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**PLANNING AND PROGRAMMING COMMITTEE
APRIL 19, 2006**

SUBJECT: CALL FOR PROJECTS CHANGES

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

Approve the following changes to the Call for Projects to allow:

- A. On a one-time basis, regional programmed funds to be used for cost increases for previously approved non-Caltrans sponsored Call for Projects by:
1. allowing sponsors to down-scope Call projects while keeping the full Metro grant amount;
 2. allowing sponsors to move funds among their previously approved Call projects by canceling or down-scoping projects in order to fully fund others;
 3. allowing sponsors to keep audited project savings from one Call project to cover cost increases for another Call project; and
 4. implementing a special process where sponsors could compete for a specified total amount of additional Metro funding to cover cost increases for projects programmed for funding in FY 07 or earlier.

Attachment A outlines the specific details.

- B. Project sponsors to use locally funded project development (environmental analysis, preliminary engineering and final design) expenditures as a match for future Metro Board-approved Call projects as outlined in Attachment B, if such expenditures are documented and have been incurred within three years of the Call process. Local sponsors will not be guaranteed Metro funding through the Call for Projects.

ISSUE

Since 2003, construction costs have significantly increased, while state funding available to local agencies has been severely restricted through the suspension of Proposition 42. Metro has received requests to re-evaluate its current Call for Projects practices to have Metro share proportionately in project cost increases for non-Caltrans sponsored projects. Also, jurisdictions have requested that locally funded project development expenditures be counted towards the local match for

projects approved through future Call for Projects. Project development activities include environmental analysis, preliminary engineering and final design.

POLICY

Since the inception of the Call for Projects, project sponsors other than Caltrans have been solely responsible for cost increases. Additionally, when there is project savings or a project is down-scoped, Metro gets its proportional share back. This practice was established to maximize the number of mobility improving capital improvement projects that could be funded through a Call and to ensure the cost-effective implementation of projects. With increasing construction costs, coupled with limited state and local jurisdiction funding available to meet these costs, the Call for Projects needs to be re-evaluated to consider funding cost increases for local sponsors, not just Caltrans.

With regard to Recommendation B, Metro Call for Projects guidelines have not allowed expenditures made before Board approval of a project to be used as local match. Sponsors at their own risk, have sometimes expended their own dollars to complete environmental clearance and/or design to make their projects more competitive. By allowing sponsors to use project development expenditures as a local match for Board approved projects, it is believed that projects would be better defined, the costs more solidified and their delivery expedited. As the Call for Projects is a competitive process, other than receiving extra points for project readiness, sponsors who have already expended local dollars for project development costs may not receive any special priority and may not be successful in the Call for Projects.

ALTERNATIVES CONSIDERED

The Board of Directors could decide not to fund cost increases for non-Caltrans sponsored Call for Projects and/or could decide not to change the future Call for Projects criterion to allow sponsors to use their own local funds for project development expenditures as the local match for successful Call projects. Neither of these actions is recommended. Currently project implementation is being delayed or deferred due to a lack of local funding. As a result, projects are subject to potential deobligation of Metro funds. The Call was created to fund mobility improving projects which otherwise could not be completed without regional funding assistance. Additionally, without the change to allow locally funded project development expenditures to be used as a match, local jurisdictions may be precluded from moving regionally significant projects forward.

FINANCIAL IMPACT

Because project sponsors will be moving funds among projects or down-scoping projects, no additional funding will be required in FY 06. Monies to cover the special process for awarding funding for cost increases will come from currently un-programmed regional capital funding. The Metro Board will be asked to set aside an amount for this purpose as part of the Long Range Transportation Plan (LRTP) update process and/or through a separate programming action. By allowing non-Caltrans project sponsors to use project savings from completed projects and identifying funds to cover cost increases for approved projects, the amount of dollars available for future programming to new projects would be reduced.

BACKGROUND

The Call for Projects process was created in 1991 after the passage of Proposition C to fund capital projects that could otherwise not be built without regional funding assistance. The Call is a competitive process that matches local jurisdiction with federal, state and local discretionary funds to finance mobility improving capital projects.

Since the inception of the Call for Projects, Metro only funded cost increases for Caltrans sponsored projects. This is because Caltrans, unlike local jurisdictions, essentially has no other source of funding for regional projects other than what Metro programs to them. Metro has not funded cost increases for locally sponsored projects. The last several years of escalating steel, concrete and other construction costs have exacerbated the funding situation. Additionally, local agencies are receiving fewer construction bids resulting in less competitive prices. The Call also required that Metro's proportional cost savings resulting from down-scoped projects or projects completed under budget remain with Metro for programming through a future Call for Projects.

Currently, the Call for Projects also does not allow sponsors to count expenditures they make on a project before Metro awards a grant as local match. The recommended action would allow sponsors to use their locally funded project development expenditures as the local match for future Board-approved projects. This would enable Metro to (a) fund projects that are ready for construction; (b) reduce the implementation time frame for approved projects; and, (c) reduce Metro exposure for future cost increases as the project's design and environmental elements would be completed. Local sponsors will run the risk, however, of spending local funds on project development and not getting a Metro Call grant for the project.

