



Board Report

File #:2015-1712, File Type:Program

Agenda Number:

PLANNING AND PROGRAMMING COMMITTEE FEBRUARY 17, 2016

SUBJECT: CAP-AND-TRADE PROGRAM STRATEGY AND ACTION PLAN

ACTION: APPROVE CAP-AND-TRADE PROGRAM STRATEGY AND ACTION PLAN

RECOMMENDATION

Approve the Metro Cap-and-Trade Program Strategy and Action Plan for funding projects meeting eligibility criteria listed in Attachment A.

ISSUE

The State's Cap-and-Trade Program is funded by the auction of emission allowances purchased by greenhouse gas emitters. The auction proceeds are then deposited in the Greenhouse Gas Reduction Fund (GGRF) for expenditure on greenhouse gas reducing projects. The Cap-and-Trade Program presents a significant opportunity to fund the planned expansion of the public transit system in Los Angeles County as well as complementary Transit Oriented Communities (TOC) development, first/last mile connections, and goods movement enhancements.

Since the inception of the individual programs funded by the GGRF, Metro staff have been intimately involved in the legislation, guidelines, and application development processes to ensure that Los Angeles County receives its "fair-share" of revenues. These efforts have already contributed to the creation of programs that support both operations and capital projects and the successful award of over \$100 million in projects across Los Angeles County in the first cycles of the individual funding programs.

As the statewide focus of expediting the implementation of the initial funding cycles has shifted to a more thoughtful consideration of the types of projects and processes needed to realize the desired benefits of the Cap-and-Trade Program, Metro has been developing strategies for the specific funding programs that both support Los Angeles County's competitiveness and are in alignment with Metro Board adopted long range planning priorities. The intent of this Cap-and-Trade Strategy and Action Plan is to confirm Metro's priorities for Cap-and-Trade funding and recommend the best course to secure these outcomes.

BACKGROUND

California's Cap-and-Trade Program provides for the quarterly auction of emission allowances purchased by greenhouse gas emitters and deposits the proceeds in the GGRF. Auction proceeds are then reinvested through twelve programs that further the objectives of the Global Warming Solutions Act of 2006 (AB 32) by reducing greenhouse gas emissions in the State; with specific requirements to deliver benefits to disadvantaged communities (DACs); and maximizing, where feasible, economic, health and environmental co-benefits. For Metro, the Cap-and-Trade Program represents a significant opportunity to secure additional funding for competitive projects that meet these programs' goals.

The twelve funding programs focus on differing approaches to reducing greenhouse gas emissions and several of them relate specifically to transportation. State law sets the framework for investment of GGRF proceeds. Sixty percent of the proceeds are continuously appropriated to affordable housing & sustainable communities, transit and high speed rail and the balance of the GGRF, 40%, is discretionary funding, authorized by the Legislature.

Annual estimates for funding from the auction proceeds deposited in the GGRF are based on forecasts developed annually for the Governor's budget, and could be revised based on subsequent auctions held throughout the year. Many of the programs allocate funds to eligible projects on an annual basis; however, the program focusing on transit capital projects, the Transit and Intercity Rail Capital Program (TIRCP), will commence a five-year program of projects beginning in FY 2018-19 per recently-approved legislation in Senate Bill 9 (Beall) (SB 9). We anticipate that a multi-year approach will be extremely beneficial for our long range plans, enabling a more thoughtful and deliberate strategy to pursue GGRF monies to help meet our funding needs.

State law also requires the development and legislative approval of Investment Plans every three years for the auction proceeds. The Investment Plans identify investments to help California achieve its greenhouse reduction gas reduction goals, while realizing additional health, economic and environmental benefits. The Investment Plans do not propose any specific funding levels or percentage allocations. Those decisions are made by the legislature in the State Budget process.

In several of the transportation specific programs Metro is neither an independently eligible applicant (Affordable Housing and Sustainable Communities), an eligible but not typical project sponsor (freight), nor the responsible agency for a dedicated program (High Speed Rail). Under these situations it is imperative that Metro pursue key partnerships with other state and local agencies as well as the private sector in securing funds for priority projects.

DISCUSSION

Of the twelve funding programs under Cap-and-Trade there are four programs providing continuous allocation and one annual appropriation program that provide direct funding to transportation and present the greatest opportunity to Metro priorities, as follows:

1. Transit and Intercity Rail Capital Program (TIRCP) - 10% of GGFR

A competitive grant program to fund a broad range of capital improvements to bus, rail, and ferry systems that reduce GHG emissions by decreasing vehicle miles traveled. Eligible applicants include all public agencies, including joint powers agencies, that operate or have planning responsibility for public transit services. At least 25% of funding is required to fund projects that provide direct, meaning and assured benefit to DACs. Priority is given to projects that fund construction or project implementation. Implemented by the California State Transportation Agency (CalSTA).

2. Low Carbon Transit Operations Program (LCTOP) - 5% of GGFR

A formula program that supports both capital and operations of new or expanded bus and rail services that result in an increase in transit ridership and a decrease in GHG emissions. The LCTOP Guidelines contain a detailed list of eligible projects; transit agencies must select projects from within the list. Funds are distributed to eligible transit operators according to the State Transit Assistance (STA) legal codes, with 50% of the program funding distributed to regional transportation planning agencies according to population and 50% to transit operators in proportion to fare revenue generation. Requires that transit operators whose service areas include one or more DACs expend at least 50% of total funds received on projects that benefit DACs. Implemented by the California Department of Transportation (Caltrans) in coordination with the California Air Resources Board (CARB).

