



Board Report

File #: 2023-0056, File Type: Motion / Motion Response

Agenda Number: 19.

REVISED
EXECUTIVE MANAGEMENT COMMITTEE
MARCH 16, 2023

SUBJECT: FUNDING PLANS FOR EXISTING TIRCP PROJECTS AWARDED PARTIAL FUNDING

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on funding plans for the West Santa Ana Branch (WSAB) and Metro L (Gold) Line Foothill Extension in response to Transit and Intercity Rail Capital Program Cycle 6 Grant Application Motion #49.1 (Attachment A).

ISSUE

At its December 1, 2022, meeting, the Board approved the “Transit and Intercity Rail Capital Program Cycle 6 Grant Application Motion 49.1” that requests a “Report back to the Board in March 2023 with funding plans that close the funding gaps for any Existing TIRCP Projects that are awarded partial funding through Cycle 6.” Metro submitted three Existing TIRCP Projects for Cycle 6 funding. East San Fernando Valley was awarded the full \$600 million requested and West Santa Ana Branch (WSAB) and Metro L (Gold) Line Foothill Extension did not receive any of the funding requested.

BACKGROUND

The Foothill Extension is a proposed planned extension of the Metro L Line from the current terminus in Pomona to Montclair. The Foothill Gold Line Construction Authority (the Authority) is managing the construction contract to build the project to Pomona, has cleared the project to Claremont and Montclair under CEQA, and completed advanced engineering. The cost to Pomona is funded through an agreement with Metro. The Authority had planned for a the current construction project to Montclair but reduced the scope to Pomona because the cost was greater than initially anticipated upon hiring the design-build contractor. The Authority estimates the funding gap needed to extend the project is \$798 million. The extension to Montclair is not in Metro’s LRTP or Measure M Plan. (Line 5 in the Expenditure Plan references the project to Claremont) has been part of Metro’s regional plans since the early 1990s and the extension to Claremont in Los Angeles County was most recently included in Metro’s 2009 and 2020 Long Range Transportation Plans. The 2020 LRTP will be updated once a life of project budget is established. The project to Claremont was specified to be completed in the Expenditure Plans for both Measures R and M. Once funded, the Claremont

Station will be the last station to be built of the 24-station system in LA County. All Measure R and Measure M funds designated for the project have been expended or are committed for the project to Pomona except for \$40 million committed for the project to Claremont.

WSAB is a planned Metro light rail line that has an estimated \$7.1 billion cost to construct the Locally Preferred Alternative (LPA). Metro is completing the environmental process, coordinating with affected entities, and preparing to procure advance preliminary engineering services. Metro staff presented an initial funding plan for the LPA to the Board in December 2021 that included the pursuit of federal New Starts and additional State funding. WSAB is included in the Metro 2020 Long Range Transportation Plan (LRTP) and Measure R and Measure M Expenditure Plans.

At its December 2022 meeting, the Board unanimously approved prioritized Metro projects for State funding based on project readiness with an equity lens. The priority ranking is East San Fernando Valley #1, Foothill Extension #2, and WSAB #3. The Existing TIRCP Cycle 6 grant application requested \$1.898 billion of Cycle 6 funding for these three projects. Metro assumed in the application that \$1.0 billion of future State funding for Los Angeles County (i.e., SB 198 funds) would be secured in FY2024 and FY2025 to support cash flow needs for the entire program of projects. SB 198 was enacted in June 2022 and, among other things, states that "It is the goal of the Legislature as part of the 2022 Budget agreement to provide two billion dollars (\$2,000,000,000), for each fiscal year, for the 2023-24 and 2024-25 fiscal years for transit and intercity rail capital projects." The SB 198 funds would be allocated throughout the State by population, with Los Angeles County expected to receive about 25% of the total.

At the same meeting, the Board approved Motion 49.1 requesting a report back for any projects that did not receive the funding requested.

DISCUSSION

The package of projects adopted by the Board in December prioritized projects for both the funds made available in Cycle 6 of the TIRCP and the funding that could be made available from future budget cycles. The budget agreement last year included funds that were allocated in Cycle 6 and \$4 billion that could be allocated in future budget cycles. These funds were identified as a goal for the Legislature to allocate, which would be allocated to Los Angeles County by population and programmed by Metro.

