

J) LACMTA Key Board Policies

Appendix J includes the Measure R Contingency Policy and the Final Measure R Unified Cost Management Process and Policy. The following documents were included in the 2010 submission: Measure R Prioritization Policies 30/10 Initiative Program Policies, LACMTA Debt Policy, LACMTA Cost Increase Process and Policy for Measure R Transit Projects, and a draft of the LACMTA Measure R Unified Cost Management Policy.

J-1 Fiscal Responsibility Policy for Measure R Transit and Highway Capital Project Contingencies (p 2)

J-2 Final Unified Cost Management Process and Policy (p 17)



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REVISED

**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MEASURE R PROJECT DELIVERY COMMITTEE
May 19, 2011**

**SUBJECT: FISCAL RESPONSIBILITY POLICY FOR MEASURE R TRANSIT AND
HIGHWAY CAPITAL PROJECT CONTINGENCIES**

**ACTION: APPROVE POLICY FOR TRANSIT AND HIGHWAY CAPITAL
PROJECT CONTINGENCY LINES IN MEASURE R EXPENDITURE
PLAN**

RECOMMENDATION

Adopt the Fiscal Responsibility Policy for Measure R Capital Project Contingency Funds, as detailed in Attachment A and summarized as follows:

- A. Projects with Measure R savings at project close-out must first apply such savings to reimbursing the Contingency Funds in the Measure R Expenditure Plan for any debt service (excluding principal) that were used for the project;
- B. Projects that are accelerated relative to their Long Range Transportation Plan (LRTP) schedule must include that portion of debt service (excluding principal) that was necessary to support cash flow needs in advance of the LRTP-planned cash flow needs;
- C. Sales tax forecast revisions for the Transit and Highway Sub-Funds within Measure R will be met by revising the available Capital Project Contingency Funds, and not by revising the Measure R project minimum amounts; and
- D. Measure R debt service (excluding principal) to be repaid from the Contingency Funds may not exceed levels forecasted to be necessary in the LRTP, **except to allow for America Fast Forward, the 30/10 Initiative, and similar financing which may involve issuing debt and/or taking out loans greater than contemplated in the 2009 LRTP. America Fast Forward, the 30/10 Initiative, and other similar financing must not adversely impact second and third decade Measure R projects.**

ISSUE

At the January 2011 Board Meeting, Directors O'Connor, Molina and Dubois made an amending motion to Item No. 21 (Unified Cost Management Process and Policy for Measure R Transit Projects and Strategy to Implement Projects Consistent with Both the Long Range Transportation Plan [LRTP] and 30/10 Initiative). The amending motion asked staff to recommend a "fiscal responsibility policy" for the use of Capital Project Contingency (Transit) and Capital Project Contingency (Highway) amounts, lines 18 and 39, respectively, of the Measure R Expenditure Plan (Attachment A to the Measure R Ordinance) that Los Angeles County voters approved in November 2008.

DISCUSSION

The goal of the recommended Fiscal Responsibility Policy for Measure R Capital Project Contingency Funds (Attachment A to this report) is to ensure that all Measure R capital projects can be completed as scheduled in the 2009 LRTP. The recommended policy is consistent with assumptions used in the 2009 LRTP because both the policy and the 2009 LRTP assume that alternate funds other than Measure R are available and can be used to address cost escalation needs for Measure R projects in the second and third decades. The policy proposes to protect and augment Measure R Capital Project Contingency Funds in three specific areas, as follows:

1. Debt Service Expenses for Measure R Projects with Savings

We recommend that Measure R capital projects with savings at project close-out first apply such savings to reimbursing the Contingency Funds for any debt service (excluding principal) that were used for the project. This reimbursement would occur before allocating any such savings to a substitute project in the same sub-region per the Measure R ordinance. This will reduce the impact of early Measure R projects on the Contingency Funds when such savings exist.

2. Allocation of Debt Service (Excluding Principal) for Accelerated Projects

Measure R transit and highway projects that are accelerated relative to their Long Range Transportation Plan schedule must include that portion of debt service (excluding principal) that was necessary to support cash flow needs in advance of the LRTP-planned cash flow needs. Specifically, for project accelerations that overlap with the LRTP on a cash flow basis, only that portion of the debt service (excluding principal) that is attributable to the need for excess funds relative to the LRTP financial model from April of 2010 need be allocated to the Measure R project line as opposed to the contingency line. This will reduce the impact of any project acceleration on the Measure R Contingency Funds.

3. Cap Measure R Debt Service (Excluding Principal) to LRTP Levels

Measure R debt service (excluding principal) to be repaid from the Contingency Funds may not exceed the levels forecasted to be necessary in the LRTP, **except to allow for America Fast Forward, the 30/10 Initiative, and similar financing which may involve issuing debt and/or taking out loans greater than contemplated in the 2009 LRTP. America Fast Forward, the 30/10 Initiative, and other similar financing must not adversely impact second and third decade Measure R projects.** The LRTP itself was adopted using an overly optimistic sales tax forecast prior to our understanding of the impact of the worldwide economic recession. For this reason, the Measure R debt service policy cap will be measured against the LRTP financial model run published in April 2010.

