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**PLANNING AND PROGRAMMING COMMITTEE
JULY 15, 2009**

SUBJECT: ALAMEDA CORRIDOR EAST SAN GABRIEL TRENCH PROJECT

ACTION: PROGRAM MEASURE R FUNDS TO PROJECT

RECOMMENDATION

- A. Program \$42 million in Measure R Highway Capital funds for the Alameda Corridor East project in FY10;
- B. Amend the FY10 budget to include \$42 million of expenditures and Measure R Highway Capital revenues for the Alameda Corridor East project;

ISSUE

At its July 2008 meeting, the Board of Directors adopted an expenditure plan and list of projects to be funded with revenue generated by Measure R. The Measure R Expenditure Plan allocates up to \$400 million for Alameda Corridor East Grade Separations Phase II in escalated years of expenditure dollars as funds become available. The San Gabriel Trench Project is included in the Alameda Corridor East Phase II grade separation program.

The Alameda Corridor East Construction Authority (ACECA) has submitted a letter (Attachment A) requesting \$42 million beginning in August 2009 to avoid delaying the project. Preliminary engineering for the San Gabriel Trench project is nearing completion. Additional pre-construction activities must be completed now in order to make the project ready for already allocated Prop 1B TCIF funds that will occur over the next year (Attachment B). The San Gabriel Trench project has received \$336.6 million in state Proposition 1B Trade Corridor Improvement Funds (TCIF) but this must be used for construction only, as well as other federal and state funding, which may be jeopardized if pre-construction activities do not meet the agreed-upon schedule.

Programming and budgeting \$42 million in Measure R Highway Capital funds will help ensure timely delivery of the San Gabriel Trench project. Construction of the San Gabriel Trench project is expected to start in FY11 and end in FY14.

POLICY IMPLICATIONS

This action is consistent with the Board's commitment to improve mobility, address environmental and community impacts of goods movement and create jobs. With the passage of Measure R, the Board has an opportunity to program additional funds for essential transportation improvements, such as the ACE Program, that have received prior commitments from the Board and are included in the Long Range Transportation Plan and Board-adopted Measure R Expenditure Plan.

OPTIONS

The Board may elect to defer programming funds for the ACE Phase II Grade Separation Program until a later date. This option would jeopardize federal and state funding, including \$336.6 million in TCIF currently committed to the project.

FINANCIAL IMPACT

This action will amend the FY10 budget to include \$42 million of expenditures and Measure R Highway Capital revenues to Project No. 460307 in Cost Center No. 0441. It will be the responsibility of the Chief Planning Officer and the Cost Center Manager to budget the appropriate expenditures for the San Gabriel Trench project in future years. MTA will provide local funds to meet cash-flow needs in advance of the Measure R funds receipt. The current forecasted fund balance in the Measure R Highway Fund is \$54.3 million. This action will reduce the remaining fund balance to \$12 million.

Impact to Bus and Rail Operating and Capital Budget

The source of funds for this action is Measure R Highway Capital (20%). These funds are not eligible for Metro Bus and Rail operating and capital expenditures and therefore, have no impact on the structural deficit. There will be no future operating costs for MTA as a result of this action because MTA will not own or maintain the asset after completion.

BACKGROUND

Over the years, the Board has authorized funding that has gone toward completing 5 of the 10 grade separation projects planned in Phase I of the ACE Program. The remaining Phase I projects are fully funded and scheduled to be completed by FY12. ACECA is in continuous pursuit of non-MTA funding sources for the Phase II grade separations. Potential fund sources for the San Gabriel trench and other Phase II projects include revenue from container fees, state Public Utilities Commission grade

separation funding, railroad funding, TCIF, federal authorization funds and federal economic stimulus funding.

The 2.2-mile San Gabriel Trench grade separation project will lower a 1.4-mile section of the Union Pacific railroad track and eliminate four railroad crossings at Ramona Street, Mission Road, Del Mar Avenue and San Gabriel Boulevard in the City of San Gabriel. This project will also help eliminate hazardous conditions while reducing congestion, noise and air pollution at the four grade crossings. The San Gabriel Trench project is expected to be completed in FY14.

NEXT STEPS


If the Board approves this recommendation, we will work with ACE representatives to modify the existing Memorandum of Understanding for the ACE program to reflect this action.

ATTACHMENTS

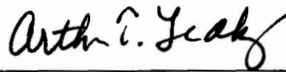
- A. San Gabriel Trench Project Funds Request Letter
- B. San Gabriel Trench Expenditure Plan

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Alameda Corridor-East Construction Authority

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IMAGED

February 3, 2009

FEB 06 2009

Mr. Roger Snoble
Chief Executive Officer
Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, California 90012

RECORDS MANAGEMENT CENTER

RE: Schedule and Funding Requirements for the San Gabriel Trench

Dear Roger:

I am pleased to report that we are making good progress on the San Gabriel Trench Project. The preliminary engineering which we began last April is nearing completion. We have begun the environmental clearance process which we expect to conclude by this July, at which point property acquisition and utility relocation can begin. We are negotiating the various project agreements we will need, the most significant of which are with the Union Pacific Railroad and the host City of San Gabriel. We are working toward construction bidding in the third quarter of calendar 2010.