In January 2023, the Governor announced a budget proposal that recommends reducing the future funding to \$2 billion and suggests that the balance could be restored if the general fund recovers to a level sufficient to allocate the remaining \$2 billion. State revenues have continued to decline since January. The Legislative Analyst's Office has also raised concerns about revenue declines and has raised concerns about the viability of a trigger mechanism.

The funding plan for the Foothill Extension to Montclair addresses the funding shortfall due to the lack of State funding awarded for this project from the January 2023 TIRCP Cycle 6 "Existing TIRCP Projects" grant awards. It is dependent on future State funding and may need to be supplemented with new local funding. The funding plan is also subject to the Board-approved "Unified Cost

Management Policy” for Measure R and Measure M projects. This policy identifies a step-by-step evaluation process for addressing increases in a project budget, including sources of funding that must be considered prior to others.

- State funding: Consistent with the unanimous Board action at its December meeting, staff proposes that a portion of the FY 2024 and FY 2025 statewide SB 198 funding for transit and intercity rail capital projects is allocated to the project. The specific amount will depend on the total funding from the State, and other local funds available for the project. Metro will also work with the Authority to evaluate new components or benefits from the extension to Montclair for consideration in a future State TIRCP cycle.
- Local funding: The proposed extension currently has \$40 million of local funding committed for Los Angeles County. The project also has \$39 million of local funding designated from San Bernadino County that can only be spent on the portion from Claremont to Montclair. Local funding or other sources of match funding is very helpful in securing State funding as it shows a local commitment to the project and a leveraging of the State funds, which are expected grant award criteria. Local match also demonstrates the additional financial capacity and ability to address project cost and schedule risks. Metro will work collaboratively with the San Gabriel Valley Council of Governments to identify and pursue local funding from existing Measure M projects and programs and through the local jurisdictions on the corridor.
- Federal funding: The project was prohibited by Metro from seeking federal Capital Investment Grants/New Starts funding and therefore does not have federal environmental clearance and is not currently eligible for federal funds.

The recommended funding plan for WSAB will continue to pursue a relatively large federal New Starts grant and additional State funding. Metro will attempt to augment the New Starts request by seeking federal discretionary grants that support large-scale rail projects like WSAB.

- State funding: Consistent with the unanimous Board action at its December meeting, staff proposes that a portion of the FY 2024 and FY 2025 statewide SB 198 funding for transit and intercity rail capital projects is allocated to the project. The specific amount for WSAB will depend on the status of the New Starts application, funding needs of the Foothill Extension, and any success with other federal and State grants. There may also be an opportunity to apply for a future cycle of the TIRCP grant program if Metro can identify additional project characteristics and benefits that were not considered in the successful 2018 application, where Metro was awarded \$300 million. Metro will continue to move ahead towards completion of the environmental document, continue advanced preliminary engineering, and complete other activities to enhance the project’s readiness. Metro staff will also continue to advocate for changes to the TIRCP guidelines that would allow projects that have already received TIRCP to apply for additional funding.
- New Starts: Metro is currently in the initial Project Development phase of this substantial federal program targeted at new rail. The WSAB grant request is approximately \$3 billion and

would be the largest New Starts grant ever for Metro and the largest currently outstanding nationwide. Metro will be submitting information this year to obtain the required project justification and financial capacity assessment ratings that will determine the project's competitiveness. The financial plan submitted to FTA for the financial rating must demonstrate that Metro has the capability to fund and operate the New Starts project. This will require reasonable and achievable assumptions about local, State, and federal funding. And, in order for Metro to proceed to the next step or Engineering phase of the New Starts process, Metro must have at least 30 percent of the non-New Starts funding committed for WSAB.

- *Additional Federal discretionary funding:* Metro applied for funding from the new Mega program that was created as part of the Infrastructure Investment and Jobs Act (IIJA) but was not successful. The Mega program will be offered again this year, and Metro staff may reapply and submit new and or modified information and analysis that reflects feedback from USDOT and lessons learned, including a clearer understanding of the policy objectives of the grant and the project benefits that must be demonstrated. There are other new federal grant programs that will be available from both IIJA and the Inflation Reduction Act (including the "Neighborhood Access and Equity" grant) that Metro staff will evaluate for WSAB when additional information is available as part of the grant notice and through discussion with USDOT staff.

EQUITY PLATFORM

The funding plans presented in the report help support the delivery of two large-scale transit investments that would ultimately provide transportation and economic benefits to the areas they serve.

