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**REVISED
PLANNING AND PROGRAMMING COMMITTEE
APRIL 20, 2005
CONSTRUCTION COMMITTEE
APRIL 21, 2005**

**SUBJECT: FULL FUNDING PLAN AND PROGRAMMING FOR
EXPOSITION LIGHT RAIL TRANSIT PROJECT**

ACTION: APPROVE FULL FUNDING PLAN AND PROGRAMMING

RECOMMENDATION

- A. Approve a full funding plan and programming for the Exposition Light Rail Transit (LRT) Project from Downtown Los Angeles to Robertson Boulevard in Culver City, not to exceed \$640 million, as shown in Attachment A.
- B. ~~Seek Condition such approval on receiving~~ \$15 million in federal earmarks and \$50 million in local contributions from Cities and/or private parties as part of the full funding plan for the project.

ISSUE

Our long established direction for the Exposition LRT Project has been to pursue federal discretionary Section 5309 New Start funds, but also to provide for a non-New Starts funding alternative, should New Starts funds not be available in time. Federal Transit Administration (FTA) requirements to qualify new fixed guideway projects for New Starts funding have become extensive and more complex, as competition nationwide for funding has increased significantly. The FTA evaluation process itself for New Starts also has become more detailed and time-consuming in recent years. It is now clear to us that a \$640 million full funding plan, without New Starts funding, will be required to complete the Exposition Project to Robertson on an accelerated schedule for June 2010 completion.

POLICY IMPLICATIONS

The Exposition LRT Project is included in the Southern California Association of Governments' 2004 Regional Transportation Plan and in the 2001 Long Range Transportation Plan for Los Angeles County. Funds previously committed to the Exposition Project to Robertson, which are already expended or continue to be available, are shown in Table 1 as follows.

Table 1: Existing Funding Commitments Remaining Available for Exposition Project

Agency or Organization	Fund Source	Amount
U.S. Department of Transportation	Congestion Mitigation and Air Quality Improvement (CMAQ)	\$ 87.5 M
LACMTA	Proposition C 25% Transit-Related Highway (Prop C 25%)	\$ 240.9 M
U.S. Department of Transportation	Federal Transportation Enhancements Activities (TEA)	\$ 3.8 M
LACMTA	Proposition C 10% Commuter Rail/Transit Centers (Prop C 10%)	\$ 4.2 M
State of California	Traffic Congestion Relief Program (TCRP)	\$ 11.0 M
Total		\$347.4 M

Foregoing New Starts and other presently unavailable funds as capital funding sources for the Exposition Project to Robertson requires that we identify other funds to move the project forward. Therefore, we have developed a recommended funding alternative, shown in Table 2, involving \$292.6 million in additional funds from the following sources:

Table 2: Proposed New Sources for Exposition Project Full Funding Plan

Agency or Organization	Fund Source	Amount
U.S. Department of Transportation	Congestion Mitigation and Air Quality Improvement (CMAQ)	\$127.5 M
LACMTA	Proposition C 25% Transit-Related Highway (Prop C 25%)	\$ 90.3 M
U.S. Department of Transportation	Federal Transportation Enhancements Activities (TEA)	\$ 9.8 M
U.S. Department of Transportation	Other Federal Discretionary	\$ 15.0 M
City of LA, Culver City, & USC	Local Contributions	\$ 50.0 M
Subtotal New Commitments		\$292.6 M
Subtotal Existing Com. (from Table 1)		\$347.4 M
Grand Total, Existing and New Com.		\$640.0 M

The Federal Government and the voters of Los Angeles County, respectively, have established policy for using CMAQ and Prop C 25% funds for the Exposition LRT Project. Federal law targets CMAQ funding to Clean Air Act-defined Transportation Control Measures (TCMs). TCMs are regional transportation projects that reduce mobile source emissions of air pollutants, and they are identified in regional Transportation Improvement Programs to comply with federal Clean Air Act requirements. Transit expansion projects such as the Exposition Project are understood to reduce mobile source emissions by attracting drivers from their cars and onto transit, and so are eligible for CMAQ funding. The Exposition Project is included in the Los Angeles County Transportation Improvement Program as a TCM. To date, we have not programmed any federal funds beyond FY 2009. Our recommended full funding plan for the Exposition Project to Robertson would program \$77.5 million in CMAQ funds between FY 2010 and FY 2011 for the first time.

