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REVISED
PLANNING AND PROGRAMMING
APRIL 15, 2015

SUBJECT: INTERSTATE 10 HOV LANE PROJECT FUNDING INCREASE

ACTION: PROGRAM \$10,279,000 TO CALTRANS FOR COST INCREASES

RECOMMENDATION

Authorize the Chief Executive Officer to negotiate a Programming/Funding Agreement with Caltrans to program an additional \$10,279,000 for the I-10 High Occupancy Vehicle (HOV) Lanes Project from Citrus Avenue to SR-57.

ISSUE

Caltrans is in the final stage of design for the Project and has prepared the Engineer's Estimate for the Project. Roadway realignment, changes in design and increased unit prices and contingency budget due to highly probable construction risks have increased the overall project cost. The increase in cost will be shared between Metro and Caltrans. Caltrans is requesting Metro program an additional \$10,279,000 as part of the Region's share.

DISCUSSION

The last programming action by the Metro Board was in 2007, at which time the project budget for the HOV Lanes Project was adopted. Subsequently, Caltrans was able to program nearly \$50 million of State Highway Operations and Protection Program (SHOPP) Funds to rehabilitate the pavement on this same stretch of highway. The condition of the pavement in this location is extremely poor, and the rehabilitation work will result in a roadway that will have a 40 years lifespan with no traffic disruption for many years.

In 2012, it was decided to combine the Metro HOV lane project with the SHOPP rehabilitation project to minimize the impact to the traveling public, as well as the movement of commerce with this more efficient construction process. As a result of combining the two projects, however, the project was redefined from a "HOV and Pavement Rehabilitation" to a "New Freeway Construction" project. This required that in addition to adding the HOV lane and rehabilitating the pavement, many non-standard

highway features were to be brought up to current standards. The profile of the roadway in the vicinity of Kellogg Hill near Via Verde was lowered by five feet to provide a higher design speed and improved sight distance (The roadway near Via Verde has an above average accident rate, and the improvement in the design speed and the sight distance will enhance the overall operation of the facility.) The freeway was also realigned to avoid Forest Lawn Cemetery property. While the realignment eliminated the need to acquire right-of-way from Forest Lawn, the design had to be revised, resulting in increased retaining walls costs. Because of the redesign as noted above, the utility agreements were not in place as early as anticipated, so the project contingency has been increased to cover utility relocation risks. Finally, the unit prices for construction items have increased as a reflection of the improving economy. Thus, there is an increase in Project's support and capital costs.

The existing Programming Agreement for the Metro programmed and the SHOPP Funds for the Project shows a total project budget of \$241,160,000.

Caltrans has provided an updated budget for each of the Project components listed below:

<u>Component</u>	<u>Amount</u>
Proj. Approval/Envir. Doc	\$143,000
Design	\$30,844,000
Right of Way Support	\$2,525,000
Right of Way Capital	\$8,000,000
Construction Support	\$32,500,000
Construction Capital	\$190,384,000

The new total project budget is \$264,396,000.

Caltrans and Metro staff have worked together to identify those costs that are associated with the redefinition of the Project. Caltrans has agreed to fund those costs, estimated at \$12,957,000 from the SHOPP. Metro's share of the balance of the project cost increase is to be \$10,279,000.

DETERMINATION OF SAFETY IMPACT

The proposed action in itself does not have a direct impact on the safety of the Project. The Project is being designed to the State's requirements. The lowered profile of the roadway in the Kellogg Hill vicinity will provide a higher design speed and a safer roadway for the travelling public.

FINANCIAL IMPACT

The Project will not utilize any funds for construction in FY 2015. Also, Staff proposes to utilize Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds to cover Metro's share of the cost increase. These are pass through funds and are not a part of the Metro budget.

The proposed funding strategy is to advance \$10.28 Million of Metro's share of CMAQ funds from the statewide pool of such funds managed by Caltrans. By drawing from the statewide pool, the funding advance will come from other possible commitments Caltrans could have made to other projects across the entire state. Over time, Metro will seek to roll the advance of its share forward each year by continuing to over-deliver projects into the statewide pool. Each year Caltrans redistributes (in August) similar advances that it receives from a nationwide pool of federal funds. These "August Redistribution" funds from the national pool are the ultimate target funding source for the \$10.28 M commitment to the project budget.

If we are not successful in rolling the CMAQ share advance forward into the statewide pool each year, other projects in Los Angeles County may experience funding delays from this source ranging from several months to as much as a year. Finally, Caltrans is cooperating with us in this effort because they recognize the partnership role Metro plays in delivery of their now combined freeway improvement project.

Response to Planning and Programming Committee Inquiry

In approving this report, the Planning and Programming Committee requested that we explain the consequences of failing to advance funding by over-delivering Congestion Mitigation and Air Quality Improvement (CMAQ) funds each year. To perform this analysis, we assume that the failure to accomplish the over-delivery carry forward occurs in the first year of Metro's capital and operating program, FY 2016. Such a failure would require the acceleration of other funds, most likely by accelerating our various planned borrowing programs. After such an acceleration of borrowing, subsequent borrowing will have to be deferred to re-balance capital program. We believe a capital program deficit already exists in the amount of \$440 million through the end of the SRTP in FY24. In dollars terms the shortfall may seem large, but remains manageable at 1.6% of the \$33.9 billion forecasted Metro capital and operating program embedded within the SRTP. While projects already under construction are not yet put at risk by the 1.6% shortfall, any project not yet awarded for construction could be deferred to help resolve the forecasted shortfall in the future. At this juncture, the Board has not set specific priorities that would enable Metro to defer any projects. If the shortfall becomes unmanageable, we will return to the Board with specific recommendations on how to proceed.

Impact to Budget

A. Source of funds: Federal CMAQ which are eligible for bus/rail operating or capital expense.

B. The following are not impacted by this action:

1. Bus and rail operating and capital budget
2. Proposition A and C and TDA administration budget
3. Measure R administration budget

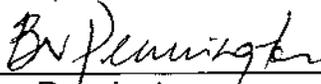
ALTERNATIVES CONSIDERED

An alternative would be for Metro to not program the cost increase. Caltrans would not proceed to advertisement of the project for construction without adequate programmed funding.

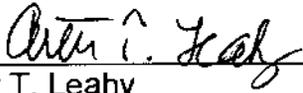
NEXT STEPS

It is anticipated that Metro will enter into an amended Program Agreement to program the funding. Caltrans expects to advertise the Project for construction in the summer of 2015.

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