3. High-Speed Rail Project - 25% of GGFR

A category that dedicates funding to the High Speed Rail Authority for specified components of the initial operating segment and the Phase I Blended System of the high speed rail project. Eligible components of the initial operating segment include environmental, design, right-of-way, and construction as well as repayment of any loans. The initial operating segment includes the 300-mile section of high speed rail from Merced to the San Fernando Valley to provide passenger service by 2022. The Phase 1 Blended System provides dedicated high speed rail service from the San Fernando Valley to Los Angeles Union Station targeted for completion in 2029.

4. Affordable Housing and Sustainable Communities (AHSC) - 20% of GGFR

A competitive grant program to reduce GHG emissions reductions through projects that promote fewer or shorter vehicle trips, mode shift, and active transportation use through the integration of land use and low-carbon transportation projects. Eligibility is focused on projects that integrate land use development with sustainable transportation and promote partnerships between public and private applicants. Emphasis on affordable housing development with requirement that no less than 50% of the funding must be spent on affordable housing projects. At least 50% of the funding is required to be spent in DACs. Implemented by the Strategic Growth Council (SGC).

5. Low Carbon Transportation Program - Annual Appropriation of GGRF

A competitive grant program to accelerate transition to zero-emission passenger and low carbon freight transportation. Eligibility is focused on vehicle technology with applicability to public vehicle fleets (both revenue and non-revenue) and private trucking through voucher incentives. Freight investments are targeted to advanced technology freight demonstration projects, ZE freight equipment pilot commercial deployment projects, and ZE truck pilot commercial deployment projects. Priority for DACs. Implemented by the California Air Resources Board (CARB).

Several other Cap-and-Trade programs that receive annual appropriations from GGRF are related to Energy Efficiency and Clean Energy, as well as Natural Resources and Water Diversion. These mostly smaller scale programs support solar photovoltaic installations; water, waste and energy recycling; bio-remediation projects; urban greening; and similar issues. These programs also require a focus on DACs, and generally are more suited to local community efforts; however, Metro is eligible to compete for funds in these programs. Implemented by various agencies including the California Energy Commission (CEC), Community Services and Development, Department of Water Resources (DWR), CAL FIRE and CalRecycle.

Metro Priorities for Cap-and-Trade Funding

Metro's overall strategy for identifying candidate projects to compete for future Cap-and-Trade revenues is to focus on those transit capital expansion project priorities that are in our adopted 2009 Long Range Transportation Plan (LRTP), and that realize a nexus with the Cap-and-Trade Program priorities. Like most long-range transportation plans, Metro's 2009 LRTP identifies assumptions of local, state and federal funds that would be secured for new projects over time. These assumptions include both typical formula funds as well as discretionary funds that Metro would competitively "leverage" with local funds from state and federal discretionary programs based upon our history of past success and anticipated competitiveness of future projects. While the distinct Cap-and-Trade funding programs and funding levels had not been established until years after the adoption of Metro's 2009 LRTP, Metro identified an ambitious total of over \$5 billion in federal transit discretionary funds alone to deliver the 2009 LRTP transit capital expansion program. In June of 2015, we reported to the Metro Board that the first ten years of the LRTP had forecasted a shortfall of approximately \$900 million in the capital program. To date, Metro has successfully secured over \$1.8 billion in federal discretionary funds that were already assumed in the LRTP. With continued declines in local transportation sales tax revenues and increasing project costs, the Cap-and-Trade Program is a now critical piece of Metro's baseline long range financial strategy.

At the same time, all of Metro's projects and programs provide benefits in terms of the reductions of pollutants and, in varying degrees, greenhouse gas emissions. Therefore, many of the major projects in Attachment B are identified by staff as targeted candidates for future Cap-and-Trade funds, and the table charts the fiscal years in which they might be most competitive for funding with respect to project readiness. These projects have been identified with respect to current program guidelines and funding cycles of the TIRCP for capital projects and LCTOP for operations. As project scopes and environmental impact analyses are refined, these projects would need to be analyzed against future program guidelines for greenhouse gas reduction benefits, full funding opportunities,

achievement of co-benefits, etc., before further consideration could be given to submitting funding applications.

The capital and operations costs of these projects are presented in Attachment C. The total capital cost is over \$8.7 billion and represents the costs of final design and construction, respective of anticipated design build delivery of these projects as well as TIRCP's prioritization of construction phase funding. The total operations cost is nearly \$700 million and represents the LCTOP eligibility for the first three years of the start-up revenue service operations of the expanded rail system adopted in the 2009 LRTP. Beginning with the FY 2014/15 LCTOP allocation and continued for the FY 2015/16 LCTOP allocation, Metro has aligned its formula share of LCTOP funds with the start-up operations of the Gold Line Foothill Phase 2A project. All of the Programs receiving money from the GGRF have specific long-term periodic reporting requirements to ensure that the Program strategies are not only realized but continue to be tracked and sustained to achieve the projected long-term environmental benefits during the operations and maintenance of the project.

In complement to Metro's ambitious rail expansion program, Metro staff has developed a specific AHSC strategy targeted at Metro's goals in Transit Oriented Communities (TOC) and first/last mile connectivity to transit. The proposed strategy and policy framework is intended to prompt collaboration with developers and local agencies to ensure the inclusion of priority transportation investments (first/last mile, active transportation, urban greening) as part of affordable housing and joint development projects. This strategy was presented independently to the Metro Board in January 2016.