When Los Angeles County voters approved the Proposition C local sales tax in 1990, Prop C 25% funds were targeted to “transit-related highway uses.” From 1990 until 1998, fixed guideway improvements such as light rail transit were defined as an eligible use. Such eligibility was contingent on the fixed guideway improvement being constructed and operated within a State Highway right-of-way. The Metro Green Line operating in the Interstate 105 Freeway right-of-way is an example of this. When the voters approved the “MTA Reform and Accountability Act of 1998,” they expanded eligible uses for Prop C 25% funds to include rail transit improvements to existing rail rights-of-way, such as the Exposition rail right-of-way. The Exposition Project to Robertson is the next priority project that can utilize these funds.

We typically program federal TEA funds through our Countywide Call for Projects process. With Board approval of our recommendation, we will program \$9.8 million in TEA funds off the top from the next Call for Projects and program them to the Exposition Project to Robertson. Federal law also targets TEA funds to enhancing the traveling experience of and minimizing the impacts to the users of regional transportation systems nationwide. TEA funds are limited to mitigations that exceed those that Environmental Impact Reports require. The bikeway and extensive landscaping included in the Exposition Project are eligible for these TEA funds.

We believe it is reasonable to assume that Congressional earmarks of \$15 million in discretionary funds will be made available over the construction period of the Exposition Project to assist in funding inter-modal stations and related facilities. We will identify those project elements that qualify for these funds and work with our Congressional delegation to seek their support.

The Exposition Project to Robertson will provide significant transportation improvements that will directly benefit the University of Southern California (USC) and the Cities of Los Angeles and Culver City. Therefore, we propose to seek contributions of \$50 million to assist in construction of the Exposition Project. This assistance could include land donations, in-kind support or cash contributions. This is consistent with the approach used for the local share in construction of the Metro Rail Red Line, whereby the City of Los Angeles provided approximately 7% of the project cost.

ALTERNATIVES CONSIDERED

The Board could choose not to approve our recommended actions. The Board also could choose to consider other alternatives as discussed in Attachment B. We do not recommend that the Board consider these other alternatives, if the Board is to maintain momentum and make significant progress towards completing the Exposition Project to Robertson by an accelerated June 2010 completion date.

The Exposition Project is a “regionally significant project” and must be funded and implemented expeditiously as one of a number of key TCM projects in the Los Angeles County Transportation Improvement Program (TIP). The federal Clean Air Act requires that TIP-identified TCM projects be implemented expeditiously. If these TCM projects are not implemented in time, TIP approval could be lost and federal funds for the entire region within the Southern California Association of Governments’ jurisdiction could be suspended.

FINANCIAL IMPACT

The proposed FY 2006 Metro Budget will include federal and local funding of \$43.8 million in Project 800113 for the Exposition LRT Project to Robertson. The local funds anticipated in FY 2006 include a \$3.0 million contribution from the City of Los Angeles and a \$2.0 million in-kind contribution of land from USC. As this is a multi-year project, the project manager will be responsible for budgeting in future years.

Project Cost

The cost of the proposed Exposition Project (assuming the highest cost options/alternatives) is currently estimated at \$640 million. Previous project cost estimates utilized a parametric methodology for conceptual scope elements where designs were not available. Currently, sufficient preliminary engineering designs and analyses to support the environmental review process have been prepared, including further definition of right-of-way, guideway alignment and station concepts, maintenance facilities, systems and sitework.

