

South Bay Cities Council of Governments

October 12, 2015

TO: SBCCOG Steering Committee

FROM: Jacki Bacharach, SBCCOG Executive Director
Steve Lantz, SBCCOG Transportation Director

SUBJECT: South Bay Highway Program Policies and Procedures for the 2016-2017 Metro Budget Request

Adherence to Strategic Plan:

Goal A: Environment, Transportation, and Economic Development. Facilitate, implement, and/or educate members and others about environmental, transportation, and economic development programs that benefit the South Bay. Strategy 5 – Actively pursue opportunities for infrastructure funding for member agencies.

BACKGROUND

SBCCOG and South Bay lead agencies are preparing the annual Metro Budget Request (MBR) for Steering Committee and Board consideration in November 2015. The MBR identifies Measure R South Bay Highway Program cash flow requirements for the next six years. The MBR includes a schedule of projected reimbursement costs for SBHP projects, studies and administrative costs.

For the first time since the SBHP program began, the projects requested by lead agencies to the SBCCOG for possible Measure R South Bay Highway Program funding exceed the amount of Measure R funding that has been allocated by Metro during the next six years. In this new planning and funding environment, it is important for the SBCCOG to establish priorities for the SBCCOG's SBHP and make choices for the funding recommendation to Metro.

SBCCOG staff and consultants have been working with South Bay lead agencies to develop a process and criteria to be used to prioritize funding recommendations. The need for prioritization was discussed at an agency workshop on April 30, 2015. Participants at the workshop encouraged the SBCCOG to create a prioritization process with project rankings based on regional significance and project readiness. They also supported a tiered program which would allow small, mid-sized, and larger projects to compete for funding in an equitable fashion. The agencies also recognized that many projects cannot be funded exclusively with SBHP funding but can use SBHP funding as matching leverage for other funding sources.

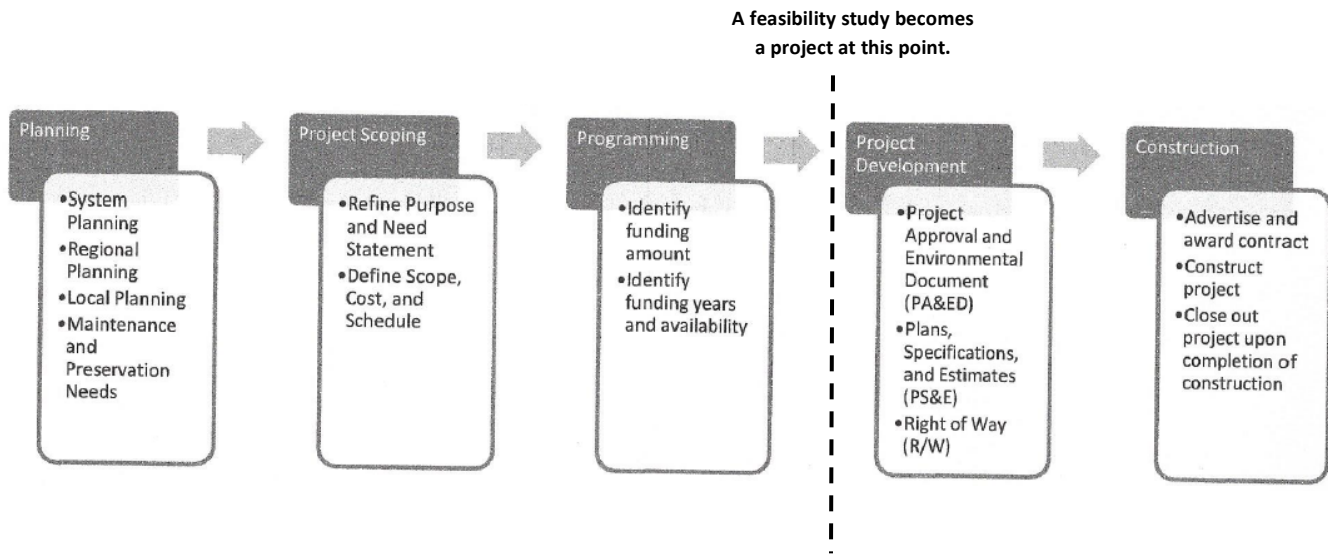
Over the summer, SBCCOG staff and consultants developed suggested criteria for project prioritization. In addition, much of the policy attention during the summer was focused on obtaining clarification from Metro on SBHP funding eligibility of projects containing Complete Streets elements. At its August 27, 2015 meeting, the SBCCOG Board authorized a letter to be sent to the Metro Board that requested clarification of Metro's policy regarding the eligibility of