As part of the future vision of high speed rail in Southern California and connectivity to Metro's rail and bus system, Metro staff is continuing to advance the Southern California Regional Interconnector Project (SCRIP) as a direct connection with high speed rail at Union Station. The legislation that authorizes the California High Speed Rail project also funds a Memorandum of Understanding (MOU) between the California High Speed Rail Authority and several Southern California agencies, including Metro. The top priority under this MOU is the construction of the interconnection tracks at Union Station to increase the overall capacity of the station and prepare our region for the expected growth of commuter and regional rail. The total cost of SCRIP is currently estimated at \$1.1 billion and presently lacks a specific funding commitment by the California High Speed Rail Authority. As a critical link for the Phase 1 Blended System eligible for funding under Cap-and-Trade, SCRIP represents a high priority for GGRF proceeds dedicated to the High Speed Rail project.

It is also recognized that there are many opportunities for advancing innovative projects and initiatives with Cap-and-Trade funds that are perhaps smaller in scale but no less beneficial to the environment and the DACs. As technology advances and market forces support more energy-efficient strategies, we will be evaluating new prospects for the programs that focus on Metro's priorities in freight, renewable energy and energy efficiency, low impact development to address water-related issues, and urban forestry. Many of these will be pursued in partnership in with other agencies, advocacy groups or private companies, such as the San Pedro Ports, Metrolink, LAnSync, local jurisdictions, clean energy product manufacturers, non-profit organizations, clean-tech innovators, and local or international funding agencies.

We are already supporting the South Coast Air Quality Management District's (SCAQMD) efforts to test ZE trucks in a demonstration project and preparing to collaborate with others to provide matching funds for another demonstration project. Staff is currently preparing an application for funds under the Low Carbon Transportation Program to support our purchase of electric buses for the Metro Orange Line and have submitted a proposal for a pilot project to implement some of our identified ITS Early Action Projects on the I-710 Freeway. Cap-and-Trade funds also support some of the strategies we are pursuing to accelerate Metro's reduction of potable water use, demand for constrained energy resources and exploration of non-fossil based propulsion power alternatives.

Potential Role of Cap-and-Trade Funds in Proposed Ballot Measure and LRTP Update

While the overarching goals of AB 32 will continue to drive the Cap-and-Trade Program, it is difficult at this point in time to confidently predict what projects will fulfill future Program guidelines and investment priorities. As GGRF proceeds are applied over time to projects that meet Investment Plan goals, it is anticipated that the trend in priorities will evolve from those that reduce emissions in the near term to those that facilitate ongoing reductions in the mid- and long-term, and that evolution will be reflected in future Investment Plans. The long-term sustainability of Cap-and-Trade auction proceeds is also uncertain as implementation of clean energy technologies increases and emissions from greenhouse gas emitters are reduced.

Despite the challenges in predicting future Cap-and-Trade revenues, investment programs, and distribution processes (discretionary versus formula), Metro has made assumptions of similar funding programs in Measure R and the 2009 LRTP, and will need to consider such assumptions as part of the proposed 2016 transportation ballot measure and 2017 LRTP. Based upon current investment programs and distribution processes, the potential role of Cap-and-Trade funds as part of the proposed 2016 transportation ballot measure and 2017 LRTP mirrors that identified in Attachment B.

The subregional stakeholder draft project priorities for multi-modal capital projects presented to the Metro Board in December 2015 reconfirm many of the existing 2009 LRTP project priorities. The ultimate inclusion of new projects and the overall scheduling of projects will be determined through future technical work and Board action on the expenditure plan. This technical work will provide additional insight into relationships of project costs and eligible funding sources for consideration of specific or general companion revenue sources and totals, including future Cap-and-Trade funds.

With respect to transit operations, state of good repair, freight, and active transportation projects, the potential role of Cap-and-Trade as part of the proposed 2016 transportation ballot measure and 2017 LRTP is more complicated. While a number of these types of projects fall under the Local Return categories in Metro's existing transportation sales tax programs, the only existing Cap-and-Trade program that provides for a formula distribution of funds to the region is LCTOP. As noted, this program is specific to only those transit operators in Los Angeles County eligible for funding under STA, distributes funds according to STA formula, and focuses on new or expanded transit operations. Annual LCTOP funding levels are currently resulting in just over \$20 million to the Los Angeles County region based upon the FY 2015/16 GGRF allocations from the State Controller's Office. The scope of the Cap-and-Trade Program, as well as the GGRF allocations, will need to increase substantially before they begin to have a meaningful role in any consideration of augmenting Local Return and/or non-capital project needs in the potential ballot measure. Similarly

the eligibility and investment in freight programs and projects would need to be expanded in order for the potential for Cap-and-Trade funds to significantly support regional priorities including the I-710 South freight corridor initiatives.

Policy and Legislative Consideration

The State is required by law to solicit public input to the draft stage Investment Plans and individual funding program guidelines governing the implementation programs. This input process provides Metro with the opportunity to exert some influence over the crafting of these policy documents and possibly improving our opportunity to successfully compete for fund awards. In fact, Metro has been effective in securing modifications to the Cycle 1 TIRCP guidelines to allow multiple project applications and the AHSC guidelines to improve the chances of transit agencies to compete for funds for first mile/last mile projects that enhance housing developments near transit. However, inasmuch as the Cap-and-Trade Program is a statewide funding opportunity and inasmuch as GGRF funds represent one of the few viable funding sources available from the State at this time, competition for awards is rigorous and tends to encourage regionalization of priorities: urban vs. rural, north vs. south, central vs. coast. Therefore, it is essential that Metro and its regional partners promote those mutual priorities that meet the collective goals of transit and specific advocacies to enhance opportunities for competitive, successful project applications.