In developing the Exposition LRT Project, we have endeavored to produce a cost-efficient design and reduce indirect costs. The current Exposition project scope results from a rigorous project cost management approach including peer review, value engineering, design alternatives analysis, comprehensive cost containment workshops, and up-to-date estimates for construction materials. The level of scope definition, although still preliminary, permits us to develop detailed cost estimates, which will result in a significantly improved and more accurate future project cost. Moreover, the use of the competitive, negotiated design-build process should allow us to develop a more accurate final construction price at the end of the design process. As shown in Attachment A, the accelerated schedule for the now near final scope of the Exposition Project to Robertson shows completion in June 2010, at a cost not to exceed \$640 million. This accelerated schedule and cost estimate rely upon a competitive negotiated design-build bidding process that is sensitive to a Board-approved full funding plan.

As we move into a competitive negotiated design-build process for bringing the Exposition LRT Project into its design and construction phase, it is important that both the design and construction industries are assured that we have a timely and well established full funding plan for the project. Without a timely and well established, Board-approved full funding plan, we believe that qualified firms will not make the significant investment required to prepare a proposal for designing and constructing the project.

Project Revenues

The recommended action in this report would add \$127.5 million in CMAQ funds, \$90.3 million in Prop C 25% funds, and \$9.8 million in TEA funds to the Exposition project budget, thereby bringing revenues previously committed to the project up to the current not to exceed \$640 million project cost. The recommended full funding plan is balanced, without relying on new state TCRP funds, federal New Starts funds or our own lease revenues. We will continue to pursue a State TCRP Letter of No Prejudice, so that if those funds again become available, they can be applied indirectly on other projects within the Los Angeles County TIP.

Board-Adopted Debt Policy

The Board has adopted a debt policy that currently limits debt service from Prop C 25% funds to 60% of the annual revenue. The remaining 40% of Prop C 25% funds are reserved for direct cash uses such as the Freeway Service Patrol, ridesharing, and planning. In September 2004, using our Short Range Transportation Plan forecasts, we informed the Board that our planned Prop C 25% bonding activities might reach, but not exceed, the 60% debt policy ceiling in 2014.

The recommended full funding plan for the Exposition LRT Project to Robertson relies on \$90.3 million in additional debt financing from Prop C 25% funds that were not included in our September 2004 debt policy ceiling analysis. However, we believe that when the factors affecting the debt policy analysis are updated through the Long Range Transportation Plan process, the funding for the Exposition Project will be within the debt policy parameters.

Interest Expenses

Borrowing against Proposition C revenues to build the Exposition LRT Project to Robertson will involve interest costs. Accounting practices distinguish the interest costs incurred during construction from those that occur after construction is complete. In accordance with these accounting practices, interest costs incurred during the construction period are reflected on the funding chart shown in Attachment A. Those that occur after project completion do not appear.

Many variables contribute to the actual interest incurred for the project during the construction period. If the weighted average interest costs are 5.5% for the construction period and no other funding plan changes are made, we can expect to incur about \$72.5 million in interest costs during the construction period. This is not included in the

\$640 million project cost. Alternatively, the following steps can be taken during the life of the project to reduce interest costs:

- Use short-term debt – in instances where long-term interest rates are expected to fall, lower interest short-term debt might be used during project construction; and
- Advance federal and/or state funds – if federal and/or state funds can be made available earlier in the project budget, less local investment would be necessary in the near term, thereby again lowering interest costs.

We will seek to minimize interest expenses going forward by using the above techniques, where appropriate.

BACKGROUND

In June 2001, the Board approved the Draft Environmental Impact Statement/Report (DEIS/DEIR) for the Exposition Transit Corridor and adopted light rail transit from Downtown Los Angeles to Culver City as the Locally Preferred Alternative (LPA). Work on the Final Environmental Impact Statement/Report (FEIS/FEIR) commenced in 2002. In May 2004, the Board authorized that preliminary engineering be completed during FY 2005. This preliminary engineering effort is proceeding on schedule.

In April 2004, an Administrative FEIS/FEIR was forwarded to the FTA for review and approval. FTA approval is required before the environmental document can be circulated for public review. The FTA requested a number of changes in September 2004, and we incorporated these revisions into the Administrative FEIS/FEIR that was resubmitted to the FTA in December 2004.

