Metro

Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room

Metro

Agenda - Final

Thursday, May 16, 2019

11:30 AM

One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room

Executive Management Committee

Sheila Kuehl, Chair
James Butts, Vice Chair
John Fasana
Eric Garcetti
Paul Krekorian
Hilda Solis
John Bulinski, non-voting member

Phillip A. Washington, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES
(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
d. Any other unlawful interference with the due and orderly course of said meeting.

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded on CD's and as MP3's and can be made available for a nominal charge.

DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than $250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars ($10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

ADA REQUIREMENTS

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all <u>Committee</u> and <u>Board</u> Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876.

323.466.3876 x2
Español
323.466.3876 x3

한국어	日本語
中文	русскоий
Հայերէն	ภาษาไทย
Tiếng Việt	ហង់មថម

HELPFUL PHONE NUMBERS

Copies of Agendas/Record of Board Action/Recordings of Meetings - (213) 922-4880 (Records Management Department)
General Information/Rules of the Board - (213) 922-4600
Internet Access to Agendas - www.metro.net
TDD line (800) 252-9040

NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

CALL TO ORDER

ROLL CALL

34. SUBJECT: STATE AND FEDERAL REPORT 2019-0045

RECOMMENDATION

RECEIVE AND FILE State and Federal Legislative Report.

35. SUBJECT: STATE LEGISLATION 2019-0275

RECOMMENDATION

ADOPT staff recommended positions:

A. Senate Bill 498 (Hurtado) - Trade Corridors Improvement Fund: Grant Program: Short-Line Railroads **OPPOSE**

Attachments: Attachment A - SB 498 Hurtado

21. SUBJECT: PILOT BUS ONLY LANE **2019-0279**

RECOMMENDATION

WITHDRAWN: RECEIVE oral report on Pilot Bus Only Lane Project.

(ALSO ON OPERATIONS, SAFETY AND CUSTOMER EXPERIENCE COMMITTEE)

36. SUBJECT: MICROTRANSIT UPDATE 2019-0249

RECOMMENDATION

RECEIVE oral report on the Status of the MicroTransit Project.

Attachments: Presentation

40. SUBJECT: STATUS REPORT ON FINANCIAL FORECAST TO DELIVER TWENTY-EIGHT BY '28 2019-0224

RECOMMENDATION

RECEIVE AND FILE status report on financial forecast to deliver the Twenty-Eight by ’28 Initiative.

Attachments: Presentation

(ALSO ON CONSTRUCTION COMMITTEE)

SUBJECT: GENERAL PUBLIC COMMENT 2019-0289

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE’S SUBJECT MATTER JURISDICTION

Adjournment

Los Angeles County
Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2019-0275, **File Type:** Federal Legislation / State Legislation (Position) **Agenda Number:** 35.

REVISED
EXECUTIVE MANAGEMENT COMMITTEE
MAY 16, 2019

SUBJECT: STATE LEGISLATION

ACTION: ADOPT STAFF RECOMMENDED POSITION

RECOMMENDATION

ADOPT staff recommended positions:

A. Senate Bill 498 (Hurtado) - Trade Corridors Improvement Fund: Grant Program: Short-Line Railroads **OPPOSE**

B. Assembly Constitutional Amendment 1 (Aguiar-Curry) - Local Government Financing: Affordable Housing And Public Infrastructure: Voter Approval **SUPPORT**

ATTACHMENTS

Attachment A - SB 498 (Hurtado) Legislative Analysis
Attachment B - ACA 1 (Aguiar-Curry) Legislative Analysis

Prepared by: Desarae Jones, State Affairs Administrator, (213) 922-2230
Michael Turner, DEO, Government Relations (213) 922-2212

Reviewed by: Yvette Rapose, Interim Chief Communications Officer, (213) 418-3154

Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

BILL:	**SENATE BILL 498** **AS AMENDED APRIL 22, 2019**
AUTHOR:	**SENATOR MELISSA HURTADO (D- SANGER)**
SUBJECT:	**TRADE CORRIDORS IMPROVEMENT FUND: GRANT PROGRAM: SHORT-LINE RAILROADS**
STATUS:	**SENATE APPROPRIATIONS COMMITTEE** **HEARING SCHEDULED: MAY 6, 2019**
ACTION:	**OPPOSE**

RECOMMENDATION

Staff recommends that the Board of Directors adopt an OPPOSE position on Senate Bill 498 (Hurtado).

ISSUE

This bill was amended on April 22, 2019 to authorize the California Transportation Commission (CTC) to establish a State-funded grant program using Trade Corridor Improvement Funds for short-line rail infrastructure improvements.