FINANCIAL IMPACT

The financial impact of the recommended policy will be that guidelines will be created to direct the expenditure of up to \$3.3 billion in Contingency Funds for Measure R transit capital projects and up to \$2.6 billion in Contingency Funds for Measure R highway capital projects. These funds will be expended over the life of the Measure R sales tax. Use of these funds for debt service requirements will require LACMTA Board approval. Use of these funds for project costs also will require LACMTA Board approval to include these funds to any life-of-project budget.

ALTERNATIVES CONSIDERED

The debt service (excluding principal) for the federal Build America Bonds and the federal Transportation Infrastructure Finance and Innovation Act loans (and any other future borrowings) could be allocated 100% to the contingency line items if the Board of Directors were to direct that this alternative be followed. While we find that specifying this arrangement for all projects in Measure R is consistent with the assumptions used in the LRTP; would support the project accelerations being sought in the Board of Directors' 30/10 action; and is not required by the Measure R Ordinance, we do not recommend this alternative.

The Measure R Ordinance specifies that debt service (excluding principal) is an eligible use of the contingency funds, but the Ordinance is silent as to whether debt service (excluding principal) can be billed to the project line. To minimize the impact of debt service on the contingency funds, we are recommending specific instances – the existence of savings on projects and project accelerations – as cases where the preservation of contingency versus project funds is more important.

NEXT STEPS

If the Board of Directors adopts the recommended policy, we will begin implementing the policy for the development of the fiscal year (FY) 2012 annual budget, subsequent annual budgets, Measure R capital project life-of-project budgets and Measure R capital project life-of-project budget amendments going forward.

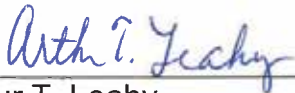
ATTACHMENTS

A. Fiscal Responsibility Policy for Measure R Capital Project Contingency Funds

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Fiscal Responsibility Policy for Measure R Capital Project Contingency Funds

Introduction

The purpose of the Policy is to establish guidelines for the use of the Measure R Capital Project Contingency (Transit) and Measure R Capital Project Contingency (Highway) funds. The goal of the Policy is to ensure that all Measure R capital projects can be completed as scheduled in the Long Range Transportation Plan.

Definition of Measure R Capital Project Contingency Funds

Measure R Capital Project Contingency funds are found in Exhibit A to this policy, the Measure R Expenditure Plan. The Expenditure Plan was referenced in and attached to the Measure R Ordinance (as Attachment A to the Ordinance). The specific transit and highway project contingencies are found on line 18 for the Transit Subfund and line 39 for the Highway Subfund of the Measure R Expenditure Plan.

The forecasted Measure R revenue identified in the “New Sales Tax – Total” column for the Transit Subfund amounts to \$3,276 million and is described as:

“Capital Project Contingency (Transit) - Escalation Allowance for lines 8-17 to be based on year of construction”.

The forecasted Measure R revenue identified in the “New Sales Tax – Total” column for the Highway Subfund amounts to \$2,576 million and is described as:

“Capital Project Contingency (Highway) - Escalation Allowance for lines 31-38 to be based on year of construction”.

For both the Transit Subfund and the Highway Subfund, the references to “lines 8-17” and “lines 31-38” in the descriptions above are to projects for which a cost estimate was listed in “Current 2008 \$” in the Expenditure Plan. Other projects are instead listed in “Escalated \$” on lines 3 through 6 in the Transit Subfund and on lines 22 through 29 in Highway Subfund. Please refer to Exhibit A for the specific project descriptions.

Use of Measure R Capital Project Contingency Funds

In accordance with the Ordinance and the Expenditure Plan, Capital Project Contingency (Transit) and Capital Project Contingency (Highway) amounts are available for the following purposes:

- Additional funding for capital projects identified in Attachment A;
- Debt service, excluding payments for principal;
- To offset the costs of inflation;
- For any other purpose, as approved by the LACMTA Board; and as
- An escalation allowance to be based on year of construction for the projects with cost estimates in current 2008 dollars.

The uses of the Transit Subfund and the Highway Subfund contingencies are described in the Measure R Ordinance.

Permitted Uses of Transit Subfund Contingency

“Metro shall allocate no less than the amount of Net Revenues identified in Attachment A as ‘New Sales Tax – Total’ for the project identified in Attachment A as ‘Capital Project Contingency (Transit)’. Funds allocated to ‘Capital Project Contingency (Transit)’ shall be expended as needed to provide additional funding for Capital Projects identified in Attachment A as ‘Transit Projects.’ Metro may expend such funds for debt service, excluding payments for principal, to offset the costs of inflation, or for any other purpose. Metro shall not expend an amount of Net Revenues from Capital Project Contingency (Transit) that is greater than the amount permitted in paragraph (d)(2) for any Capital Project.” (Section 7(d)(3) of the Ordinance)

Permitted Uses of Highway Subfund Contingency

“Metro shall allocate no less than the amount of Net Revenues identified in Attachment A as ‘New Sales Tax – Total’ for the project identified in Attachment A as ‘Capital Project Contingency (Highway)’. Funds allocated to ‘Capital Project Contingency (Highway)’ shall be expended as needed to provide additional funding for Capital Projects identified in Attachment A as ‘Highway Projects.’ Metro may expend such funds for debt service, excluding payments for principal, to offset the costs of inflation, or for any other purpose. Metro shall not expend an amount of Net Revenues from Capital Project Contingency (Highway) that is greater than the amount permitted in paragraph (e)(2) for any Capital Project.” (Section 7(e)(3) of the Ordinance)