The key issues that Metro must promote to increase our success in the Cap-and-Trade Program include:

- Increasing funding in all programs that provide direct funding to transportation
- Increasing number of years within programming cycles for competitive programs
- Focusing competitive programs on larger sized projects
- Focusing “fair-share” equity of competitive programs on DAC metrics
- Increasing flexibility in operations programs
- Ensuring commitments in high speed rail investment
- Demonstrating commitment to ensuring preservation of projected long-term greenhouse gas emissions reductions with sustainable operations and maintenance practices

Following the creation of the existing funding programs in 2014 there have been several legislative efforts to modify them. SB 9 was supported by Metro to advance the outcomes of transit capital projects funded through the TIRCP. As originally crafted, SB 9 intended to focus the TIRCP on larger, transformative transit projects costing \$100 million or more with support of such projects through increased funding, including a five-year programming period. As passed in October 2015, SB 9 provides for a five-year programming period beginning in the 2018 TIRCP cycle, along with focus on transit capital and expanded project eligibility/applications, but did not increase the overall amount of funding going into the TIRCP or establish a minimum project size to be funded.

Presently there are two legislative efforts that are in alignment with Metro’s Cap-and-Trade Program interests. These include Assembly Bill 1591 (Frazier) and Senate Bill 824 (Beall) (SB 824). AB 1591 addresses Cap-and-Trade as part of a larger statewide transportation funding plan. Of this larger plan, two proposals specific to Cap-and-Trade do address Metro priorities by: (1) doubling the TIRCP

for a total of 20% of GGRF revenues; and (2) dedicating a total of 20% of the GGRF revenues to the State's Trade Corridors Improvement Fund (TCIF) focused on major freight corridor congestion. Both of these increases are currently targeted to be funded through the \$1.7 billion of GGRF revenues subject to annual discretionary appropriations. SB 824 is focused on increased flexibility in the management of LCTOP funds without any increase in funding to the program.

Outside of any existing state legislative initiative, there has been ongoing discussion in the guidelines development processes regarding the definitions of DACs and geographic equity as well as how the two are used in determining statewide investment priorities. Senate Bill 535 (De Leon) requires that at least 25% of Cap-and-Trade revenues be invested in projects that provide a direct, meaningful, and assured benefit to DACs and to invest at least 10% of available funding in projects located within a DAC. Attachment D depicts Metro's Transit Capital Projects as they overlay and align within the county's DACs.

The California Environmental Protection Agency (CalEPA) has used an environmental health screening tool (CalEnviroScreen) to delineate DACs through a calculation based on environmental (especially air quality), socio-economic, and public health factors. DACs, as presently defined, are predominately located in both Los Angeles County and the Central Valley, and notably less prevalent in other major metropolitan areas. As identified in Attachment E, while Los Angeles County represents approximately 26% of the statewide population, the County represents 46% of the statewide DAC population. With the emphasis of the Cap-and-Trade Program on investments that provide direct, meaningful benefit of DACs and the significant population of DACs in Los Angeles County, Metro may consider advocating for the use of DACs as the basis for geographic equity beyond those minimum provisions in SB 535.

Action Plan

Metro staff has identified the following plan of actions to support its Cap-and-Trade Program strategy. This action plan acknowledges that a strategy for the AHSC is being presented separately to the Board in January, but is being coordinated internally as part of Metro's overall Cap-and-Trade Program strategy.

1. Legislative Initiatives (Ongoing)

- Consider supporting AB 1591 - 20% of annual appropriations for major freight corridors, increase/double TIRCP to 20% of total program
- Consider supporting SB 824 - Increased flexibility in managing LCTOP funds
- Increase LCTOP funds
- Focus TIRCP on projects totaling \$100 million or more
- Focus geographic equity on disadvantaged communities

2. Early Project Development Effort (Ongoing)

- Promote awareness of and partnership on program opportunities through outreach, education, and technical assistance
- Identify opportunities for early project development activities on candidate projects

- Coordination with project stakeholders and other project sponsors as applicable
3. Cycle 2 Project Proposals (Present - April 2016)
 - Identification of candidate projects and development of preliminary benefits analysis, including quantification of greenhouse gas reduction benefits
 - Development of grant applications
 - Coordination with project stakeholders and other project sponsors as applicable
 4. HSRA Commitment to SCRIP (Ongoing)
 - Coordination with HSRA on project scope, schedule, and funding plan
 - Communication with HSRA, CalSTA, and Legislature on state funding needs
 5. Potential 2016 Ballot Measure/2017 LRTP Update (Present - June 2016)
 - Performance modeling and scheduling of capital projects
 - Financial modeling of draft expenditure plan

DETERMINATION OF SAFETY IMPACT

The requested actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

In FY 2014-15, the first full year of GGRF distributions, the State Legislature appropriated \$862 million for the various Cap-and-Trade Programs; in FY 2015-16, \$1.4 billion was appropriated; and the Governor's FY 2016-17 budget has a \$3.1 billion expenditure plan. The continued exponential growth of the GGRF in the near term provides Metro with an unprecedented funding source opportunity, subject to current and future distribution processes of the individual programs. While the GGRF cannot be used to supplant existing planned funding sources, it nonetheless must now represent a critical piece of Metro's long range financial strategy.