With MTA's strong support we were successful in securing a California Transportation Commission (CTC) allocation of \$336.6 million from the Prop 1B Trade Corridor Infrastructure Fund (TCIF) last Spring. We are holding our project cost estimate from last year of \$498.5 million. We have committed \$15 million for the early design. Accounting for that and the allocated TCIF funding, that leaves a total of approximately \$146.9 million to fill out the project funding.

Our plan for the non-TCIF financing (submitted with our CTC Baseline Agreement) consisted of the original MTA 17% share commitment (\$71.9 million), container fees (\$43 million), State PUC grade separation funding (\$20 million), and Union Pacific contribution (\$12 million). As you know, the TCIF funding can only be used for construction. None of the non-MTA sources will be available soon enough or in sufficient amounts to sustain the pre-construction funding requirements we face over the next 18 months, though we are committed to continuing to seek each of them. We will continue to pursue container fees, either legislatively or through ports' ordinances, hopefully with MTA's strong advocacy. The State PUC and UPRR funding both require an executed railroad agreement which we are actively developing, but our prior

experience with the UPRR makes it unlikely they will execute it until construction is about to begin.

In addition to maintaining our pursuit of the above sources, we have included the San Gabriel Trench (along with other ACE projects) in our requests to both MTA and Caltrans for proposed Federal Economic Stimulus funding and will also seek ACE funding in the new Federal surface transportation authorizing legislation.

Nevertheless, we have near term project development activities which need funding if we are to maintain the schedule and cost estimate for the project. All of the activities to get us to the point of construction bidding are identified below in terms of estimated contractual obligation dates and/or drawdown rates.

<u>Activity</u>	<u>Estimated Cost¹</u>	<u>Obligation Date/Drawdown Rate</u>
Final Design	\$ 15 million	Jun. '09/\$3.75M/quarter
Advanced Utility Relocation (RR right-of-way)	\$7 million	Sept. '09/\$2.33M/quarter
Advanced Utility Relocation (Franchise – Temp) ²	\$5 million	Sept. '09/\$1.66M/quarter
Right of Way Acquisition	\$15 million	1 st quarter FY '10 \$2M 2 nd quarter \$5M 3 rd quarter \$5M 4 th quarter \$3M

We respectfully request that MTA funding be made available for the pre-construction activities identified above on the schedules indicated. From our perspective, the funding could be part of the original 17% share commitment – the latest increment of which was authorized by the MTA Board in December 2007 – or upcoming Measure R revenues, or some combination of the two.

Funding our near term pre-construction activities is critically important to sustaining the progress we have made on the San Gabriel project. It is also necessary to make good on the project schedule milestones we have committed to the CTC. Thanks to your

¹ Includes project administration and indirect costs.

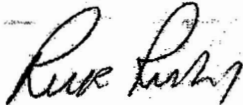
² Temporary relocation to facilitate construction; permanent relocation costs will be borne by franchisee.

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active participation and support in the November 2007 Statewide trade corridor allotments and the subsequent approval of TCIF project allocations, the project will be predominately State-funded so long as we collectively meet our obligations.

Thank you for considering our request. I would be happy to review it in detail and answer any questions you or your staff may have.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick Richmond".

Rick Richmond
Chief Executive Officer

ACE San Gabriel Trench Project
Proposed Expenditure Plan

USES OF FUNDS	Prior	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	TOTAL
Preliminary Design	\$15,179,000						\$15,179,000
Final Design		\$15,000,000					\$15,000,000
Advanced Utility Relocation (RR right-of-way)		\$15,005,000					\$15,005,000
Advanced Utility Relocation (Franchise-Temp)		\$5,000,000					\$5,000,000
Right of Way Acquisition		\$15,000,000					\$15,000,000
Construction			\$115,400,000	\$129,500,000	\$112,700,000	\$75,701,255	\$433,301,255
TOTAL	\$15,179,000	\$50,005,000	\$115,400,000	\$129,500,000	\$112,700,000	\$75,701,255	\$498,485,255
FUND SOURCES							
Local							
Prop C - 17% Match	\$3,035,000						\$3,035,000
Measure R		\$42,000,000					\$42,000,000
State							
TCIF			\$104,400,000	\$124,500,000	\$107,700,000		\$336,600,000
PUC		\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000		\$20,000,000
Federal							
TEA-21	\$120,000						\$120,000
NCPD	\$1,881,000						\$1,881,000
SAFETEA-LU	\$10,143,000	\$1,770,000					\$11,913,000
FRA		\$1,235,000					\$1,235,000
Other							
UPRR			\$6,000,000			\$6,000,000	\$12,000,000
Shortfall *						\$69,701,255	\$69,701,255
TOTAL	\$15,179,000	\$50,005,000	\$115,400,000	\$129,500,000	\$112,700,000	\$75,701,255	\$498,485,255

* ACE will seek funds from federal and/or local sources

NOTE: Annual amounts shown are estimated and may be revised depending upon individual project phase needs and funding source availability, without changing total amounts for funding sources.