Specifically the bill would:

- Make findings and declarations regarding the California State Rail Plan and short-line rail operators;
- Require CTC to establish a short-rail line grant program. Specifies the program is to be funded by project savings generated from prior TCIF allocations;
- Authorize the grant program to be implemented from fiscal year 2020/21 to 2021/22;
- Provide that the grant program will fund short-line rail improvement projects such as rail reconstruction, maintenance, upgrade, and replacement;
- Require CTC to adopt guidelines, in consultation with representatives from specified government and industry entities, by July 1, 2020, to be used by CTC to select grant projects;
- Prohibit using grant funds for operational purposes; and
- Require grant recipients to meet various funding and matching requirements, as specified.

DISCUSSION

SB 498 (Hurtado) would reallocate goods movement funds away from projects in Los Angeles County. Under the current framework of the TCIF program project savings are to stay within the region in which they are generated. This bill would eliminate that practice, which dates back to Proposition 1B which was passed in 2006. The immediate impact of this bill would be to divert approximately $20 million away from two Alameda Corridor East projects and reallocate the funds to projects elsewhere in California.

TCIF Background

The Trade Corridors Improvement Fund was approved via Proposition 1B in 2006. Prop 1B allocated $2 billion to fund the TCIF. The California Transportation Commission (CTC) is charged with allocating the funding for projects throughout the state to support freight improvements along the state's federally designated Trade Corridors of National Significance and other high volume trade corridors. The CTC currently sets the program guidelines and administers the TCIF program. There is currently $12 million in overall cost savings that would be made available to support this newly established grant program.

Los Angeles County is home to the State's busiest port complex and some of the nation's most heavily traversed freight corridors. The County's freight infrastructure funding needs are in the billions – and every dollar invested in goods movement has a sustained and critical impact on the state, and the nation. With over 44 percent of the nation's freight originating in Los Angeles County – this region demonstrates a critical and immediate need for sustained funding. Proposition 1B represents the State's commitment to funding transportation infrastructure and SB 498 (Hurtado) runs counter to the goals outlined in the TCIF program. Reallocating funds away from this region will only exacerbate the impacts of freight movement in our region by reducing air quality and increasing congestion.

Staff therefore recommends that the Board adopt an OPPOSE position on the measure SB 498 (Hurtado).

DETERMINATION OF SAFETY IMPACT

There is no determined safety impact due to the enactment of the proposed legislation.

FINANCIAL IMPACT

The estimated financial impact of this action would be to eliminate approximately $20 million from two Alameda Corridor East projects.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Staff recommendation supports strategic plan goal # 4.2: Metro will help drive mobility agendas, discussions and policies at the state, regional and national levels.

ALTERNATIVES CONSIDERED

Staff has considered adopting either a support or neutral position on the bill. A support or neutral position would be inconsistent with Metro's Board approved 2019 State

Legislative Program Goal #7 to actively work with State, Regional and local transportation interests to enhance transportation and infrastructure funding and programs statewide.

NEXT STEPS

Should the Board decide to adopt an OPPOSE position on this legislation; staff will communicate the Board's position to the author and committees and work to oppose the bill. Staff will continue to keep the Board informed as this issue is addressed throughout the legislative session.

ATTACHMENT B

BILL: ASSEMBLY CONSTITUTIONAL AMENDMENT
AS AMENDED MARCH 18, 2019
REVISED MAY 16, 2019

AUTHOR: ASSEMBLYMEMBER CECILIA AGUIAR-CURRY (D-WINTERS)

SUBJECT: LOCAL GOVERNMENT FINANCING: AFFORDABLE HOUSING AND PUBLIC INFRASTRUCTURE: VOTER APPROVAL

STATUS: ASSEMBLY APPROPRIATIONS COMMITTEE
APPROVED 11-7

ACTION: SUPPORT

RECOMMENDATION

Staff recommends that the Board of Directors adopt a SUPPORT position on Assembly Constitutional Amendment 1 (Aguiar-Curry).

ISSUE

This bill was amended on March 18, 2019 to amend the California State Constitution to include provisions related to voter thresholds and general obligation bonds.

Specifically the bill:

- Lowers the necessary vote threshold from a two-thirds majority to a 55 percent majority to approve local (city, county and special district) general obligation (GO) bonds and certain special taxes for affordable housing, public infrastructure and permanent supportive housing projects.

- Provides requirements for voter protections, public noticing and fiscal accountability by requiring a local proposition involving general obligation Bonds or a special tax include all of the following:
    - A requirement that the proceeds from the bonds or taxes be used only for the purposes specified in the ACA, and not for employee salaries or other operating expenses.
    - A list of specific projects to be funded and a certification that the city, county or special district has evaluated alternative funding sources.
    - A requirement that the city, county or special district conduct both an annual performance audit and an independent financial audit that is then posted and easily accessible to the public.
    - A requirement that the city, county or special district appoint a citizens' oversight committee to ensure that the proceeds of the bonds or special tax are expended only for the purposes described in the measure approved by the voters.