The Metro L (Gold) Line Foothill Extension LRT Project will ~~link several disadvantaged communities located in Pomona~~ further regional connectivity by linking Los Angeles and San Bernardino Counties along one of the most congested corridors in the region; serving disadvantaged and low-income communities including the City of Pomona which has a high level of poverty and a very diverse population (70% Hispanic and 7% African American) with the entire length of the Metro L Line ~~which runs through~~ serving the San Gabriel Valley to Downtown Los Angeles / Los Angeles Union Station. Additionally, the project will connect these communities to the Montclair Transit Center, which provides a public transportation link into Montclair and the Inland Empire ~~and including~~ connections with several Foothill Transit, Omnitrans, RTA bus and bus rapid services, as well as Greyhound services. The project is located within 0.5 miles of seven communities identified as AB 1550 Low Income Communities by the California Air Resources Board - of these, four communities are also SB 535 Disadvantaged Communities. The project seeks to reduce GHG emissions by increasing transit ridership, reducing vehicle miles traveled, and increasing transit-oriented development opportunities within the corridor.

WSAB will connect underserved, densely populated, low income and heavily transit dependent

communities between the City of Artesia and unincorporated Florence-Firestone in the southeast part of LA County as well as connect these communities with the rest of the Metro rail system with transfers with the A (Blue) Line and the C (Green) Line. Of the 238 census tracts in the project area, 181 are identified as SB 535 Disadvantaged Communities, 203 are identified as AB 1550 Low-Income Communities, and 177 census tracts are both Disadvantaged and Low-income Communities.

The WSAB LPA is 14.8 miles in length from a proposed Slauson/A Line station to a Pioneer station and is expected to have 31,000 daily boardings. The project serves an estimated population of 151,111 (in 2017) increasing to 240,580 (in 2042) that are within 0.25 miles of the alignment. WSAB is expected to create 37,937 jobs (in 2017), increasing to 46,430 (in 2042) that are within 0.25 miles of the alignment.

The funding plans pursue grants that align Metro with both federal and State initiatives to support disadvantaged communities. For federal investments, the Justice40 Initiative aims to deliver 40 percent of the overall benefits of federal investments to disadvantaged communities that are marginalized and overburdened by pollution. Each of the federal discretionary grants that will be considered for the funding plans have included or are expected to include criteria consistent with Justice40. The State grants, including those funded from the Greenhouse Gas Reduction Fund (GGRF), have requirements for expenditures from the GGRF relative to disadvantaged communities and low-income communities and households.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Securing funding for L Line Foothill Extension and WSAB will help to implement Goal 1 to provide high-quality mobility options that enable people to spend less time traveling and Goal 3 to enhance communities and lives through mobility and access to opportunity. The funding plans will help address funding needs and allow the projects to proceed toward construction and/or leverage federal grants that depend on the commitment of additional state and local funding. The projects, when completed, will significantly expand transportation options and improve the quality of the transit network.

NEXT STEPS

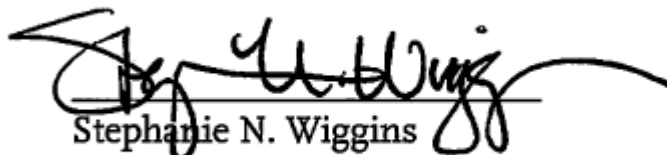
Staff will continue to work with the Los Angeles County Legislative Delegation to oppose the SB 198 cuts proposed by Governor Newsom. Metro is working with transit agencies across California to oppose those cuts, and staff will seek support from the Council of Governments and other stakeholders in LA County. Staff have also provided input at the early budget hearings to express the importance of maintaining those funds. Metro's team has also remained engaged with specific members of the Delegation to urge members to include the full funding the Legislature expressed as a goal.

ATTACHMENTS

Attachment A - Motion #49.1

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**Board Report**

File #: 2022-0830, **File Type:** Motion / Motion Response**Agenda Number:** 49.1.