The proposed changes have been discussed internally and with Metro's Technical Advisory Committee (TAC) and its Subcommittees (Bus Operations, Streets/

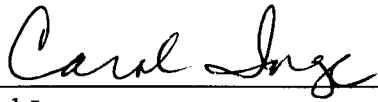
Freeways, Local Transit Systems and Transportation Demand Management/Air Quality). Based on these discussions it is recommended that the Board approve the proposed changes.

NEXT STEPS

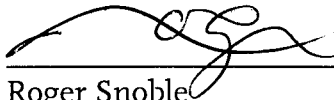
Upon Board approval of the recommended actions, local jurisdictions and existing Call for Projects sponsors will be notified. For those sponsors who wish to down-scope or cancel projects, the reason for the cost increase along with eligibility and requirements of the available funding will be explored and as appropriate, Memorandums of Understanding (MOUs) and Letters of Agreement (LOAs) will be amended.

With regard to identifying funds to allow sponsors to compete for cost increases, a process will be developed. Applications will be solicited and evaluated based on project readiness, relative ranking on the original Call application, the size of the additional local match the sponsor is willing to contribute towards the project's cost increase and the type of funding available versus the type of funding for which the project is eligible. Project sponsors receiving additional Metro dollars would have 18 months from the date of Metro Board approval to encumber or expend the funds. Project funding recommendations will be brought to the Board for consideration. Additionally, as part of the next Call for Projects application cycle, the existing criteria will be reviewed and recommended changes presented to the Board.

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Proposed Guidelines for addressing Cost Increases by Non-Caltrans Project Sponsors

1. Allow sponsors to down-scope an existing Call project to a smaller, yet viable sub-segment of that same project while keeping the full Metro grant funding. The remainder of the project would be removed from the approved scope of work. If the sponsor would like to pursue the removed portion of the project, they may re-apply and compete in a future Call for Projects. At a minimum, the proportion of sponsor to Metro funding would need to be the same as the original grant. The portion of the project's original scope of work that is being removed cannot result in it being ineligible for funding through its Call for Projects modal category. Sponsors would also need to provide justification for the cost increase.
2. Allow sponsors to move their funds among approved Call for Projects. A sponsor receiving funding for more than one project in the Call for Projects could cancel/down-scope one or more of their projects (STIP/Federally funded projects that have received an allocation, obligation or extension are not eligible for cancellation/down-scoping) and move the funds to another of their approved Call project(s). The receiving project must be eligible for the type of money that becomes available by the project(s) cancellation/down-scoping and meet pertinent funding requirements including maintaining eligibility in the modal category through which it was originally funded. For example, the sponsor received funding for five projects and wishes to cancel/down-scope two. The funding from the cancelled/down-scoped two would be moved to the three remaining. However, the funding being moved from the cancelled/down-scoped projects would need to be eligible for the project(s) the sponsor would like to move forward. Additionally, the cancelled project(s) would be deobligated or the down-scoped elements would be removed from the scope of work. Sponsors may re-apply and compete for those cancelled projects or the elements removed from the approved scope of work in a future Call for Projects. At a minimum, the proportion of sponsor to Metro funding would need to be the same as the original grant receiving the funds. Sponsors would also need to provide justification for the cost increase.
3. Should a sponsor complete a project with audited savings, the audited savings could be put toward another of their approved Call projects that has a funding shortage. The latter Call project must be eligible for the savings and meet the pertinent funding requirements. At a minimum, the proportion of sponsor to Metro funding for the grant receiving the funds would need to be the same as

the original grant. Sponsors would also need to provide justification for the cost increase.

4. Identify a specific amount of funding and develop a process to allow sponsors to compete for additional dollars to meet project(s) funding shortfall(s). The supplemental funding applications would be evaluated on project readiness, relative ranking received on the original Call application, size of additional local match the sponsor is willing to contribute towards the project's increased cost and the type of funding available versus the type of funding for which the project is eligible. Projects would need to meet the pertinent funding requirements. At a minimum, the proportion of sponsor to Metro funding would need to be the same as the original grant. Sponsors would also need to provide justification for the cost increase. Project sponsors receiving additional Metro dollars would have 18 months from the Metro Board approval date to encumber or expend the funds.

Proposed Guidelines for Future Call for Projects

- Allow sponsors to use local funds spent within three years prior to Metro Board approval of a project on project development expenditures (with supporting documentation) as the local match. Project development activities include environmental analysis, preliminary engineering and final design. **So as not to restrict the type of funding Metro can assign a project should it be successful through the Call for Projects, sponsors would also be required to provide an additional minimum hard match of (11.47 % or 20%) required with State or Federal funds.** Further, sponsors are not guaranteed funding through the Call for Projects. Other than receiving extra points for project readiness, sponsors would not receive any special priority.