Impact to Budget

The FY 2016 budget includes funding for consultant grant assistance services in Cost Center 4420. This will be used for the preparation of grant applications for discretionary programs including the State's Active Transportation Program (ATP), Transit and Intercity Rail Capital Program (TIRCP) and Affordable Housing and Sustainable Communities (AHSC) Program.

ALTERNATIVES CONSIDERED

The Board could choose not to approve a Cap-and-Trade Program strategy and action plan. However, staff believes the proposed plan presents a direct strategy to address the immediate requirements of participation in the Cap-and-Trade Program and avail Metro of eligible monies from the GGRF.

NEXT STEPS

- January 29, 2016: Low Carbon Transportation applications for ZE truck and bus pilot commercial deployment projects due
- February 5, 2016: Call for TIRCP projects
- February 25, 2016: Low Carbon Transportation grantee selections announced
- March 11, 2016: AHSC applications due
- April 5, 2016: TIRCP applications due
- June 30, 2016: AHSC fund awards announced
- August 1, 2016: CalSTA publishes list of approved TIRCP projects

ATTACHMENTS

Attachment A - Cap-and-Trade Program Eligibility Criteria and Opportunities

Attachment B - Cap-and-Trade Funding Strategy (2014-2039)

Attachment C - Project Status and Program Eligibility

Attachment D - Disadvantaged Communities Mapping with Transit Corridor Projects

Attachment E - Cap-and-Trade Funding Distribution Equity Considerations

Attachment F - Amendment to Item No. 28 by Director Butts, October 22, 2015

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Cap and Trade Eligibility Criteria and Opportunities

Category	Program	Department	Funding to Date (millions)	Proposed 16-17 Budget (millions) *	On-Going Allocation	Funding Opportunities	Potential Investment Types	Funding Priorities
Sustainable Communities and Clean Transportation	High Speed Rail Project	High-Speed Rail Authority	\$750	\$500	25%	X	High Speed Rail	• High Speed Rail
	Low Carbon Transit Operations Program	State Controller's Office/Caltrans	\$125	\$100	5%	X	Bus and rail transit capital, operating and maintenance assistance Programs to increase transit ridership	Reduction of greenhouse gas emissions 50% of total funding received must be expended on projects/services that benefit disadvantaged communities
	Transit and Intercity Rail Capital Program	CalSTA/Caltrans	\$225	\$600	10%	X	Rail capital projects that expand, enhance, and improve existing rail systems Intercity and commuter rail projects that increase service levels, improve reliability, and decrease travel times Rail integration implementation, including with other transit modes Bus rapid transit and other bus transit to increase ridership Related planning efforts	• Construction or implementation phases • Reduction of greenhouse gas emissions • Increase ridership through expanded and improved rail/transit service • Integration of services • Safety
	Affordable Housing and Sustainable Communities Program	Strategic Growth Council	\$530	\$500	20%	X	Partnerships with affordable housing developers for enhanced TOD Transit access and connectivity improvements; active transportation	• Strategic locations (hubs, identified stations for FLM implementation) • Joint development
	Low Carbon Transportation	Air Resources Board	\$325	\$500	Annual Appropriation	X	Hybrid and zero emission light-duty vehicle rebates Clean vehicle pilot projects in disadvantaged communities Hybrid and zero emission trucks and buses Advanced technology freight demonstrations	• Zero emission electric vehicle purchases
Energy Efficiency and Clean Energy	Energy Efficiency Upgrades/Weatherization	Community Services and Development	\$154	\$75	Annual Appropriation	X	Single and multi-family low-income energy efficiency	• To be determined
	Energy Efficiency for Public Buildings	Energy Commission	\$20	\$30	Annual Appropriation		Energy audits; retrofits for energy efficiency; energy generation	• Primarily publicly-owned buildings
	Dairy Digesters and Research Development	Food and Agriculture	\$75	\$55	Annual Appropriation	X	Alternative and renewable fuels; water and energy use efficiency	
	Water and Energy Efficiency	Water Resources	\$75	\$30	Annual Appropriation		Efficient hydro energy turbines; conservation and efficiency	
Natural Resources and Waste Diversion	Wetlands and Watershed Restoration	Fish and Wildlife	\$27	\$60	Annual Appropriation		Delta coastal wetlands; mountain meadows; water use efficiency	
	Fires Prevention and Urban Forestry Projects	CAL FIRE Natural Resources Agency	\$42	\$200	Annual Appropriation	X	Urban forestry and greening; reforestation; fire risk reduction	• Demonstration projects linked to Urban Greening Plan • Partnership with Caltrans/SCAG
	Waste Diversion	Cal Recycle	\$31	\$100	Annual Appropriation	X	Organics diversion; recycling fiber, plastic and glass	

* Governor's Proposed FY 2016-17 Budget that includes a \$3.1 billion Cap and Trade Expenditure Plan, reflecting an additional \$500 million in Cap and Trade proceeds.