DISCUSSION

ACA 1 was introduced by Assemblymember Aguiar-Curry and has a number of co-authors, including members of the Los Angeles County Assembly delegation. The bill was amended in the Assembly on March 18, 2019, and the Assembly Appropriations Committee made additional revisions on May 16, 2019. The measure would make various changes in voting thresholds for various local government funding measures. There is a specific provision that would lower the vote threshold for local sales taxes for special taxes including those related to transportation. ACA 1 will facilitate the ability of various local governments to raise needed revenue and finance important infrastructure projects.

Metro has supported similar measures in the past to reduce the vote threshold specifically for special transportation related sales taxes. ACA 1 includes a provision reducing the threshold specifically for these taxes. A number of counties have gone to the ballot and receive over a majority support for such taxes but have fallen short of the two-thirds threshold. Additionally, a number of counties with existing measures will need to go to the ballot in the future to reauthorize their measures.

For these reasons, staff recommends that the Board adopt a SUPPORT position on the measure ACA 1.

DETERMINATION OF SAFETY IMPACT

There is no determined safety impact due to the enactment of the proposed legislation.

FINANCIAL IMPACT

The estimated financial impact of this action is still being evaluated. Potential sales tax measures that would increase funding for public infrastructure projects would have a direct, positive benefit to Metro's programs, projects and budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Staff recommendation supports strategic plan goal # 4.2: Metro will help drive mobility agendas, discussions and policies at the state, regional and national levels.

ALTERNATIVES CONSIDERED

Staff has considered adopting either an oppose or neutral position on the bill. An oppose or neutral position would be inconsistent with Metro's Board approved 2019 State Legislative Program Goal #7 to actively work with State, Regional and local transportation interests to enhance transportation and infrastructure funding and programs statewide.

NEXT STEPS

Should the Board decide to adopt a SUPPORT position on this legislation; staff will communicate the Board's position to the author and work to ensure inclusion of the Board's priorities in the final version of the bill. Staff will continue to keep the Board informed as this issue is addressed throughout the legislative session.

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2019-0249, **File Type:** Oral Report / Presentation **Agenda Number:** 36.

**EXECUTIVE MANAGEMENT COMMITTEE
MAY 16, 2019**

SUBJECT: MICROTRANSIT UPDATE

ACTION: ORAL REPORT

RECOMMENDATION

RECEIVE oral report on the Status of the MicroTransit Project.