Discussion of Permitted Uses

Attachment A to the Measure R Ordinance includes an Expenditure Plan detailing the transit and highway capital projects that Measure R would fund with cost estimates, sources of funding and expected construction completion dates. The capital projects were divided into two different types: (1) projects with cost estimates in escalated dollars and (2) projects with cost estimates in current 2008 dollars. As stated in Expenditure Plan, the Capital Project Contingency (Transit) and Capital Project Contingency (Highway) amounts were intended to provide an “escalation allowance to be based on year of construction” for the projects with cost estimates in current 2008 dollars (Transit Capital Projects lines 8-17 and Highway Capital Projects lines 31-38).

The references in the Measure R Ordinance itself are more flexible than the Expenditure Plan in that they permit debt service (excluding payments for principal) and any other purpose. The “any other purpose” reference should be read to mean any other purpose consistent with delivering the Transit Subfund or Highway Subfund projects in the manner and schedule promised to the voters. Subsequent to the passage of Measure R, the LACMTA Board has adopted policies that provide further guidance for the use of contingency funds.

Unified Cost Management Process and Policy for Measure R Projects

The Unified Cost Management Process and Policy for Measure R Projects (as adopted by the LACMTA Board in January 2011) capped Measure R project funding at the amount identified in Attachment A as “New Sales Tax – Total” for each Measure R Project, as follows:

“For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the ‘New Sales Tax Total’ column of the Measure R expenditure plan.” (Unified Cost Management Process and Policy for Measure R Projects, page 1)

If Measure R contingency funds are used to provide additional funding for a project, above the amount listed in the “New Sales Tax Total” column, specific cost management processes and LACMTA Board approvals are required. In particular, certain steps must be taken to control and minimize Measure R project costs, prior to the use of Capital Project Contingency amounts to provide additional funding.

“If increases in cost estimates occur, the LACMTA Board must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases in cost estimates will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost estimates taken by the LACMTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

- 1) Value Engineering and or scope reductions;
- 2) New local agency funding resources;
- 3) Shorter segmentation;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same sub-region; and finally,
- 6) Countywide transit cost reductions or other funds will be sought using pre-established priorities.” (Unified Cost Management Process and Policy for Measure R Projects, page 1)

The Measure R Ordinance and the Unified Cost Management Process and Policy for Measure R projects provide adequate protections for use of the Contingency funds, except for the use of the Contingency funding for debt service. Also, previous policy actions do not provide for the impact of a lower sales tax forecast. These issues are addressed in the ensuing paragraphs.

Payment of Debt Service from Capital Project Contingency Amounts

The Measure R Ordinance makes Capital Project Contingency (Transit) and Capital Project Contingency (Highway) funds available to satisfy debt service requirements, excluding payments for principal, for any debt obligation (including, but not limited to, bonds, notes, commercial paper, and loans from the Federal Government) secured by Measure R sales tax revenues and issued to finance any Measure R project or capital program listed in the Expenditure Plan. Through the 2009 LRTP, debt obligations have been found to be necessary to provide the funding needed to deliver escalated Measure R projects by their expected completion dates.

2009 Long Range Transportation Plan

The Measure R bonds issued in November 2010 are consistent with the 2009 Long Range Transportation Plan (LRTP). The staff report leading to the adoption of the LRTP assumed that the Capital Project Contingency (Transit) amount would be used, in part, to pay debt service and provided that transit capital projects in the second and third decade are made whole with alternate funds to offset the costs of inflation. Specifically, the discussion in the October 2009 LRTP staff report stated:

“The LRTP assumes a 50% contribution of Federal New Starts for the first segment of the Westside Subway Extension and the Regional Connector. Planned borrowing against Measure R going forward will enable us to achieve the 50% New Starts funding level assumption. Since these planned borrowings impact the availability of Capital Project Contingency funds from Measure R, the escalation rates for projects in the second and third decade are made whole with alternate funds.” (2009 Long Range Transportation Plan for Los Angeles County October 2009 Board Report, page 5)

Going forward, when debt service requirements (excluding principal) are proposed to be paid from Capital Project Contingency (Transit) and Capital Project Contingency

(Highway) funds, staff shall include the estimated amount and the impact on the remaining contingency funds in the board report seeking authorization for the debt obligation.

Debt Service Expenses for Measure R Projects with Savings

Measure R capital projects with savings at project close-out must first apply such savings to reimbursing the Contingency funds for any debt service (excluding principal) that were used for the project. This reimbursement would occur before allocating any such savings to a substitute project in the same sub-region per the Measure R ordinance. When such savings exist, this will reduce the impact of Measure R projects on the Contingency funds by eliminating all or part of the need for sub-regional equity funds.