Cap and Trade Funding Strategy (2014-2039)

Project	Cycle 1		Cycle 2		Cycle 3					Cycle 4		Cycle 5		Cycle 6		Cycle 7		Cycle 8		Cycle 9		Cycle 10		Future		
	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34	FY 35	FY 36	FY 37	FY 38	FY 39	
Willowbrook/Rosa Parks Station and Blue Line Operational Improvements		n																								
METRO AWARDED \$38.5M FOR CONSTRUCTION OF ABOVE PROJECT (FY14-15 and FY 15-16, Cycle 1 - TIRCP)																										
Gold Line Foothill Extension Phase 2A (Completed)																										
METRO ALLOCATED \$5.9M FOR OPERATION OF ABOVE PROJECT from FY 14/15 LCTOP and \$16.8M from FY 15/16 LCTOP																										
Expo II (In Construction)																										
Orange Line Electric Bus Purchase			n																							
Westside Purple Line Extension Section 2			n																							
Airport Metro Connector				n																						
Third Street Red/Purple Line Station and Portal Expansion/Turnback Facility			n																							
Crenshaw/LAX (In Construction)																										
Regional Connector (In Construction)																										
Gold Line Foothill Extension Phase 2B							n																			
East San Fernando Valley North-South							n																			
Westside Purple Line Extension Section 1 (In Construction)																										
West Santa Ana Branch										n																
Westside Purple Line Extension Section 3														n												
Eastside Extension Phase II														n												
South Bay Green Line Extension															n											
Sepulveda Pass Transit Corridor																										n

n	Capital
	Operations
	Cycle Allocation Deadline

* Cycles based upon fiscal years available for funding allocation in TIRCP. Beginning with Cycle 3, the TIRCP will be managed as a rolling five-year program like the State Transportation Improvement Program (STIP). Every two years following Cycle 3, two new years of funding capacity will be added to the five-year period while two years will be dropped off. Cycles 4 and beyond only represent the two new years of funding added to each rolling five-year cycle.

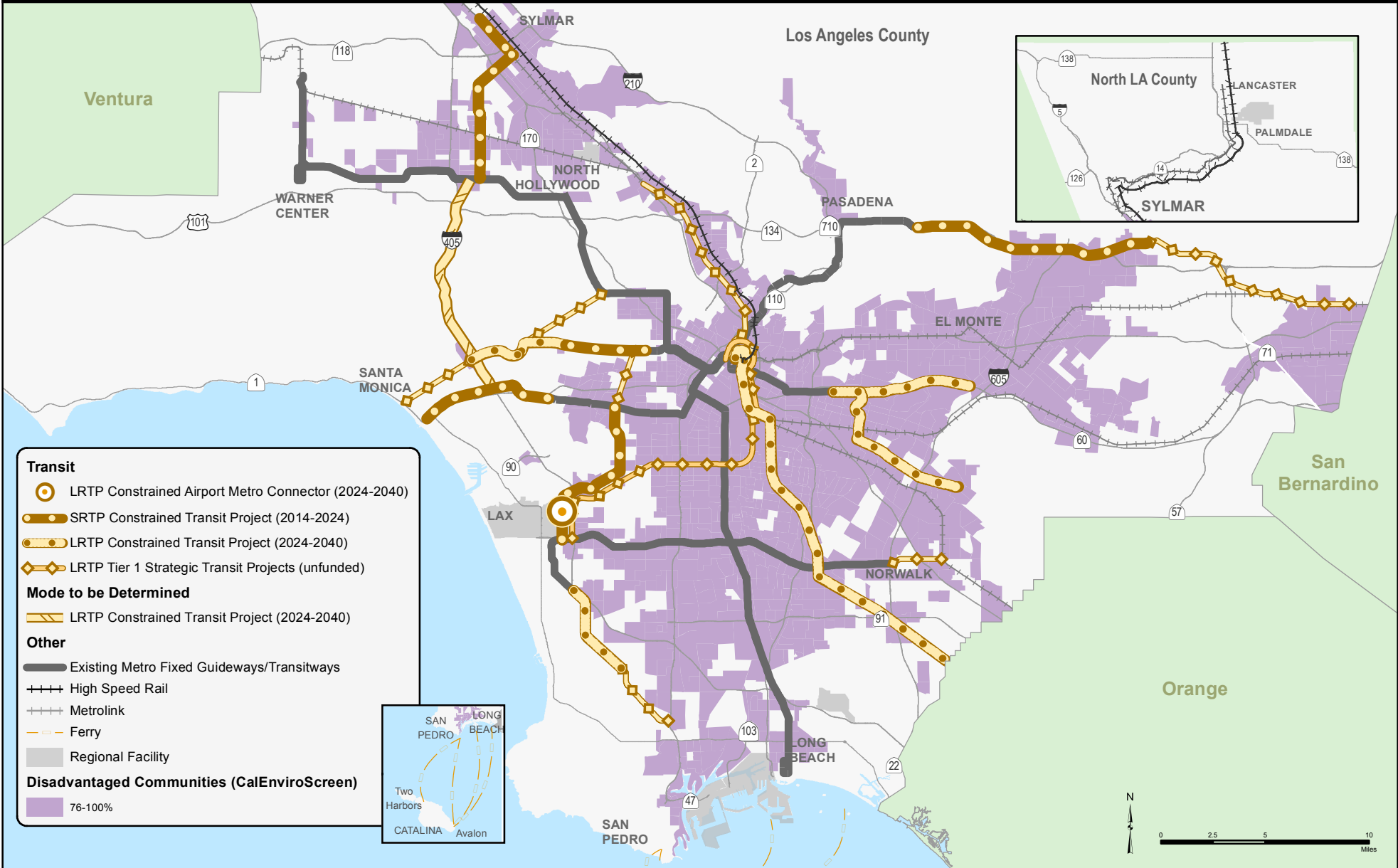
Project Costs and Program Eligibility
(2015 \$ in millions)