Federal Actions

In December 2004, the FTA notified us verbally that they were preparing to inform us that the Exposition LRT Project did not yet warrant a “recommended” rating in the New Starts process, and instead would receive a “not rated” designation. Without an FTA “recommended” rating, the Exposition Project could not secure future approvals necessary to advance in the New Starts process, including final design. The anticipated FTA action essentially placed our proposed Exposition Project funding plan again “under development.” In September 2004, we responded to the anticipated FTA action by backfilling the assumed New Starts funding with \$240 million in Prop C 25% funds. The direction then was to continue to pursue federal New Start funds for the Exposition Project, but provide for a locally funded alternative, should New Start funding not appear likely in a timeframe required to support the project schedule.

In February 2005, the FTA advised us that further changes in the FEIS/FEIR would be required before public circulation. These changes involved transportation forecast modeling contained in the document and the “project rating” that is assigned to all projects competing for funding under the Federal New Starts Program. These changes will require additional time and budget to complete.

State Actions

In December 2002, the California Transportation Commission suspended actions necessary to draw down all unallocated TCRP funds statewide including \$238 million in funds jointly earmarked in state law for the Exposition LRT and Mid-City/Wilshire BRT projects. In April 2003, the Board responded to the State TCRP funding shortfall for Los Angeles County projects by removing all such funds from our forecasts, including the \$157 million then committed to the Wilshire BRT Project from the joint TCRP earmark. That April 2003 Board action committed \$157 million to the Wilshire BRT to backfill for the unavailable State TCRP funds and established the Exposition LRT Project as the next priority for any new funds that became available for transit corridor construction. Subsequently, in February 2004, the Board acted to accelerate the Exposition LRT Project by transferring funds from the TCRP-backfilled Wilshire BRT Project to the Exposition Project. The Board then reprogrammed \$96 million in funds once targeted for the Wilshire BRT to the Exposition Project, so as to accelerate Exposition's delivery without impacting any other projects.

In August 2004, we submitted our Exposition Light Rail Line Section 5309 New Starts report to the FTA, and identified a total project cost of \$552 million (including \$34 million in local financing costs). The change in the \$552 million project cost estimate to the current projected \$640 million is primarily due to the inclusion of the highest cost alignment configuration (Flower Street alternative) identified in the Administrative FEIS/FEIR, additional grade separations conforming to Board policy, the extraordinary escalation of construction costs, additional real estate acquisition, required split platform stations instead of center platforms, and environmental mitigation provided for in the Administrative FEIS/FEIR.

NEXT STEPS

Once the Board approves our recommendation, we will discuss with the FTA those options that would result in meeting our accelerated schedule for Exposition LRT Project from Downtown Los Angeles to Robertson Boulevard in Culver City, while continuing to pursue other methods for securing New Starts funding for the project later. We also will approach the FTA to reach agreement on a streamlined approach for receiving their Record of Decision (ROD) for the project. Their Record of Decision is needed because the recommended funding plan for the Exposition Project to Robertson includes a substantial amount of federal highway formula and transit discretionary funds.

We already have had previous discussions with the FTA regarding the possibility of streamlining the required FEIS/FEIR work, should the Board decide not to pursue New Starts funds. Based on initial FTA input, we believe that we can save several months proceeding in this direction. We are continuing to seek clarification from the FTA to more precisely determine what the schedule impacts would be.

FTA environmental clearance (as represented by issuance of the ROD) is needed by the end of this year, so that the Exposition Project Joint Powers Authority can award a contract for design and construction of the project early next year. Therefore, we will return later this year to request that the Board formally approve the Final EIS/EIR and adopt the project scope.

In the coming months, we will develop a comprehensive independent analysis that will further refine the cost estimate used for the full funding plan in Attachment A. The refined cost estimate and a revised final full funding plan will be reflected in the Final EIS/EIR and in the update of the Long Range Transportation Plan for Los Angeles County.