Existing Measure R Bonds

Of the \$1.64 billion in Measure R bond proceeds assumed to be necessary in the April 2010 financial update to the LRTP, \$750 million has already been raised. Net debt service requirements (excluding principal) for the bonds that have been issued will total \$474 million through fiscal year (FY) 2039. Annually, these obligations gradually decrease from \$27.4 million in FY 2012 to \$1.5 million in FY 2039. The debt service requirements (excluding principal) for these bonds are paid by the Measure R bond trustee, who receives the Measure R tax receipts directly from the State Board of Equalization and divides the receipts into two portions: 15% local return and the remaining 85%. The debt service requirements (excluding principal) are paid off-the-top of the 85% portion before the balance is transferred to the LACMTA.

Allocation of Debt Service Requirements

Debt service requirements (excluding principal) must be allocated to the appropriate Measure R Subfund (highway or transit) based on the proportion of proceeds used by projects within each subfund. For the Transit Subfund, debt service requirements must additionally be allocated between Transit Capital 35%, Metrolink 3% and Metro Rail 2% as appropriate. This policy will further require that within each subfund debt service requirements (excluding principal) will be tracked by project line item so that any Measure R savings generated by escalated projects can be used to reimburse the contingency funds and any debt service requirements (excluding principal) that are attributable to project acceleration will be allocated as Measure R project expenditures, not as Measure R contingency expenditures.

LACMTA staff shall keep records of the capital expenditures by project as debt proceeds are expended. Debt service requirements (excluding principal) related to any unexpended proceeds shall be allocated proportionally among the four capital programs: Transit Capital 35%, Metrolink 3%, Metro Rail 2% and Highway 20%. Once all proceeds have been expended for a particular debt obligation, a proportion shall be established for that obligation that shows the percentage of the proceeds that were

used for transit vs. highway and additionally the percentage of the proceeds that were used for each Measure R capital project. The transit vs. highway proportion will be used to determine how the debt service requirements (excluding principal) will be allocated between the Capital Project Contingency (Transit) and Capital Project Contingency (Highway) funds. Each year, the transit vs. highway proportion will be applied to the annual debt service requirements (excluding principal) to determine how much will be paid from each contingency fund. Additionally, Measure R transit and highway projects that are accelerated relative to their Long Range Transportation Plan schedule must include that portion of debt service (excluding principal) that was necessary to support cash flow needs in advance of the LRTP-planned cash flow needs. Specifically, for project accelerations that overlap with the Long Range Transportation Plan on a cash flow basis, only that portion of the debt service (excluding principal) that is attributable to the need for excess funds relative to the LRTP financial model from April of 2010 need be allocated to the Measure R project line as opposed to the contingency line.

Estimates of these amounts will be included in LACMTA's annual budget and in the Long Range Transportation Plan financial model. Records will be kept of the debt service requirements (excluding principal) paid each year by subfund and project using these proportions. Prior to the use of all of the debt proceeds and calculation of the final proportion, LACMTA staff shall make an estimate of the transit vs. highway proportion to pay debt service requirements (excluding principal) when due. Once all proceeds have been expended and the final transit vs. highway proportion has been established, LACMTA staff will recommend reconciling transfers between the contingency funds and four capital programs, if necessary, to ensure that the appropriate contingency funds and/ or project line items were used to pay debt service requirements (excluding principal).

Escalated Measure R Projects

Records kept by LACMTA staff will specifically track bond proceeds used for Measure R capital projects. Once these capital projects are complete and their life of project budgets are closed, a calculation shall be made of any Measure R savings from the project. When Measure R savings exist, these savings shall be used to repay the contingency funds for debt service requirements (excluding principal) before allocating the savings to a substitute project in the same sub-region per the Measure R ordinance.

This will reduce the impact of Measure R projects on the Contingency funds as much as possible without reducing the amount of Measure R funding necessary to deliver the projects. LACMTA staff will apply the percentage of the proceeds that were used for the project to the total debt service requirements (excluding principal) for any debt obligation that provided funding to the project. The amount to be repaid will be the full amount of debt service requirements (excluding principal) allocated to the project to the extent that Measure R savings are available. If Measure R savings exceed the debt service requirements (excluding principal) allocated to the project, the excess savings

shall be allocated to a substitute project in the same sub-region as described in the Measure R ordinance.

All other debt service requirements (excluding principal) shall be assigned to the Contingency amounts.

The question of sales tax forecast revisions and how they might impact the contingency amounts is addressed in the following paragraphs.

Measure R Sales Tax Forecast Revisions

Since the Measure R sales tax projections were generated in 2008, there has been a worldwide economic downturn that has caused a significant decline in sales tax revenues and future growth. In April 2010, the LRTP financial forecast was updated to include this decline in sales tax revenue. In total, the Measure R forecast of \$40 billion was reduced by 10% to approximately \$36 billion.

The Measure R Ordinance does not address a process for revising the estimates in the Measure R Expenditure Plan (Attachment A). Per section 8(i)(3), any proposed amendments to the expenditure plan are required to be reviewed by the Proposition R Independent Taxpayers Oversight Committee of Metro (the "Committee") and per section 11(a) would require approval by a vote of not less than two-thirds (2/3) of the LACMTA Board. In addition, section 11(b) indicates that LACMTA cannot amend Attachment A to reduce the Net Revenues allocated to the sum of the Transit Capital Subfund and the Highway Capital Subfund. This policy does not make any changes to the Expenditure Plan.