**REGULAR BOARD MEETING
DECEMBER 1, 2022****Motion by:****DIRECTORS SOLIS, NAJARIAN, SANDOVAL, GARCETTI, AND BARGER****Transit and Intercity Rail Capital Program Cycle 6 Grant Application Motion #1**

In June 2022, Assembly Bill 180 was approved providing a one-time allotment of \$3.6 billion for Cycle 6 of the state's Transit and Intercity Rail Capital Program (TIRCP) with at least \$900 million dedicated to "Existing TIRCP Projects" in Southern California that have previously received TIRCP grants and can demonstrate that a supplemental state grant would leverage or maintain an identified source of local or federal funding. Any funding not allocated to an Existing TIRCP Project in Southern California would then be made available for new TIRCP projects. Senate Bill 198 may also provide an additional \$4 billion over fiscal years 2024 and 2025 to be allocated across the state via population-based formula. Grant applications for Existing TIRCP Projects are due on December 6, 2022 and awards for Existing TIRCP Projects are anticipated in January 2023.

Metro staff has evaluated the TIRCP Cycle 6 criteria and has identified/ranked three projects for submittal. Given uncertainty around how much funding will ultimately be secured by Metro under Cycle 6, Metro may encounter a situation where it receives partial funding for one or more of its projects. Should this occur, Metro should be prepared to provide a funding plan that closes any project funding shortfalls and ensures that Metro can utilize the awarded TIRCP funding within CalSTA's expenditure deadlines.

SUBJECT: Transit and Intercity Rail Capital Program Cycle 6 Grant Application Motion #1**RECOMMENDATION**

APPROVE Motion by Directors Solis, Sandoval, Garcetti, and Barger that the Board of Directors direct the Chief Executive Officer to:

1. Report back to the Board in February 2023 with an update on the results of TIRCP Cycle 6 awards for Existing TIRCP Projects; and
2. Report back to the Board in March 2023 with funding plans that close the funding gaps for any Existing TIRCP Projects that are awarded partial funding through Cycle 6.



FUNDING PLANS FOR EXISTING TIRCP PROJECTS

Item #2023-0056



Metro

March 23, 2023

Summary

- **Foothill Extension and West Santa Ana Branch (WSAB) were submitted for “Existing TIRCP Cycle 6” funding but did not receive awards**
- **TIRCP Motion #49.1 directs staff to prepare plans to close the funding gap for projects that receive partial funding**
- **The funding plans for Foothill Extension and WSAB continue with previously-reported federal funding and additional State and local funds**

Background

- **Metro prioritized project funding from the Dec 2022 Existing TIRCP Cycle 6**
 - #1. East San Fernando Valley, \$600 million
 - #2. Foothill Extension to Montclair, \$798 million
 - #3. WSAB, \$500 million
- **SB 198 was approved last year and set a goal of \$4 billion of funding statewide in FY2024 and FY2025**
 - Governor’s proposed budget reduces funding
 - Metro Board action prioritizes projects for future State funding

Foothill Extension to Montclair

- The funding needed is \$798 million
 - All Measure R and M funds have been allocated

| Funding Source | Strategy | Amount Secured (\$millions) | Yet-To-Be Secured (\$millions) |
|-----------------|--|-----------------------------|--------------------------------|
| State funding | Allocate SB 198 funding; evaluate opportunities for additional TIRCP | \$41 | \$798 |
| Local funding | Local funding | \$40 | \$0 |
| Federal funding | Not eligible for federal funds | \$0 | \$0 |

WSAB LPA

- **The estimated project cost for the Locally Preferred Alternative (LPA) is \$7.1 billion**
 - Metro entered the New Starts process Feb 2022

| Funding Source | Strategy | Amount Secured (\$millions) | Yet-To-Be Secured (\$millions) |
|----------------------------|---|-----------------------------|--------------------------------|
| New Starts | Continue through grant process; prepare information for project ratings this year | \$0 | \$3,098 |
| State funding | Allocate SB 198 funding; evaluate opportunities for additional TIRCP | \$324 | \$1,000 |
| Additional federal funding | Evaluate IJJA and IRA programs when available; adjust approach based on feedback | \$2 | \$400 |
| Local funding | Funding included in Measure M and R; coordinating local contributions and value capture | \$2,288 | \$0 |

Next Steps

- **Coordinate advocacy efforts to maintain the initial level of SB 198 funding**
- **Continue pursuit of State and federal funds**
- **Continue through 2-year New Starts Project Development phase**
 - **Compile and submit data on ridership, cost, schedule**
 - **Submit financial plan to demonstrate financial capacity**
 - **Receive project justification and local financial commitment ratings, Winter 2023/2024**
 - **Advance design, preliminary engineering**
 - **Obtain Record of Decision, Spring/Summer 2024**