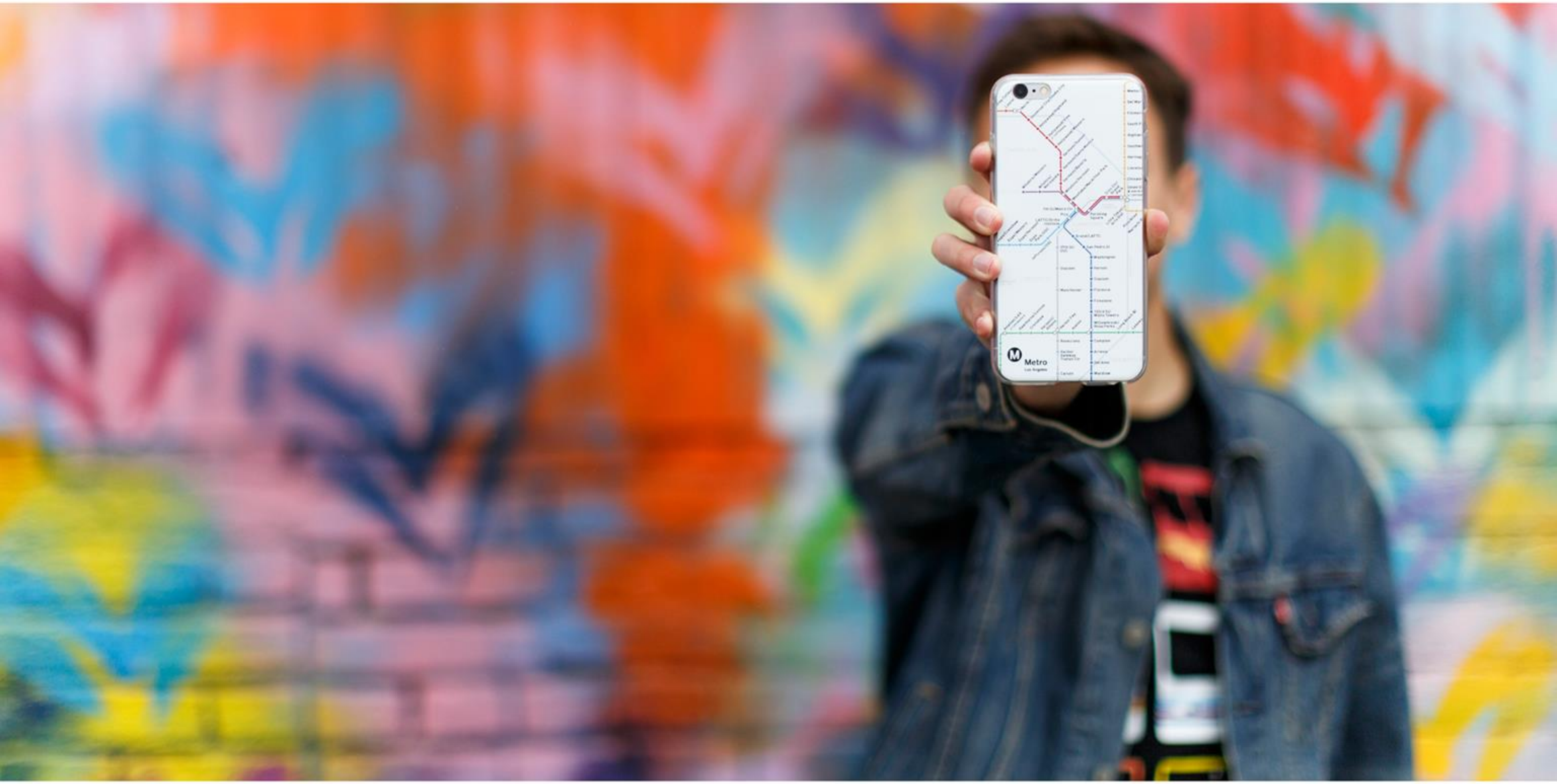
DISCUSSION

Overview of project planning and design study and next steps pertaining to service implementation.

Prepared by: Rani Narula-Woods, Sr. Director of Special Projects, (213) 922-7414
Nazaneen Habib, Sr. Administrative Analyst, (213) 922-2310

Reviewed by: Dr. Joshua L. Schank, Chief Innovation Officer, (213) 418-3345

Phillip A. Washington
Chief Executive Officer



Metro®

MicroTransit

Project Timeline and Schedule

2016		Unsolicited Proposal Submitted to Metro
2017		Metro Issues RFP for Planning and Design (Part A)
2018		Metro Begins Feasibility Studies with RideCo, Via and Transdev
2019		
	April	Metro Issues RFP for Operations Contract (Part B)
	May	Executive Management Committee Project Update
	June	Life-of-Project to Metro Board
	Summer	Proposal Review of Part B
	Fall	Staff Recommendation on Part B
	Winter	MTP Operations Begin

Part A: Feasibility Study

MTP Contractor Teams have developed a work-up focused on:

- Market Positioning of Service
- Customer Experience Elements
- Vehicles
- Factors of Zone Selection

Market Positioning of Service

- MTP to offer short trips (20 mins in-vehicle, 1-6 mile distance)
- MTP to capture trips public sector does not capture today
- MTP short trips to replace single-occupancy vehicle trips
- MTP short trips to replace single-occupancy vehicle trips (by TNCs)
- MTP short trips can supplement, act as feed to the bus network

Customer Experience Elements

- Real-time information on trips available for booking and payment
- Planning tool which allows customer to compare available Metro options
- Option to order trips for others and/or monitor trips
- Payment embedded including validators and TAP mobile solutions
- Multi-modal trip planning and trip linking options (phased)
- Account with preferences stored for ease of use
- Hi-tech and low-tech options to access service

Vehicles

New, leased vehicles to be maintained and serviced by MTP Contractor

Vehicles may fit 4 to 14 customers

Top vehicles for analysis are:

- Chrysler (Pacifica)
- Dodge (Grand Caravan, Ram Promaster)
- Ford (Flex, Transit, Transit Connect)
- Honda (Pilot)
- Mercedes (Metris, Sprinter)
- Toyota (Sienna)