Measure R Guarantee

The 2010 financial update to the LRTP assumed that all Measure R capital projects will receive at least their current 2008 dollar amount as identified in the "New Sales Tax – Total" column for each project listed in Attachment A and as described in the Ordinance. The 2010 financial update provides that escalation rates for projects in the second and third decade are made whole with funds other than the Measure R contingency funds.

Cap Measure R Debt Service (Excluding Principal) to LRTP Levels

Measure R debt service (excluding principal) to be repaid from the contingency funds may not exceed the levels forecasted to be necessary in the Long Range Transportation Plan, **except to allow for 30/10, America Fast Forward, and similar financing which may involve issuing debt and/or taking out loans greater than contemplated in the 2009 LRTP. 30/10, America Fast Forward, and other similar financing must not adversely impact second and third decade Measure R projects.** The Long Range Transportation Plan itself was adopted using an overly optimistic sales tax forecast prior to our understanding of the impact of the worldwide

economic recession. For this reason, the Measure R debt service policy cap will be measured against the LRTP financial model published in April 2009.

EXHIBIT A

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan
 30 Years, Fiscal Year (FY) 2010 - 2039
 As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008
 (\$ in millions)

Subfund Priority order only - not for reference	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321)				Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
			Minimum	Additional	Total	Other Funds			
<i>Transit Projects: New Rail and/or Bus Rapid Transit Capital Projects. Could include rail improvements or exclusive bus rapid transit improvements in designated corridors.</i>									
		Escalated \$							
1	Eastside Light Rail Access (Gold Line)	\$ 30	\$ 30	\$ -	\$ 30	\$ -	FY 2010	FY 2013	
2	Exposition Boulevard Light Rail Transit	\$ 1,632 ^a	\$ 925	\$ -	\$ 925	\$ 353	FY 2010-12	FY 2013-15	
3	Metro and Municipal Regional Clean Fuel Bus Capital Facilities and Rolling Stock (Metro's share to be used for clean fuel buses)	\$ 150	\$ 150	\$ -	\$ 150	\$ -	FY 2010	FY 2039	
4	Regional Connector (links local rail lines)	\$ 1,320	\$ 160	\$ -	\$ 160	\$ 186	FY 2014-16	FY 2023-25	
5		Current 2008 \$							
6	Crenshaw Transit Corridor - project acceleration	\$ 1,470	\$ 235.5	\$ 971.5	\$ 1,207	\$ 263 ^c	FY 2010-12	FY 2016-18	
7	Gold Line Eastside Extension	\$ 1,310	\$ -	\$ 1,271	\$ 1,271	\$ 39	FY 2022-24	FY 2033-35	
8	Gold Line Foothill Light Rail Transit Extension	\$ 758	\$ 735	\$ -	\$ 735	\$ 23	FY 2010-12	FY 2015-17	
9	Green Line Extension to Los Angeles International Airport	\$ 200	\$ -	\$ 200	\$ 200	TBD ^d	FY 2010-12	FY 2015-28 ^d	
10	Green Line Extension: Redondo Beach Station to South Bay Corridor	\$ 280	\$ -	\$ 272	\$ 272	\$ 8	FY 2028-30	FY 2033-35	
11	San Fernando Valley I-405 Corridor Connection (match to total project cost)	TBD	\$ -	\$ 1,000	\$ 1,000	\$ 31	FY 2030-32	FY 2038-39	
12	San Fernando Valley North-South Rapidways (Canoga Corridor) - project acceleration	\$ 188	\$ 32 ^e	\$ 150	\$ 182	\$ 6	FY 2010-12	FY 2014-16	
13	San Fernando Valley East North-South Rapidways - project acceleration	\$ 70	\$ 68.5 ^e	\$ -	\$ 68.5	\$ 2	FY 2013-15	FY 2016-18	
14	West Santa Ana Branch Corridor (match to total project cost)	TBD	\$ -	\$ 240	\$ 240	\$ 7	FY 2015-17*	FY 2025-27*	
15	Westside Subway Extension - to be opened in segments	\$ 4,200 ^f	\$ 900	\$ 3,174	\$ 4,074	\$ 126	FY 2013-15	FY 2034-36	
16	Capital Project Contingency (Transit)-Escalation Allowance for lines 8-17 to be based on year of construction	\$ 7,331	\$ 173	\$ 3,103	\$ 3,276	\$ 2,200	FY 2010	FY 2039	
17				\$ 2,200	\$ 1,015	\$ 840 ^g			
18				\$ 2,908	\$ 1,554	\$ 1,965			
19	Total New Rail and/or Bus Rapid Transit Capital Projects	\$ 18,939^h	\$ 3,408.5	\$ 10,381.5	\$ 13,790	\$ 2,908	\$ 1,554	\$ 1,965	