ATTACHMENTS

Attachment A: Full Funding Plan for the Exposition Light Rail Transit Project to Robertson

Attachment B: Review of Alternatives to Recommended Programming for Exposition Light Rail Transit Project to Robertson

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Exposition Light Rail Transit Corridor Full Funding Plan (June 2010 Revenue Operations Date)
Escalated Capital Costs Cashflow -- Estimate
(\$ in millions)

Uses of Funds	Total Jan. 2004 \$	Total YOY ¹	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Construction	307.9	389.8	-	-	-	15.0	45.1	89.1	114.4	101.8	22.4	2.0
Right-of-Way, Land	23.2	23.2	-	-	-	18.1	5.1	-	-	-	-	-
Vehicles (16)	40.4	42.7	-	-	-	-	-	-	19.2	22.2	1.3	-
Indirect Costs	81.0	86.1	3.1	6.5	8.7	10.7	12.1	14.9	12.9	11.3	2.8	3.1
Contingency	80.0	93.2	-	-	-	-	-	5.0	25.0	25.0	26.0	12.2
Bikeway	3.8	5.0	-	-	-	-	5.0	-	-	-	-	-
TOTAL PROJECT COST	\$ 536.3	\$ 640.0	\$ 3.1	\$ 6.5	\$ 8.7	\$ 43.8	\$ 67.3	\$ 109.0	\$ 171.5	\$ 160.3	\$ 52.5	\$ 17.3
Local												
Prop C 10% Bonds		4.2	-	-	-	-	-	2.1	2.1	-	-	-
Prop C 25% Cash/Bonds		331.2	-	-	0.5	-	24.3	60.2	105.9	81.0	42.0	17.3
Local Contribution from others		50.0	-	-	-	5.0	10.0	11.0	15.5	8.5	-	-
State												
Traffic Congestion Relief Prog (TCRP)		11.0	3.1	6.5	1.4	-	-	-	-	-	-	-
Federal												
Transportation Enhancement Activities (TEA)		13.6	-	-	-	-	3.8	3.0	3.0	3.8	-	-
Section 5309 Bus Facilities/Other Discretionary Allocation		15.0	-	-	-	4.0	4.0	4.0	3.0	-	-	-
CMAQ		215.0	-	-	6.8	34.8	25.2	28.7	42.0	67.0	10.5	-
Total Sources		\$ 640.0	\$ 3.1	\$ 6.5	\$ 8.7	\$ 43.8	\$ 67.3	\$ 109.0	\$ 171.5	\$ 160.3	\$ 52.5	\$ 17.3
Surplus/(Shortfall)		-	-	-	-	-	-	-	-	-	-	-
Interest Costs for \$334.9 of Prop. C Bonds		\$ 72.5	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 5.2	\$ 11.6	\$ 16.3	\$ 18.6	\$ 19.3

Notes:

1. YOY = year of expenditure (escalated cost).
2. Assumptions: 9.6 Miles from 7th and Flower Streets to Venice/Robertson Boulevards; at grade except for aerial stations at La Cienega Boulevard and La Brea Avenue; Flower Street alignment including grade crossing at Figueroa and Flower Streets; and at grade at Exposition Park. Nothing in these assumptions shall be construed to prejudice the environmental process.

**REVIEW OF ALTERNATIVES TO RECOMMENDED PROGRAMMING FOR
EXPOSITION LIGHT RAIL TRANSIT PROJECT TO ROBERTSON****New Starts Funding Alternative**

Proceeding with a New Starts funding alternative could have culminated with executing a Full Funding Grant Agreement (FFGA) for as much as \$320 million in New Starts funding. Proceeding with the New Starts alternative is not recommended because the process would likely result in at least a two-year delay with commensurate cost increases. For projects relying on New Starts funding, the FTA requires that prospective grantees submit detailed planning materials for evaluation, and they require that prospective grantees secure several subsequent approvals from them through the project development process. There is no assurance that, at the end of this arduous process, the FTA will recommend the project for an FFGA, or that Congress will permit the FTA to approve an FFGA. However, it does appear that the FTA does permit non-New Starts projects funded with federal formula and/or discretionary money to proceed with much less delay.