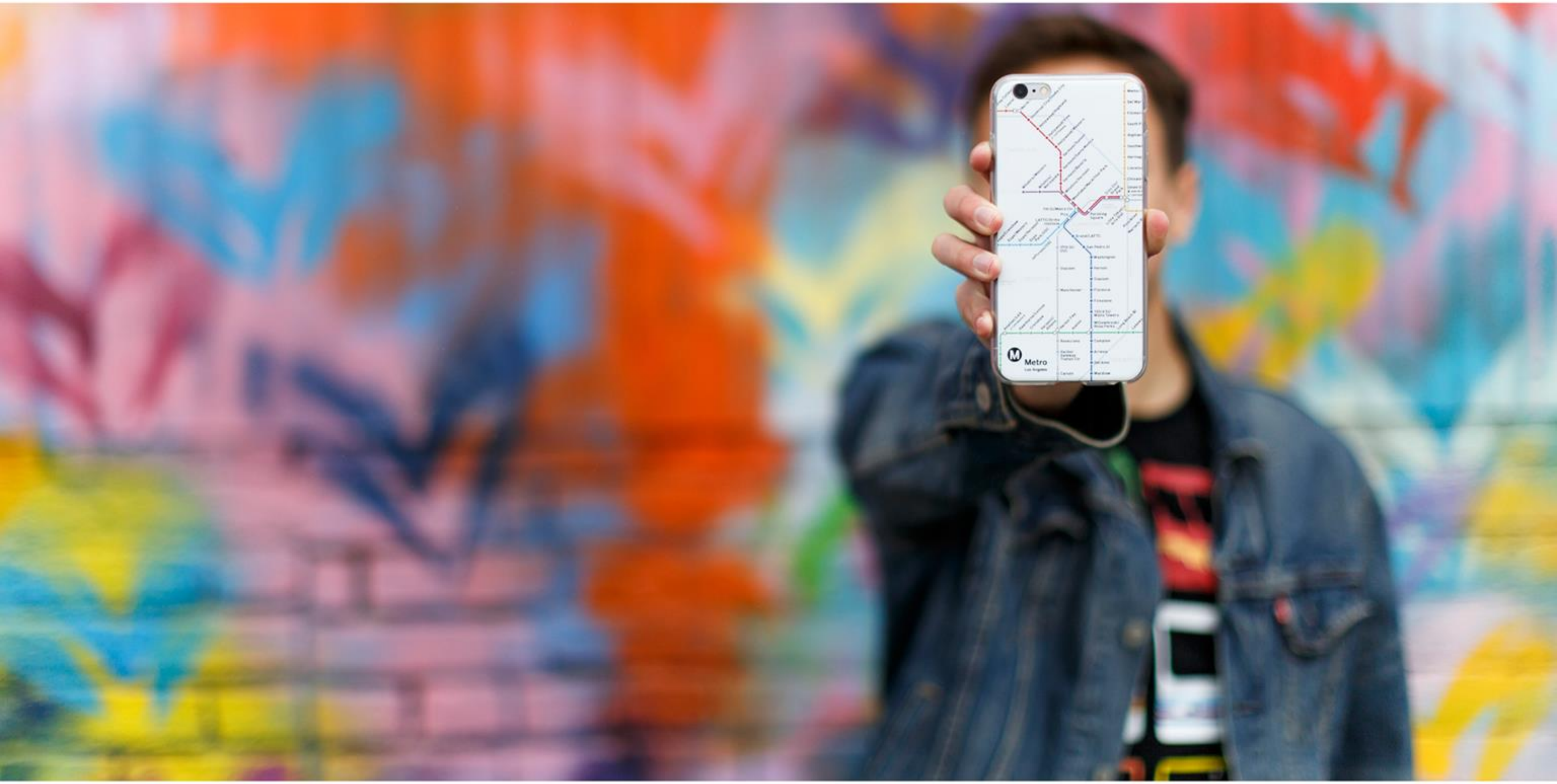
Portion of fleet to be retrofitted for side entry for wheelchair access

Part B Contract(s) allows for up to 90 vehicles in the operation

Factors for Zone Selection

Considerations may include:

- Customer Demand/Utilization of Service
- Priority Use Cases (retail, medical, commuting)
- Major Trip Generators (high schools, universities)
- Geographic Equity (variety of settings)
- Community Impact (increases access to jobs, educational resources)
- Network Connectivity (simpler transfers or reduced transfers)
- Community Partnerships (businesses, cities, community based organizations)



Metro

MicroTransit

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2019-0224, **File Type:** Informational Report **Agenda Number:** 40.

CONSTRUCTION COMMITTEE
EXECUTIVE MANAGEMENT COMMITTEE
MAY 16, 2019

SUBJECT: STATUS REPORT ON FINANCIAL FORECAST TO DELIVER TWENTY-EIGHT BY ‘28

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report on financial forecast to deliver the Twenty-Eight by ’28 Initiative.

ISSUE

This item is a status report in response to a Board request (Motion 32.4, #2019-0108) during the Board meeting on February 2019 regarding the financial forecast, use of alternative public and private financing, and constructability analysis relating to the Twenty-Eight by ‘28 Initiative. Metro staff has initiated development of the funding plans for the pillar projects identified in Motion 32.4 per Board direction. Based on current funding and financing assumptions the acceleration of the pillar projects will require funding for capital, debt service, and operations much sooner than currently planned and will cause a funding shortfall unless this funding gap is addressed with new revenues, revenues diverted from other Metro uses, or the deferral of projects. The pillar projects could be funded on an accelerated schedule if a significant amount of new sources are implemented, including, but not limited to, new federal funding, tax-credit bonds, and new local revenues like transportation network company (TNC) fees. Metro can facilitate this by seeking the creation of new funding sources that could ultimately accelerate the pillar projects, and be incorporated in future funding plans.

BACKGROUND

Motion 32.4 requests a report on a financial forecast that prioritizes the following four “pillar projects”; assumes public private partnership (P3) efficiencies but not use of local return revenues; public and private financing not in Metro’s existing “toolbox”; and a constructability analysis of the four pillar projects that includes scope, costs, risks, use of alternative modes, and timelines.