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EXHIBIT A

Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321)				Other Funds			Funds Available Beginning	Expected Completion
			Minimum	Additional	Total	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)			
	Highway Projects: Capital Projects - Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls										
		Escalated \$									
20	Alameda Corridor East Grade Separations Phase II	\$ 1,123	\$ 200	\$ 200	\$ 400	\$ 200	\$ 336	\$ 187		As funds become available	
21	BNSF Grade Separations in Gateway Cities	\$ 35	\$ -	\$ 35	\$ 35	\$ -	\$ -	\$ -		As funds become available	
22	Countywide Soundwall Construction (Metro regional list and Monterey Park/SR-60)	\$ 250	\$ 250	\$ -	\$ 250	\$ -	\$ -	\$ -		FY 2010	
23	High Desert Corridor (environmental)	\$ 33	\$ -	\$ 33	\$ 33	\$ -	\$ -	\$ -		As funds become available	
24	Interstate 5 / St. Route 14 Capacity Enhancement	\$ 161	\$ 90.8	\$ -	\$ 90.8	\$ 15	\$ 41	\$ 14		FY 2010	
25	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	\$ 1,240	\$ 264.8	\$ -	\$ 264.8	\$ 78	\$ 834	\$ 63		FY 2010	
26	I-5 Capacity Enhancement from SR-134 to SR-170	\$ 610	\$ 271.5	\$ -	\$ 271.5	\$ 50	\$ 264	\$ 24		FY 2010	
27	I-5 Carmelita Road Interchange Improvement	\$ 389	\$ 138	\$ -	\$ 138	\$ 97	\$ 154	\$ -		FY 2010	
28		Current 2008 \$									
29	Highway Operational Improvements in Arroyo Verdugo subregion	\$ 170	\$ -	\$ 170	\$ 170	\$ -	\$ -	\$ -		As funds become available	
30	Highway Operational Improvements in Las Virgenes/Malibu subregion	\$ 175	\$ -	\$ 175	\$ 175	\$ -	\$ -	\$ -		As funds become available	
31	Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)	\$ 906	\$ -	\$ 906	\$ 906	\$ -	\$ -	\$ -		As funds become available	
32	Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	\$ 2,800	\$ -	\$ 410	\$ 410	\$ -	\$ -	\$ -		As funds become available	
33	Interstate 605 Corridor "Hot Spot" Interchanges	\$ 2,410	\$ -	\$ 590	\$ 590	\$ -	\$ -	\$ -		As funds become available	
34	Interstate 710 North Gap Closure (tunnel)	\$ 3,730	\$ -	\$ 780	\$ 780	\$ -	\$ -	\$ -		As funds become available	
35	Interstate 710 South and/or Early Action Projects	\$ 5,460	\$ -	\$ 590	\$ 590	\$ -	\$ -	\$ -		As funds become available	
36	State Route 138 Capacity Enhancements	\$ 270	\$ -	\$ 200	\$ 200	\$ -	\$ -	\$ -		As funds become available	
37	Capital Project Contingency (Highway)-Escalation Allowance for lines 31-38 to be based on year of construction	\$ 2,575	\$ -	\$ 2,575.9	\$ 2,576	\$ -	\$ -	\$ -		As funds become available	
38											
39											
40	Total Capital Projects Highway: Carpool Lanes, Highways, Goods Movements, Grade Separations, and Soundwalls	\$ 22,337	\$ 1,215.1	\$ 6,664.9	\$ 7,880	TBD	TBD	\$ 288	\$ 288	FY 2010	FY 2039

EXHIBIT A

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan
 30 Years, Fiscal Year (FY) 2010 - 2039
 As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008
 (\$ in millions)

Subfund Priority order only - not for reference	Operating and Capital Programs	Percent of New Sales Tax Net Revenues	New Sales Tax (Assembly Bill 2321)				Other Funds			Funds Available Beginning	Expected Completion
			Minimum	Additional	Total Escalated	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)			
41	Ops Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Met	20%	\$ -	\$ 7,880	\$ 7,880 k				FY 2010	FY 2039	
42	Ops Rail Operations (New Transit Project Operations and Maintenance)	5%	\$ -	\$ 1,970	\$ 1,970 k			Not Applicable	FY 2010	FY 2039	
43	Local Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.	15% l	\$ 250	\$ 5,660	\$ 5,910 k				FY 2010	FY 2039	
44	Tran. Cap. Metro Rail Capital Projects - System Improvements, Rail Yards, and Rail Cars	2%	\$ -	\$ 788	\$ 788 k				FY 2010	FY 2039	
45	Tran. Cap. Metrolink Capital Improvement Projects within Los Angeles County (Operations, Maintenance, and Expansion)	3%	\$ 70	\$ 1,112	\$ 1,182 k				FY 2010	FY 2039	
46	Subtotal Transit and Highway Capital Projects	\$ 41,276 m	\$ 4,623.6	\$ 17,046	\$ 21,670	\$ 2,908	\$ 1,554	\$ 2,253	FY 2010	FY 2039	
47	Subtotal page 4	\$	\$ 320.0	\$ 17,410	\$ 17,730				FY 2010	FY 2039	
48	1.5% for Administration	N/A	\$ 10	\$ 590	\$ 600			Not Applicable	FY 2010	FY 2039	
49	Total		\$ 4,953.6	\$ 35,046	\$ 40,000	\$ 2,908	\$ 1,554	\$ 2,253	FY 2010	FY 2039	

Notes:

