

## **Subregional Equity Program (SEP) Guidelines White Paper (November 2020)**

Metro Board Motion 38.1 from May 2020 requests “Standard and explicit criteria for how and when a subregion’s SEP allocation may be accelerated to meet their needs”. Metro staff will propose newly created guidelines that identify how the funds can be programmed and the administration of the program.

### **BACKGROUND**

**FASANA AMENDMENT:** To provide equivalent funding based on the original allocation of funding (i.e. \$180 million is 13% of such funding based on the San Fernando Valley's share) to each of the other subregions to assure and maintain equitable funding.

On July 25, 2019 the Board approved the Motion by Fasana, Garcetti, Solis and Barger that the Board consistent with the June 2016 Board action that created the Subregional Equity Program, reaffirms that each subregion's Subregional Equity Program allocation as listed in the Measure M Expenditure Plan (line item 68, note s.) is listed in 2015 dollars, consistent with all other figures in the "Most Recent Cost Estimate" column of the Measure M Expenditure Plan. These allocations shall be escalated to year-of-expenditure in accordance with the escalation policies in the Measure M expenditure plan.

The Subregional Equity Program (SEP) is in the Measure M Expenditure Plan and is eligible for Measure M and other funding sources. The total spending available for the SEP is \$1,196 million from FY 2018 to FY 2057. The SEP was added late to the Expenditure Plan after all other projects and programs were included and is currently programmed in the Long Range Transportation Plan (LRTP) financial forecast beginning FY 2043 using Measure M revenues. However, this is only one scenario of the potential funding sources and timing of investments within the SEP.

In two prior instances, SEP funds have been programmed for use prior to FY 2043 – for cost overruns on Foothill 2B in July 2019 and Crenshaw/LAX in May 2020. The existing Measure M Final Guidelines and Administrative Procedures do not specifically describe how or when the SEP funds can be programmed.

### **THE PROPOSAL**

The proposed process for allocating SEP funds to the subregions will be comparable to the process for other Multi-year Subregional Programs (MSP). Staff will prepare five-year SEP funding estimates for the subregions, including inflation adjustments, with the current estimated funding availability beginning in FY 2043. The five-year estimate will be updated each October and reflect any funding capacity that Metro staff has identified and could allow the programming of SEP funds during the five-year period. Funding capacity could also occur from a reduction in Measure M programmed for a capital project resulting from a decrease in project cost, cancellation or defunding of a project, or provision of other local funds to supplant the Measure M, as identified and requested by a subregion.

The guidelines propose programming of SEP funding if recommended by Metro staff and in accordance with Board-adopted notice and approval requirements, which include 120 day written notice to affected subregions prior to any recommendation and formal approval by the

subregion. The Measure M guidelines require Subregional approval of subregional funding prior to staff making recommendations to the Metro Board. Metro has previously approved the programming of SEP allocations when Board policy required consideration of funding from a subregion and or corridor to address a project cost increase.

The guidelines would also allow advancing the programming if requested by a subregion or other stakeholder and in compliance with existing Board policies, including the Measure M Early Project Delivery Strategy (EPD) from November 2017 and the MSP inter-program borrowing provisions in the Measure M Final Guidelines. The EPD requires scoring of proposals to accelerate funds based on factors including the amount of local match and the status of the project in its development process, so long as the acceleration does not negatively impact the funding of other Measure M projects and programs. Metro staff will evaluate the financial impact of any proposed SEP programming and consider the potential use of debt to finance the SEP that may reduce the immediate cash flow requirement. Metro will accept all proposals by subregions, provide recommendations, and submit the proposals and recommendations to the Metro Board for consideration, which could involve an amendment to the Measure M ordinance. The subregions may also request SEP funding to deliver a project by borrowing, or exchanging, from another MSP that has programmed funding in earlier years, in accordance with the "Cashflow Management" section of the Measure M Final Guidelines. Metro staff will be available to provide technical assistance to the subregions in preparing any proposal to program SEP funds.

Upon adoption by the Metro Board, staff propose to incorporate the SEP guidelines into the Measure M Final Guidelines and post these for public dissemination. Metro staff will be available to accept and review any proposals to program funding in consideration of the provisions of the Ordinance and Board-adopted policies including the EPD.