Pillar Projects (Measure M Opening Date)

- Gold Line Eastside Extension Phase 2 (FY 2035)
- Green Line Extension to Torrance (FY 2030)

- Sepulveda Transit Corridor (FY 2033)
- West Santa Ana Branch to Downtown LA (FY 2028, FY 2041)

DISCUSSION

Status of Financial Forecast

Metro staff has initiated development of the funding plans based on the provided Board direction. A Pillar Projects Financial Forecast is being prepared that attempts to identify a viable funding plan for the four projects. The Pillar Projects Financial Forecast is being prepared as an alternative to the baseline Metro system-wide, or Long Range Transportation Plan (LRTP) financial forecast, which is the multiyear funding plan for all Metro projects, programs, and services.

Key assumptions being made include: all pillar projects are completed by FY 2028, the cost of each of the pillar projects is the same as initially estimated in the Measure M Expenditure Plan (Metro staff is aware that the preliminary cost estimate for certain project alternatives is higher than the Expenditure Plan, but any such alternative has not yet been approved by the Board), local sales tax funding is limited by the respective Expenditure Plan, the use of funds is consistent with Metro Board policy, and state and federal funding are limited to existing grant programs and estimated availability to Metro.

Metro Board Policies

Board-adopted policies guide the use of Measure R and Measure M funds and may need to be considered in the acceleration of funding. The "**Fiscal Responsibility Policy**" adopted in May 2011, requires among other things, that interest from debt issued for a Measure R project that is accelerated in comparison to its April 2010 LRTP schedule is allocated to the project as a cost. This reduces the amount available for capital spending as the Measure R funding amount for each project in the Expenditure Plan is capped and the allocation of interest takes away from this amount. This policy affects 3 of the 4 pillar projects (Gold Line Eastside Extension Phase 2, Green Line Extension to Torrance, and Sepulveda Transit Corridor) and may reduce the amount of Measure R available for capital costs.

The "**Early Project Delivery Strategy Policy**" approved in November 2017 establishes criteria that are to be applied in determining if a Measure M project can be delivered faster than scheduled in the Expenditure Plan. In general, projects can be accelerated as long as others are not negatively impacted. In addition, the Board is to review multiple criteria, including the use of new revenue, partnering, streamlining of process, and use of innovations, and determine if the project should be accelerated.

Metro staff is evaluating individual pillar project schedules and has identified critical challenges that will require assistance from the Board in order to remain on accelerated schedules. Specifically, Metro will need assistance from the Board to help with expediting typical federal and state review cycles involving multiple iterations lasting many months to a more collaborative process lasting weeks. This is an area wherein changing typical processes can have immediate positive impacts to completing our pillar projects on schedule. Staff will provide the Board with more detailed information to assist with these critical challenges in the coming weeks and provide recommendations at the July 2019 Board.

Some of the pillar projects provide new revenue and innovations. However, the acceleration of all of the projects will likely require a significant increase in debt and a diversion of revenue from other Measure M projects and programs, and may negatively affect the ability to deliver these projects and programs.

Potential Financial Forecast Results

The acceleration of the pillar projects will reduce inflation cost, but also reduce the opportunity to realize state and federal grant funding, as well as Measure M inflation funding. The amount of grant funding that Metro forecasts to be available is based on the estimated total amount statewide and nationwide, with a proportion allocated to Metro. It may not be possible to advance grant funding when needed for the accelerated projects because the total amount available to the granting agencies each year is limited and may be allocated to other eligible grantees (i.e., Metro cannot assume a grant expected to be available 15 years from now will be awarded during the next two or three years). Metro staff will evaluate if a more aggressive proportional allocation of grant funding to Metro is warranted.

The amount of Measure M available for the pillar projects can be increased for inflation. However, if the project is accelerated a portion or all of the inflation may be eliminated, as the Measure M Ordinance provides for inflation only if less than 2/3rds of the funding is spent before FY 2027.

The acceleration of the pillar projects - all new light or heavy rail lines - will result in operating costs that must be paid starting in FY 2028 or FY 2029. This will add $200 million to $300 million of additional costs each year, paid 5 to 13 years sooner than in the LRTP financial forecast, and will need to be funded from operating funds. Although some of this cost will be paid from fares, the balance must come from local sales tax, state funding, and federal funding that is eligible for operations (e.g. Proposition A 35% Transit, Proposition C 40% Discretionary, Transportation Development Act, Section 5307, CMAQ). These funds are currently allocated or programmed in the LRTP financial forecast for other uses, including vehicle replacements and midlife overhauls, and the reallocation of funding for operations may result in additional debt financing or deferral of capital expenditures.

