scope of the Project was reduced in 2011 by the SGVCOG Governing Board based on a study that prioritized the remaining grade separation projects. As a result, three grade separations were deleted and a Durfee Avenue grade separation project in the City of Pico Rivera (currently under construction) was added. Because of this overall reduction in project scope, we recommend moving to the next step.

New Local Agency Funding Resources

The Project is located in the San Gabriel subregion and Gateway Cities subregion (as defined in the Policy). The Project is eligible for funding from cities in the region, including Measure R and Measure M local return and the Local Streets and Roads program (also known as the gas tax subvention, as expanded by SB 1 statewide fuel taxes). However the SGVCOG has not pursued city funding for the yet-to-be-completed grade separation projects and the potential for obtaining any city funding is uncertain and would delay the receipt of grant funding and start of construction.

The subregions do receive funding through the Multi-year Subregional Programs (MSP) identified in the Measure M Ordinance. The San Gabriel subregion has a \$33,000,000 Goods Movement MSP that is likely eligible for the Project; however, these funds are not available for construction (per the Expenditure Plan) until FY 2048 and would need to be traded with other MSP funds that are available now. Further, the MSP funding is only programmed in one year increments by Metro, per Board guidelines, and the subregion would need some form of leveraging of the funds to make funds available for the current or any future cost increase. The Project is also eligible for the Subregional Equity Program MSP that has \$199,000,000 of funding for San Gabriel and \$244,000,000 for Gateway Cities. San Gabriel (through SGVCOG and Foothill Construction Authority separate action) has already committed \$126,000,000 of this program to the Gold Line extension to Pomona. Nevertheless, the SCVCOG has committed via a December 2019 letter to Metro a future MSP contribution to the Project, if needed for any additional costs.

Value Engineering

The SGVCOG has communicated to Metro that it has conducted formal Value Engineering Reviews on all remaining ACE projects. In accordance with Caltrans design guidelines, reviews were performed at the 35 percent design level and all cost and constructability recommendations are incorporated in the final design. Cost controls have also been exercised during construction. Nearly \$114 million in State Proposition 1B fund savings from the construction phase of the San Gabriel Trench project were or will be programmed for construction of additional ACE projects. As a result, we recommend moving to the next step.

Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region

This step refers to potential cost reductions on related Measure R and Measure M projects in the Expenditure Plan. We have not identified projects along the Union Pacific and/or Metrolink corridor that are related to the ACE project that could be reduced or eliminated to fund the shortfall. There are also no projects that have existing or potential savings that could be transferred.

Countywide Cost Reductions and/or Other Funds

The ACE corridor has previously been designated as a “project of national and regional significance” by the FHWA due to its impact on the national and regional economy.

Because of this, we recommend that any remaining funding shortfall for the Project be dealt with at the Countywide level.

The Project is eligible for Proposition C 25% Transit-Related Streets and Highways funding and this source has been used in the past for Metro's contribution, in addition to the \$400,000,000 allocated to the Project in the Measure R Expenditure Plan. The Proposition C 25% funds are recommended to address the \$15,000,000 increase in the Project budget.



**Next stop: shaping our goods
movement system together.**

**Alameda Corridor-East (ACE) Program Funding Plan Update
Planning & Programming Committee, Item No. 15
January 15, 2020**



Metro

Historical Background on Metro Contributions

Date	Board Approved Metro Funding Amount (\$ millions)	Action	Notes	Total ACE Project Cost (\$ millions)	Funding Sources
MOU4367 & MOU8002					
May 1999	\$14.14*	1997 Call for Projects			Prop C
Oct. 2002	\$161.50*	June 1999 Metro Board Action	Board approval of Metro's 17% contribution to the total project cost	\$950.00	Prop C and RIP
Nov. 2007	\$274.32*	November 2007 Metro Board Action	Board approval of updated total ACE Program cost and updated Metro's 17% contribution	\$1,613.67	Prop C
* Metro funding amount listed in later years includes previously approved amount. The last Board approved 17% contribution under MOU8002 is \$274.32 million.					
MOU8002R					
March 2010	\$42.00	June 2009 Board Action	For San Gabriel Trench Project	\$1,613.67	Measure R
May 2013	\$358.00	May 2013 Board Action	Board approval of ACE Measure R Expenditure Plan	\$1,613.67	Measure R



Urgency of the Fund Request

- SGVCOG plans to seek programming of State Prop 1B funds (TCIF) in January 2020
 - TCIF funds require 1:1 match demonstration.
 - These funds are cost savings garnered from the delivery of previous ACE grade separation projects.
 - If not programmed by June 2020, the funds will no longer be available.
- SB1 2018 Trade Corridor Enhancement Program (TCEP) funds need to be programmed by June 2020
 - TCEP funds were awarded to Montebello Blvd. and Turnbull Canyon Road grade separation projects as part of Metro-sponsored joint application with ACE and Ports of LA and Long Beach.



Measures R and M

Unified Cost Management Policy Analysis

Scope Reductions

- The SGVCOG Governing Board reduced the Project scope in 2011 based on a prioritization study for the remaining grade separation projects.

New Local Agency Funding Resources

- The Multi-year Subregional Programs (MSP) will not be available until **FY2048**.

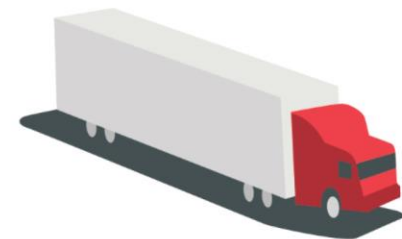
Value Engineering

- The SGVCOG has applied Caltrans design guidelines to capitalize on value engineering and cost controls to save nearly \$114 million.

Countywide Cost Reductions and/or Other Funds

- The ACE Project has been designated as a “project of national and regional significance” by the FHWA.

Therefore, staff recommends that remaining funding shortfall be dealt with at the countywide level.



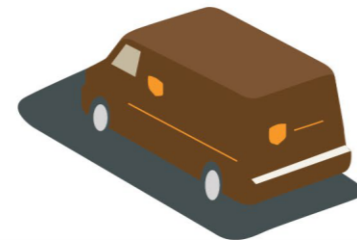
Other Considerations

- The SGVCOG has secured over **80%** of the Project funds from other sources.
- If SGVCOG were to request an updated Metro 17% contribution based on the current total ACE Project cost, it would be \$25.82 million.
 - Instead, SGVCOG is requesting \$15 million needed to complete the final grade separation projects.

(\$ in 000)		17% Contribution
Current Total ACE Project Cost	\$1,765,540	\$300,142
2007 Total ACE Project Cost	\$1,613,666	\$274,323
	Difference	\$25,819

ACE Additional Funding Request	\$15,000
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- The SGVCOG has delivered **12 projects** to date with **eight projects** currently active.
- If future costs increase, SGVCOG will work with Metro staff to seek programming of other local funds available to the subregion.



Recommendation

Authorize the CEO to amend the ACE funding agreement to increase Metro's contribution by \$15,000,000 for a new total amount of \$289,323,220 and program \$19,453,420, which includes previously committed funding. Metro will not participate in any future project cost increases or overruns.