Complete Street elements to be funded using Measure R SBHP funds. Metro staff sent a response letter on September 29, 2015 signed by Phillip Washington, Metro's Chief Executive Officer, that reiterated SBHP funding must be used specifically to reduce vehicular delay and that Complete Streets elements that do not reduce vehicular delay are not an eligible use of SBHP funding. The Metro letter was also distributed and Metro's staff position was discussed at Metro's September 30, 2015 Highway Advisory Committee meeting. The committee includes representatives from all L. A. County Councils of Governments. SBCCOG staff is relying on this written Metro staff guidance to identify projects eligible for inclusion in the MBR being submitted this year.

The Infrastructure Working Group (IWG) reviewed preliminary staff recommendations at its September 16, 2015 meeting and suggested changes in the draft prioritization policy. The following policies reflect the changes recommended by the IWG and will be used by SBCCOG staff and consultants to evaluate the requests and develop the draft MBR:

1. SBHP funds will be allocated to eligible projects and studies in an aggregate amount not to exceed the annual available funding identified in the most recent Metro Board-adopted financial forecast for the Measure R Metro Expenditure Plan line item: "South Bay Ramp and Interchange Improvements: I-405, I-110, I-105, SR-91".
2. SBCCOG is establishing a goal of balancing SBHP funding investments at 50% for South Bay freeways and ramps and 50% for South Bay state highways and eligible arterials.
3. Within established SBCCOG policies for SBHP funding share and maximums, SBHP funds reimburse reasonable and necessary costs for eligible phases of project development or delivery. Project development includes feasibility studies, Project Study Reports (PSRs) on State facilities, and Project Study Report Equivalents (PSREs) for non-State facilities. Project delivery begins with the Project Analysis / Environmental Documentation or design phase and continues through design, right-of-way acquisition, construction, and project closeout (see Figure 1).
4. Within approved funding shares and limits, SBHP funding will be scheduled to reimburse lead agency expenditures for eligible project elements and phases. Reimbursements will be scheduled based on the quarter in which the lead agency expects to invoice Metro. A formal SBHP project begins with the initiation of a PAED/ environmental clearance process or with project design. Prior to beginning a SBHP project, the lead agency must execute a project funding agreement with Metro that identifies all eligible costs, the SBHP share, and the projected reimbursement schedule for SBHP funds.

Figure 1: How are Projects Built?



5. Eligible Components of a Project

- a. Core Project Elements - Core Project elements must be on or within a mile of a South Bay state highway or freeway and reduce recurring or incident-related vehicle delays by improving the operation or safety of the facility. (Examples include traffic signal improvements, signing and striping, parking removal or reallocation, turn pockets, center medians, and auxiliary lanes on freeways and slow speed arterial lanes, bike lanes and sound walls).
- b. Enabling Elements - Enabling elements are not eligible as a stand-alone project, but are necessary to enable the delivery of eligible Core Project elements. (Examples include: storm drain relocation, bus pad relocation, curb relocation, signal relocation, improvements that comply with ADA, and other applicable state and federal design standards).
- c. Ancillary Project Elements - Ancillary project elements are enhancements *to the core project* not related to the reduction of vehicular delays. (Examples include: landscaping and signage). To be eligible these elements cannot increase vehicle delay. SBHP funding for ancillary elements is limited to 10% of the Core element SBHP funding share of the project budget.