Other federal requirements must be met, subsequent to going through a more protracted environmental clearance that would be needed from the FTA for a New Starts project. These other federal requirements include FTA authorization to begin final design, FTA decision to recommend an FFGA and Congressional approval of the FFGA. Based on recent experience with the Metro Gold Line Eastside Extension Project, meeting all of these requirements would likely add at least two years to the 2010 accelerated schedule for the Exposition Project to Robertson.

The New Starts process will continue to be monitored and ways will be explored to make these discretionary funds available later within the Exposition Project's budget. For example, if an abbreviated process can be identified for a smaller New Starts commitment, then it may be possible to pursue that path and inform the Board while proceeding through required subsequent project approvals.

Partial Funding Plan Alternative

The recommendation developed for the Board would program \$127.5 million in additional CMAQ funds, \$90.3 million in Prop C 25% funds and \$9.8 million TEA funds, as part of the full funding plan for the Exposition LRT Project to Robertson. The Board could decide not to commit some or all of these additional funds. If the Board decides that a lower level of funding than recommended would be more appropriate, a recommendation could be brought forward that would fund some combination of a shorter operating segment (extending to Vermont, Crenshaw or La Cienega) and/or a less expensive alignment option.

The Board is not expected to certify the Exposition LRT Project Final EIS/EIR and adopt the project until later this year. The EIS/EIR contains several design/alignment options that will influence the final cost of the project. The recommended funding plan shown in Attachment A is based on the more expensive project options.

CMAQ for Bus Facilities Alternative

As part of the recommendation, the Board is being asked to re-program \$50 million in CMAQ funds from the Division 10 Bus Expansion Facility Project to the Exposition LRT Project to Robertson. The Board could decide not to re-program \$50 million in CMAQ funds from the Division 10 Project to the Exposition Project. These CMAQ funds derive from an original Board action to backfill State Traffic Congestion Relief Program (TCRP) funds. The Board committed the TCRP funds in February 2004, so as to ensure that Wilshire Bus Rapid Transit (BRT) articulated buses could be maintained efficiently and operated from a Metro Division near the primary BRT service area.

Since the February 2004 Board action, Metro Operations has cancelled right-of-way discussions with the land owner(s) adjoining Division 10. Metro Operations instead is now considering a new alternative entailing the construction of a new bus operating division on Metro-owned property within the Downtown Los Angeles area. This new maintenance division alternative will require additional environmental clearance and approvals. As this alternative differs from the original scope of the Wilshire BRT Project's TCRP backfill (which is described more fully in this report), the recommendation is for the \$50 million in CMAQ funds, which were committed to the Division 10 Project, to be programmed for the Exposition Project. This would address the spirit of the original February 2004 Board action to accelerate the Exposition Project over the Wilshire BRT.

The new Division 10 alternative improvements will be made a priority in the Long Range Transportation Plan update, and alternative funding will be programmed as soon as the improvements have been more fully developed and the project has been defined. Because maintenance and storage space for the new articulated buses that are currently on-order is needed, planning for the new division alternative has begun. Planning is now proceeding quickly, so that the Board may award a design contract in August 2005 and a construction contract by January 2007. Therefore, alternative funding needs to be programmed and budgeted by at least January 2007.

Other Programming Alternatives

The Board could choose not to program the additional \$127.5 million in CMAQ funding and \$90.3 million in Prop C 25% funding as recommended by the full funding plan for the Exposition LRT Project to Robertson. The Board instead could choose to program all or part of the recommended additional funding to one or more of the following:

1. Other Metro capital needs;
2. Los Angeles County project sponsors for cost increases to existing projects and new capital projects through Countywide Call for Projects processes;
3. Cost increases to the Board-adopted program for state highway improvements; or,
4. Other regionally significant capital projects identified in the Short and Long Range Transportation Plans for Los Angeles County.