- The Exposition Blvd Light Rail Transit project includes the following funds: Prop 1B Transit Modernization funds (\$250 M), State Transportation Improvement Program funds (\$103 M), Metro Propositions A and C funds (\$354 M).
- Systemwide ridership forecasts indicate need for a Regional Connector downtown. This expenditure plan assumes that Metro Long Range Transportation Plan funds freed-up from the Exposition Phase II project by passage of this sales tax will be redirected to the Regional Connector project by the Metro Board.
- Local funding for the Crenshaw Transit Corridor assumes a 3% local contribution (\$44 M) and a Metro Long Range Transportation Plan contribution (\$219 M).
- Local funding target and project schedule to be determined due to potential LAX contribution. First segment is included in the Crenshaw project.
- The San Fernando Valley North-South Rapidways minimum of \$100 M is divided between the East and Canoga segments.
- Unescalated cost estimate to Westwood.
- Assumes a 3% local contribution to the Escalation Allowance (\$225 M) and a Metro Long Range Transportation Plan contribution for project scheduling risk (\$615 M).
- Total new rail and/or bus rapid transit capital projects cost estimate subject to change when cost estimates are developed for the San Fernando Valley I-405 Corridor Connection (line 13) and the West Santa Ana Branch Corridor (line 16).
- The precise amounts of Federal and local funding for the Alameda Corridor East Grade Separations Phase II project are subject to change.
- For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).
- Amounts are estimates. Actual amounts will be based on percentage of actual sales tax receipts net of administration.
- Local Return to the incorporated cities within Los Angeles County and to Los Angeles County for the unincorporated area of the County on a per capita basis per annual California Department of Finance population data.
- The total project cost estimate for the transit and highway capital projects of \$41.2 B includes \$12.9 B in as yet unidentified federal, state, local, and public-private partnership funds for highway projects.

Legend: Ops = Operations; Tran. Cap. = Transit Capital; SR = State Route; l = Interstate
 * The West Santa Ana Branch matching funds would be accelerated by utilizing Long Range Transportation Plan resources freed-up by the use of new sales tax funds on the Interstate 5 Capacity Enhancement from I-605 to Orange County Line project (line 27).



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CON5

REVISED

**CONSTRUCTION COMMITTEE
MARCH 17, 2011**

**MEASURE R PROJECT DELIVERY COMMITTEE
MARCH 17, 2011**

SUBJECT: FINAL UNIFIED COST MANAGEMENT PROCESS AND POLICY

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the final Unified Cost Management Process and Policy for Measure R Projects (Attachment A).

ISSUE

In January 2011, the Los Angeles County Metropolitan Transportation Authority LACMTA Board of Directors approved the final Unified Cost Management Process and Policy for Measure R Projects as shown in Attachment A. Changes directed by the Board are indicated by strikeout, bold, and underlined typefaces.

DISCUSSION

Measure R projects will be managed based on the Board adopted policy.

NEXT STEPS

The Executive Director for Countywide Planning and the Executive Director for Transit Project Delivery are implementing the policy. We also are developing a Measure R Contingency funds policy recommendation for the LACMTA Board of Directors to consider in April 2011.

ATTACHMENT(S)

- A. Unified Cost Management Process and Policy for Measure R Projects
- B. Measure R Transit Corridor Map

Prepared by: David Yale, Deputy Executive Officer of Regional Programming
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for

Martha Welborne, FAIA
Executive Director, Countywide Planning

Krishniah Murthy

Krishniah Murthy P.E.
Executive Director Transit Project Delivery

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A
Unified Cost Management Process and Policy
for Measure R Projects

Introduction

The MTA will follow a unified cost management process and policy for the control and minimization of project costs for the Measure R transit **and highway** projects. At the core of the unified cost control management process and policy is a commitment to follow a new step-by-step evaluation of project costs against possible resources to address project shortfalls. Shortfalls that cannot be addressed at the project level by value engineering or other measures, such as changes in the scope of the project, will be subject to a new stepwise evaluation process.

The new step-by-step cost management process will require the MTA Board to review and consider approval of project cost estimates against funding resources at key milestone points throughout the environmental, design, and construction phases of the Measure R transit **and highway** projects. At each milestone, MTA staff is directed to: (1) submit a project that is consistent with the budget; (2) identify any issues when a project is not consistent with the budget; and (3) propose corrective actions before the project advances further, if it is not consistent with the budget. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. At each milestone, the planned funding resources shall not exceed the amounts shown. These key milestones include the following decision points:

- 1) Selection of conceptual design alternatives to be studied in the environmental phase;
- 2) Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
- 3) Approval of the final environmental document and entrance into the final design phase;
- 4) Establishment of a life-of-project budget prior to construction; and,
- 5) Any amendment to the life-of-project budget.

If increases in cost estimates occur, the MTA Board must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases in cost estimates will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:

- 1) Value Engineering and or scope reductions;
- 2) New local agency funding resources;
- 3) Shorter segmentation; **and,**
- 4) **Other cost reductions within the same transit or highway corridor;**
- 5) **Other cost reductions within the same sub-region; and finally,**

- 6) Countywide transit cost reductions or other funds will be sought using pre-established priorities.

The objective of the cost management process and policy is to insure the prompt development and consideration of project cost alternatives that genuinely address the cost controls necessary to successfully deliver all **42** Measure R transit and highway corridor projects.