Attachment C

PROJECT	STATUS	COST (millions)		PROGRAM ELIGIBILITY				
		Capital	Operations	TIRCP	LCTOP	AHSC	LCTI	AQIP
Expo Phase II	In Construction		\$116		X			
Crenshaw/LAX	In Construction		\$57		X			
Regional Connector	In Construction		\$29		X			
Purple Line Sec. 1	In Construction		\$60		X			
Orange Line Electric Buses	In Grant Application Process	\$45		X			X	X
Airport Metro Connector	In Environmental	\$253	\$1	X				
Third Street Red/Purple Line Station and Portal Expansion/Turnback Facility	In Design	\$130		X				
East SFV N-S	In Environmental	\$170	\$33	X	X			
Purple Line Sec. 2	In Construction	\$2,273	\$73	X	X			
Gold Line Phase 2B	In Environmental			X	X			
West Santa Ana	In Environmental	\$649	\$73	X	X			
SB Green Line	In Conceptual Design	\$555	\$85	X	X			
Eastside Phase II	In Environmental		\$117	X	X			
Purple Line Sec. 3	In Environmental	\$2,157	\$51	X	X			
Sepulveda Pass	In Conceptual Design	\$2,468		X				
Total Cost		\$8,700	\$695					

* Operations cost based on eligibility of LCTOP for first three years of startup operations

L RTP Transit Projects



Cap & Trade Funding Distribution Equity Considerations

County	Population		Disadvantaged Communities		Transportation Greenhouse Gases		CMAQ	
	Total (2015 DOF*)	Percentage	Total	Percentage	Total Tons CO ₂ Per Day**	Percentage	Total	Percentage
1 Alameda	1,594,569	4.29%	124,352	1.32%	21,192.6	4.29%		0.00%
2 Alpine	1,121	0.00%	0	0.00%	105.2	0.02%		0.00%
3 Amador	36,312	0.09%	0	0.00%	633.7	0.13%		0.00%
4 Butte	224,323	0.58%	12,313	0.13%	2,300.7	0.47%	\$2,227,499	0.51%
5 Calaveras	45,668	0.12%	0	0.00%	583.2	0.12%	\$384,564	0.09%
6 Colusa	21,715	0.06%	0	0.00%	1,133.9	0.23%		0.00%
7 Contra Costa	1,102,871	2.85%	121,204	1.29%	11,602.5	2.35%		0.00%
8 Del Norte	28,031	0.07%	0	0.00%	348.1	0.07%		0.00%
9 El Dorado LTC	184,917	0.48%	0	0.00%	2,113.0	0.43%	\$1,978,718	0.45%
10 Fresno	972,297	2.51%	628,720	6.70%	10,604.2	2.15%	\$13,189,125	3.02%
11 Glenn	28,728	0.07%	0	0.00%	905.4	0.18%		0.00%
12 Humboldt	134,398	0.35%	0	0.00%	1,811.6	0.37%		0.00%
13 Imperial	183,429	0.47%	69,634	0.74%	3,502.4	0.71%	\$1,472,580	0.34%
14 Inyo	18,574	0.05%	0	0.00%	914.5	0.19%		0.00%
15 Kern	874,264	2.26%	428,405	4.56%	19,948.2	4.04%	\$9,918,138	2.27%
16 Kings	149,721	0.39%	62,818	0.67%	3,014.5	0.61%	\$1,807,099	0.41%
17 Lake	64,918	0.17%	0	0.00%	783.7	0.16%		0.00%
18 Lassen	32,092	0.08%	0	0.00%	609.8	0.12%		0.00%
19 Los Angeles	10,136,559	26.18%	4,348,000	46.31%	121,743.1	24.66%	\$138,768,137	31.75%
20 Madera	155,878	0.40%	92,024	0.98%	3,185.8	0.65%	\$1,782,092	0.41%
21 Marin	258,972	0.67%	0	0.00%	3,671.1	0.74%		0.00%
22 Mariposa	17,791	0.05%	0	0.00%	273.4	0.06%	\$153,993	0.04%
23 Mendocino	88,863	0.23%	0	0.00%	1,726.8	0.35%		0.00%
24 Merced	266,134	0.69%	187,640	2.00%	5,760.5	1.17%	\$3,021,554	0.69%
25 Modoc	9,399	0.02%	0	0.00%	241.8	0.05%		0.00%
26 Mono	14,695	0.04%	0	0.00%	523.6	0.11%		0.00%
27 Monterey	425,413	1.10%	35,440	0.38%	5,390.7	1.09%		0.00%
28 Napa	140,362	0.36%	0	0.00%	1,576.6	0.32%		0.00%
29 Nevada	98,193	0.25%	0	0.00%	1,753.3	0.36%	\$833,321	0.19%
30 Orange	3,147,655	8.13%	526,857	5.61%	37,784.6	7.66%	\$42,670,025	9.76%
31 Placer TPA	369,454	0.95%	0	0.00%	4,699.5	0.95%	\$4,448,713	1.02%
32 Plumas	19,560	0.05%	0	0.00%	457.7	0.09%		0.00%
33 Riverside	2,308,441	5.96%	527,851	5.62%	27,350.1	5.54%	\$30,581,452	7.00%
34 Sacramento	1,470,912	3.80%	196,589	2.09%	17,738.5	3.59%	\$18,674,791	4.27%
35 San Benito	58,344	0.15%	0	0.00%	1,254.4	0.25%		0.00%
36 San Bernardino	2,104,291	5.44%	862,696	9.19%	32,793.4	6.64%	\$28,334,303	6.48%
37 San Diego	3,227,496	8.34%	116,595	1.24%	39,361.5	7.97%	\$31,340,034	7.17%
38 San Francisco	845,602	2.18%	11,045	0.12%	4,787.9	0.97%	\$63,316,840	14.49%
39 San Joaquin	719,511	1.86%	297,880	3.17%	11,377.3	2.31%	\$9,714,209	2.22%
40 San Luis Obispo	274,293	0.71%	0	0.00%	4,056.6	0.82%	\$2,275,061	0.52%
41 San Mateo	753,123	1.95%	14,837	0.16%	8,116.5	1.64%		0.00%
42 Santa Barbara	437,643	1.13%	11,406	0.12%	5,081.2	1.03%		0.00%
43 Santa Clara	1,889,638	4.88%	105,604	1.12%	21,086.0	4.27%		0.00%
44 Santa Cruz	271,646	0.70%	7,976	0.08%	2,107.2	0.43%		0.00%
45 Shasta	178,673	0.46%	0	0.00%	3,508.4	0.71%		0.00%
46 Sierra	3,105	0.01%	0	0.00%	149.3	0.03%		0.00%
47 Siskiyou	45,119	0.12%	0	0.00%	1,992.8	0.40%		0.00%
48 Solano	429,552	1.11%	11,385	0.12%	7,906.1	1.60%	\$4,572,558	1.05%
49 Sonoma	496,253	1.28%	0	0.00%	4,684.5	0.95%		0.00%
50 Stanislaus	532,297	1.37%	242,856	2.59%	6,197.8	1.26%	\$7,292,369	1.67%
51 Sutter	95,948	0.25%	0	0.00%	1,543.2	0.31%	\$1,039,146	0.24%
52 Tehama	64,323	0.17%	4,112	0.04%	1,995.2	0.40%	\$535,469	0.12%
53 Trinity	13,571	0.04%	0	0.00%	417.9	0.08%		0.00%
54 Tulare	462,189	1.19%	277,219	2.95%	5,340.6	1.08%	\$5,223,238	1.20%
55 Tuolumne	54,337	0.14%	0	0.00%	629.3	0.13%		0.00%
56 Ventura	848,073	2.19%	33,468	0.36%	8,940.2	1.81%	\$8,336,092	1.91%
57 Yolo	209,393	0.54%	18,021	0.19%	3,449.7	0.70%	\$2,643,674	0.60%
58 Yuba	74,076	0.19%	12,296	0.13%	830.8	0.17%		0.00%
Total =	38,714,725	100.17%	9,389,243	100.00%	493,592.2	100.00%	\$437,076,772	99.88%