The Metro LRTP financial forecast includes all foreseeable and reasonably expected revenues and allocates virtually all of these to Board-approved projects, programs, and services. The acceleration of the pillar projects will require funding for capital, debt service, and operations much sooner than currently planned and will cause a funding shortfall. This funding gap needs to be addressed with new revenues, revenues diverted from other Metro uses, or the deferral of projects. Any new revenues will exclude local return and congestion pricing (and transportation network company fees, as discussed herein), and may require that Metro advocate for additional funding from newly created funding sources.

P3 Efficiencies

Metro staff is continuing to evaluate the potential for efficiencies, or cost savings that may be realized through the use of P3, rather than a design-build model, to deliver any of the pillar projects. Case study and survey information demonstrate that P3s can offer cost savings for capital, operations, and repair and replacement.

As noted in the Twenty-Eight by '28 Financing/Funding White Paper (#2019-0089), however, every infrastructure market and project is different, and there are many variables specific to each market, project, and contract that influence the extent to which project savings are achieved, if at all. To the extent that cost efficiencies are assumed on a specific project, they must be justified by technical engineering analysis.

At this time, staff cannot yet confirm any specific technical concepts for any of the pillar projects that could be achieved through P3 delivery that, if implemented, would result in significantly different costs for any of the pillar projects. This is in large part because the pillar projects identified for P3 delivery are not far enough along in the planning process to have gone through sufficient design to support the development of a detailed cost estimate, which is required to determine any potential cost savings. For the same reason, the baseline costs that would be a reference or benchmark for the P3 efficiencies are still rough, order of magnitude estimates.

Without technically justifiable project-specific P3 efficiencies identified by the July 2019 report to the Board, there is not sufficient certainty to assume cost savings as part of Metro's Pillar Projects Funding Forecast. Doing so would add significant risks to Metro as we may pursue the delivery of a major capital project with an unsupportable cost estimate, or conversely lack of funding, and this could stop or significantly hamper a project's delivery.

<u>New Public and Private Financing</u>
The funding plans will include new revenues that are not currently available to Metro, as described in our January 2019 report (#2019-0011) to the Board on the Re-imaging of LA County Initiative. The new revenues include toll revenues from a future express lanes network and value capture financings. The Board's direction from February 2019 is to exclude congestion pricing revenue from the funding plans for accelerated projects.

Metro staff also recommends excluding revenue from transportation network company (TNC) fees. Such a fee would be assessed on companies like Uber and Lyft to be used for Metro transportation purposes (the state has enacted a statewide TNC fee starting in FY 2020 but the revenue is limited to services for the disabled). Similar to the rationale for excluding other revenues from the Pillar Projects Financial Forecast that do not currently exist or have not yet been enacted, assuming that TNC revenue is available would subject Metro to risks that the revenues are not realized and the project cannot be completed. Prior to assuming TNC fees will accrue to Metro we must have legal authorization and an agreed-upon fee structure.

Metro staff is pursuing the development of additional new revenues or funding sources, including the reconsideration of "Build California Green Bonds," which is a proposed state tax credit bond that could provide Metro with significant debt interest savings. However, the proposed bonds have not been enacted and it is uncertain if they will be available to Metro, and in what amounts they will be supported by investors. Because the bonds and a market for bonds do not currently exist, we do not recommend including these in the Pillar Projects Financial Forecast, which could rely on such financing as soon as three or four years in the future.

There are proposals at the federal level to increase funding for transportation, including a new infrastructure bill that would award agencies like Metro that have a significant amount of local funding, and a potential alternative to the large "New Starts" program called "Expedited Project Delivery" that would make federal capital funds available more expeditiously. Unfortunately these federal funding sources are either not enacted or reliable, having no federal budget allocation or history of funding projects.

The pillar projects could be funded on an accelerated schedule if a significant amount of new sources are implemented, including new federal funding, tax-credit bonds, and new local revenues like TNC fees. Metro can facilitate this by seeking the creation of new funding sources that could ultimately accelerate the pillar projects, and we may be able to incorporate these in our funding plans in the future.

Constructability Analysis

Metro staff has been advancing constructability of the four pillar projects per item D of the February Board Motion. The project teams are developing scopes, schedules, cost estimates, risk analyses, and P3 status for the respective projects. In order to provide a comprehensive response to the motion, staff is also identifying opportunities, wherever possible, to accelerate these projects to support an opening for revenue service by the end of FY2028.

All four pillar projects are in the planning and environmental phase and scheduled to be environmentally cleared over the next four years and transition into engineering, design and construction. In order for some of these projects to have a chance of completion and revenue operations by 2028, the environmental and engineering work must be accelerated for construction to begin no later than calendar year 2023. Any additional requirement imposed on these projects will have a material effect on realizing this goal. Challenges during the construction phase and interactions with third parties such as multiple cities along the alignment and a shared corridor with other governmental and private entities may also impact the schedule.