Process and Policy Detail

The unified cost management processes and policies that are proposed controls are as follows:

- 1) A regional long-range transportation plan (covering at least 20 years) for Los Angeles County shall be adopted at least once every five years. For interim years, staff will report on changes affecting the major financial assumptions of the plan and progress toward the implementation of new projects and programs. The plan update report shall also highlight Board approved actions taken during the interim period that affect the plan outcomes or schedules (*from Financial Stability Policy*);
- 2) MTA shall complete projects accelerated through the 30/10 Initiative in the same sequence as the adopted 2009 Long Range Transportation Plan (LRTP) (*from 30/10 Initiative Position Statement*);
- 3) MTA shall only utilize pledged federal assistance from the 30/10 Initiative if the construction and financing costs are less than the available funds (adjusted for inflation) planned in the adopted 2009 LRTP, unless those costs are being adjusted by the minimum necessary to accomplish an operable segment for the corridor (*from 30/10 Initiative Position Statement*);
- 4) Measure R transit corridor and highway projects shall be presented separately for approval by the Board in a step-by-step cost control process that will evaluate project cost estimates against funding resources at key milestones points throughout the environmental, design, and construction phases of the 30/10 transit projects. For Measure R funds, the planned funding resources (including any prior Measure R expenditures) shall not exceed the amount shown in the "New Sales Tax Total" column of the Measure R expenditure plan. These key milestones include the following decision points:
 - a. Selection of conceptual design alternatives to be studied in the environmental phase;
 - b. Selection of the Locally Preferred Alternative and entrance into the Preliminary Engineering phase;
 - c. Approval of the final environmental document and entrance into the Final Design phase;
 - d. Establishment of a life-of-project budget prior to construction; and,
 - e. Any amendment to the life-of-project budget.

- 5) At any of the milestones above, the MTA will seek to control and minimize Measure R transit and highway project costs prior to taking any action necessary to permit the project to move to the next milestone. Cost minimization efforts will be measured against the 2009 Long Range Transportation Plan as adjusted by subsequent actions on cost estimates taken by the MTA Board. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order:
- a. Value engineering and/or scope reductions;
 - b. New local agency funding resources;
 - c. Shorter segmentation; **and**,
 - d. **Other cost reductions within the same transit or highway corridor (see Attachment B);**
 - e. **Other cost reductions within the same sub-region (See Attachment B); and,**
 - f. Countywide transit **and highway** cost reductions and/or other funds will be sought using pre-established priorities, as follows:
 - i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18); **and**,
 - ii. **Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,**
 - iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).

Each Measure R transit **or highway** project will be considered on a case-by-case basis at each milestone and a rationale developed if resources from the prior step above are insufficient or not recommended for good reason. The MTA Board will be presented with all viable options and will have the sole authority to make any final funding and project delay decisions.

- 6) Prior to inclusion in the annual budget, Measure R transit corridor **and highway** projects shall be presented separately for approval by the Board for a life-of-project budget. Subsequently, capital projects with life-of-project budget changes that cause the project to exceed \$1 million or if the change exceeds \$1 million shall be presented to the Board for approval (*from Financial Stability Policy*);
- a. Prior to life-of-project budget approval, the MTA shall compare the sum of the cost of the Measure R transit **and highway** projects to date and the proposed life of project budget (as de-escalated) to the most up-to-date LRTP funding forecast for Measure R transit **and highway** projects. If the life-of-project budget is less than the anticipated funds available as compared to the up-to-date LRTP funding forecast, then MTA can approve the life of project budget. If the life-of-project budget are more than the available funds, then MTA would not execute a construction contract unless the MTA Board approved cost reductions, project delays or other

funding to make up the difference (*modifies and would supersede language from the body of 30/10 Initiative Position Statement*);

- 7) Prior to approval of a life-of-project budget that exceeds currently committed revenues and prior to approval of a life-of-project budget cost increase, MTA staff will evaluate the possibility of securing the necessary cost savings or revenues for the project. Within the parameters of the MTA Board's policy not to seek transit funds from highway resources, or vice-versa, staff will first seek to identify cost and/or additional funds in a step-by-step manner from:
 - a. Value engineering and/or scope reductions;
 - b. New local agency funding resources;
 - c. Shorter segmentation; **and,**
 - d. **Other cost reductions within the same transit or highway corridor;**
 - e. **Other cost reductions within the same sub-region; and,**
 - f. Countywide transit cost reductions and/or other funds will be sought using pre-established priorities, as follows:
 - i. Where applicable, Measure R Transit Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 2 of 4, Line 18); **and,**
 - ii. **Where applicable, Measure R Highway Capital Subfund Contingency-Escalation Allowance funds (Measure R Expenditure Plan, Page 3 of 4, Line 39); and,**
 - iii. Where Line 18 is not applicable, the LRTP Near-Term Strategies and Priority Setting Criteria will be followed (Item 9, as Adopted by the Board of Directors in March 2010).
- 8) A specific MTA Board action is required to re-program highway capital project funding for use on transit **or highway** capital projects as a result of 30/10, unless such re-programming does not result in a net decrease to the highway capital project funding (*from 30/10 Initiative Position Statement*);
- 9) Likewise, a specific MTA Board action is required to re-program transit capital project funding for use on highway capital projects as result of 30/10, unless such re-programming does not result in a net decrease to the transit capital project funding (*from 30/10 Initiative Position Statement*); and,
- 10) Any capital project savings above \$200,000 must return to the Board for approval prior to the reprogramming or transfer of funds to other projects or programs (from Financial Stability Policy).