* California State Department of Finance

** Totals derived from EMFAC 2014 for calendar year 2015 in units of "Tons per Day". Includes motor vehicle transportation CO₂ emissions. Excludes rail, aircraft, and marine vessel CO₂ emissions.

Amendment to Item No. 28 by Director Butts**October 22, 2015**

Consistent with the state statute AB 32, the Air Resources Board (ARB) established a Cap and Trade (C&T) program. In 2012 SB 535 was enacted and requires that 25 percent of C&T auction revenue be used to **benefit** disadvantaged communities and 10 percent of auction revenue **be invested in** disadvantaged communities.

Starting in 2015-16 and beyond, the Legislature and Governor agreed to a continuous appropriation of 60 percent of cap-and-trade revenues for specific programs; including: high-speed rail, affordable housing and sustainable communities, transit and intercity rail capital, and low-carbon transit operations. **The remaining 40 percent of unspent revenue—estimated to be about \$1.5 billion by the end of 2015–16—is available to be allocated in near future legislation.**

Availability of the Cap and Trade auction revenues presents an unprecedented funding opportunity for Metro to aggressively pursue a “fair-share” of revenues, from both the 60 percent continuous appropriation supported programs, as well as the 40 percent—\$1.5 billion—of funds yet to be appropriated by the Legislature. These funds should be a Metro priority to benefit the large number of “Disadvantaged Communities” in Los Angeles County. But outside of using the 2009 LRTP as a template, Metro lacks a comprehensive strategy, including numerical revenue targets, serving as framework for the Metro Board to join with key non-profit stakeholders, sub regional COGs, SCAG, labor, and private sector partners in securing our fair-share of Cap and Trade revenues. In order for Metro to be competitive and demonstrate strong leadership in securing a substantial amount of future Cap and Trade revenues, we need a plan of action.

I, Therefore, Move that the Board direct the CEO to develop a comprehensive Cap and Trade strategy and action plan, including annual numerical revenue targets, for consideration by the Board for the January 2016 Planning and Programming Committee.

I further Move that the strategy should:

1. Identify the potential role of the Cap and Trade funds as part of the proposed Expenditure Plan being developed for consideration as part of sales tax development process; and
2. include a legislative component identifying specific policy and programmatic recommendations on the projected \$1.5 billion of un-appropriated auction revenues to be considered by the Legislature during the 2016 session.

Additionally, the strategy and action plan should focus on all of the transportation related categories of Cap and Trade funding and be developed in direct consultation with sub regional COGs.