Project scopes, schedules, cost estimates and risk analyses for the pillar projects are currently well under way. Staff will come back to the Board in July to provide a detailed status for each project related to the specifics identified in the motion.

In general, the initial critical path for achieving construction start is the environmental clearance, preliminary engineering and procurement processes that lead to award of construction contracts. The Board can help accelerate these initial phases as they are highly dependent on local, state and federal stakeholders to provide timely review and approval of environmental documents, conceptual design, cost estimates and preliminary engineering.

The July Board Report will address the potential for improvement to pillar project schedules based on timely reviews by third parties. Metro has optimized our own internal processes, but we have less control over the timeliness of responses from our partners. Therefore, support from the Board is critical to encourage our federal, state and local partners to reduce review cycle times and work collaboratively with Metro staff to resolve questions or concerns as they arise.

Staff is evaluating the current pillar project schedules to identify potential efficiencies in the design and construction phases. As part of our July Board Report, staff will identify opportunities to reduce overall duration by working on multiple project phases concurrently. Preliminary engineering could begin earlier in the planning phase and overlap with development of the environmental document, given there are some risks associated with that approach. Utility relocations, resolving geotechnical unknowns and tunneling segments will also be key to completing on time and within budget. In addition, the complexity of the pillar projects may make them candidates for Minimum Operating Segments in order to build as much of the project as possible to meet at least a portion of the mobility goals in time for the Olympics. Minimum Operating Segments are typically prepared as part of the environmental review phase and are disclosed and analyzed for public, stakeholder and Board consideration.

FINANCIAL IMPACT

This is an information item and does not have a direct financial impact on Metro. The implementation of accelerated funding for major capital projects would have a financial impact on Metro, and these impacts will be identified in the event the Board considers approval of the funding plans.

Impact to Budget

This is an information item and does not impact the FY 2019 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This item helps ensure fiscal responsibility in how funding determinations are made and transparency in the agency's investment decisions (Goal #5).

NEXT STEPS

Metro staff will continue the development of a financial forecast and constructability analysis of the four pillar projects, consistent with Board direction, and report back with a year-by-year potential financial forecast to deliver Twenty-Eight by '28, prioritizing the four pillar projects for the July 2019 Board meeting.

Prepared by: Craig Hoshijima, DEO, Countywide Planning & Development, (213) 418-3384
Brian Boudreau, SEO, Project Management Oversight, (213) 922-2474
Wil Ridder, Interim SEO, Countywide Planning & Development, (213) 922-2887
Corey Ellis, Senior Manager, Project Control, (213) 418-3159
Colin Peppard, Senior Director, Office of Extraordinary Innovation, (213) 418-3434
Rick Meade, SEO, Project Management, (213) 922-7917

Reviewed by: Laurie Lombardi, Interim Chief Planning Officer, (213) 418-3251
Richard Clarke, Chief Program Management Officer, (213) 922-7557
Joshua Schank, Chief Innovation Officer, (213) 418-3345

Phillip A. Washington
Chief Executive Officer

Status Report on Financial Forecast to Deliver Twenty-Eight by '28

Construction Committee
Executive Management Committee
May16, 2019

Metro

Key Assumptions

- Cost of each pillar project as estimated in Measure M Expenditure Plan
- Local sales tax funding limited by respective Expenditure Plan
- Use of funds consistent with Board policy
- State and federal funding limited to existing programs and estimated availability
- New revenues and financing include toll revenues from Express Lanes and value capture
- New revenues exclude local return, congestion pricing, TNC fees, tax credits bonds, and new federal funding that could be incorporated in future funding plans as realized
- No cost savings are assumed as part of the efficiencies of P3 delivery

Metro

Metro Board Policies

- **Fiscal Responsibility Policy** (May 2011) – Interest from debt issued for Measure R projects accelerated in comparison to 2010 LRTP schedule is allocated to the project as a cost.

- **Early Project Delivery Strategy Policy** (November 2017) – Measure M projects may be accelerated for delivery before their Expenditure Plan schedule as long as other projects are not negatively impacted. Board is to consider additional criteria including use of new revenues, partnering, and innovation.

Metro

Potential Financial Forecast Results

- Acceleration of pillar projects will reduce inflation costs, but also reduce opportunity for state/federal grant funding as well as Measure M inflation adjustment funding.
- Acceleration of pillar projects will result in operating costs starting in FY 2028 and FY 2029 adding $200 million to $300 million of additional costs each year paid 5 to 13 years earlier than planned for in the LRTP financial forecast.
- Overall, acceleration of pillar projects will require funding for capital, debt service, and operations much sooner than currently planned and will create a funding shortfall absent new revenues, revenues diverted from other Metro uses or the deferral of projects.

Metro®

Next Steps – July Board Report

- Initial Pillar Projects Financial Forecast.
- Constructability Analysis.
- Opportunities to reduce project schedules.
- Opportunities to seek the creation of new funding sources for incorporation into future funding plans.