6. The cost share of SBHP funds used for reimbursement of Core, Enabling, and Ancillary Project elements depends, in part, on the total cost of the project. The SBHP share of cost reimbursements for core elements is as follows:

- a. Feasibility studies, PSRs and PSREs - Reimbursed at 100% to a maximum of \$200,000 from the SBCCOG Program Development Budget;

- b. Projects less than \$2 million - up to 100% reimbursed;
 - c. Projects between \$2m and \$8m - A non-SBHP match is required. SBHP funding share is limited to 80% of total project costs.
 - d. Projects more than \$10 million – A non-SBHP match is required. SBCCOG has a SBHP program goal to limit the SBHP share of eligible project costs to 50%. An appeal process is available for a lead agency to seek an SBCCOG match greater than 50%. Requests for SBHP matching funds to exceed 80% of eligible project costs will not be considered.
 - e. The SBHP funding share is calculated incrementally - i.e. a \$10m project would be eligible for 100% funding for the first \$2m and up to \$6.4m Measure R funding for the next \$8m awarding a total of up to \$8.4m for all phases of project development including feasibility studies/PSRs/PSREs, design and specifications, right of way acquisition, and construction.
7. All SBHP funding commitments and match appeals will be presented to the SBCCOG Infrastructure Working Group and Steering Committee for review and recommendation to the SBCCOG Board of Directors. The appeal must include a presentation of the effect on the remainder of the program should the appeal be granted. Determination of the SBCCOG Board will be final.
8. Prioritization for inclusion in the SBHP program and the annual Metro Budget Request is based on the sub-regional significance of the corridor (as determined in the Arterial Performance Measurement Baseline Conditions Analysis), project performance in reducing vehicular delay, project readiness, and the fiscal and schedule impact of the SBHP matching share on existing SBHP commitments.
9. Funding Requests (including PSR/PSREs) need to describe:
- a. The project scope, physical limits, and costs of Core, Enabling, and Ancillary elements;
 - b. A quarterly projection of SBHP cash flow reimbursements for the complete project (including eligible, enabling, and ancillary elements);
 - c. Sources, amounts, and quarterly schedule of Non-Measure R SBHP funding; and
 - d. A commitment by the lead agency to implement the SBHP-eligible elements regardless of the non-Measure R funded elements on a schedule estimated by quarter.
10. SBCCOG’s SBHP Metro Budget Request (MBR) Development Process
- a. Compile project request scopes, schedules, and cash flow spreadsheets – six years for MBR by quarter through the sixth year and annually for the balance of project

duration beyond the six years for projects that are forecasted to need reimbursements beyond the sixth year of the MBR period;

- b. Determine eligibility of project elements (fully eligible, eligible with ineligible ancillary elements, ineligible);
- c. Assess Measure R cost per delay benefit of eligible elements;
- d. Determine projects that will have priority for assignment in MBR (based on priority corridors, delay benefit, project readiness, amount of leveraged funds, available annual SBHP funding, etc.); and
- e. Confirm with lead agency project readiness – schedule of eligible elements implementation (availability of matching funds, risks related to ROW acquisition, potential delay to schedule due to dependency on other elements that are not eligible for SBHP funding.)
- f. Compile two initial cash flow charts – one for the six-year MBR request period, the other for the project duration beyond six-year period
- g. Review initial MBR with IWG, Steering Committee in October (including projects, studies and administrative costs) and consider lead agency appeals of the SBHP matching share.
- h. Adopt final MBR at SBCCOG Board in November
- i. Transmit MBR to Metro in December

RECOMMENDATION

SBCCOG staff recommends that, due to time constraints, the Steering Committee approve these policies and the process for the 2016-17 Metro Budget Request. The policies will be presented to the Board for their ratification.