



Board Report

File #: 2019-0424, File Type: Agreement

Agenda Number: 27.

PLANNING AND PROGRAMMING COMMITTEE JUNE 19, 2019

SUBJECT: FEDERAL FUNDING EXCHANGE WITH COUNTY OF LOS ANGELES ON STATE ROUTE 126/COMMERCE CENTER DRIVE INTERCHANGE PROJECT

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

APPROVE the amendment of the repayment schedule of federal Surface Transportation Program-Local (STP-L) funds with non-federal funds in the Exchange Agreement between the County of Los Angeles (County) and the Los Angeles County Metropolitan Transportation Authority (Metro) for the State Route 126/Commerce Center Drive Interchange Project, as shown in Attachment A.

ISSUE

The County is requesting to amend the repayment schedule for the balance remaining from the exchange agreement of federal STP-L funds with non-federal funds for the State Route 126/Commerce Center Drive Interchange Project. Board approval is required in order to amend the existing agreement repayment schedule. Otherwise, the County would be in default with the terms of the Exchange Agreement and would not be able to bill Caltrans for reimbursement and complete project close-out.

BACKGROUND

In October 2011, the Board approved the Exchange Agreement, which mainly allowed: i) the County to use up to \$41 million of STP-L funds for the Project; ii) Metro to negotiate agreements to exchange the non-federal funds, as they become available from the repayment by the County, with participating local agencies that can more efficiently and expeditiously utilize more flexible non-federal transportation funding; and iii) the County to draw down as much of its STP-L funding balance as possible to avoid lapsing. The County agreed to repay \$13 million on July 1, 2014 and up to \$28 million on July 1, 2016. Due to project delays, the Board approved three requests by the County to amend the repayment schedule.

DISCUSSION

Although the project was substantially completed in 2017, an additional amendment to the repayment

schedule is needed to allow the County to complete project-closeout, including paying for additional expenditures and cost increases, receiving approval for work-change orders, finalizing billing to Caltrans and receiving reimbursement, and completing contract acceptance. To date, the County has remitted \$34 million to Metro. The County is requesting to amend the repayment schedule of the Exchange Agreement (as last amended and approved by the Board in June 2018) for the \$7 million balance remaining and due to Metro by July 1, 2019 by splitting the payment into: i) \$1,530,845 due by July 1, 2019; and ii) up to \$5,469,155 due by July 1, 2021.

Equity Platform:

Amending the repayment schedule for the Exchange Agreement with the County supports the third pillar of Metro's Equity Platform (Focus and Deliver) by allowing Metro to continue providing non-federal funds made available by the County through the Exchange Agreement to benefit smaller local agencies. Non-federal funds are essential to small local agencies that do not have the resources or capability to manage and comply with federal funding requirements. With access to non-federal funds, smaller agencies are also able to invest in disadvantaged communities at a much quicker pace, therefore enhancing access to a better quality of life.

DETERMINATION OF SAFETY IMPACT

Amending the repayment schedule of the Exchange Agreement will not have any adverse safety impacts on Metro's employees or patrons.

FINANCIAL IMPACT

Federal STP-L funds are sub-allocated based on population and are administered through Caltrans. The funds are not part of the Metro budget nor are they available for Metro capital or operating uses. As federal funds, STP-L dollars are subject to strict programming and administrative requirements from the Federal Highway Administration and Caltrans.

Funds received from the County are placed in an interest-bearing account for Project 500014 for pass-through allocations to local agencies participating in the STP-L Exchange Program, with a two percent (2%) administrative fee assessed by Metro. If no funds are received, no exchanges are made. Accordingly, slower repayment by the County will simply defer Metro's ability to offer pass-through allocations to participating local agencies. No other impacts are expected.

Impact to Budget

Amending the Exchange Agreement will have no impact to the current Metro budget or for Fiscal Year (FY) 2020. The 2% administrative fee for staff allocation requested in the FY 2020 budget will draw down existing administrative fees accrued from past STP-L exchanges.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended action supports achieving Goal 5 of Metro's Vision 2028 Strategic Plan to provide

responsive, accountable, and trustworthy governance within the Metro organization, as it allows exercising sound fiscal stewardship and expands opportunities for other agencies to continue working with us.

ALTERNATIVES CONSIDERED

The Board may choose not to approve amending the repayment schedule of the Exchange Agreement. Staff does not recommend this alternative because that would bring the County into default with outstanding payments subject to withholding by Metro from the County's: i) Proposition A local return funds; ii) then from Proposition C local return funds; iii) then from Measure R local return funds; and iv) then from any unobligated STP-L balance funds. By not approving the amendment, the County also: i) would not be able to obligate the balance of STP-L funds from the Exchange Agreement and complete project close-out; and ii) could lose some or all of its STP-L unobligated balance from the Exchange Agreement due to lapsing. We also do not recommend this alternative because local agencies would not be able to expedite implementing their transportation projects and may run the risk of having their STP-L funds lapse.

NEXT STEPS

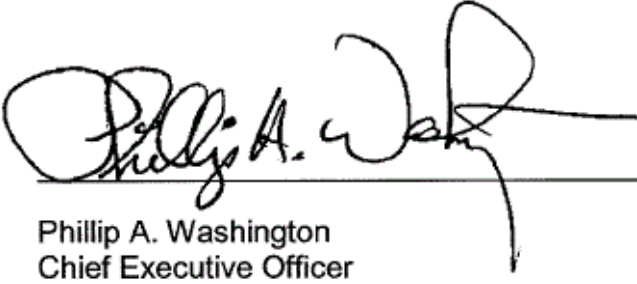
With Board approval, staff will amend the repayment schedule with the County for the balance of STP-L funds. As the County funds are repaid, staff will also continue to negotiate and execute exchange agreements with eligible participating local agencies and ensure that the funds being made available are properly administered and used on STP-L eligible projects in a timely fashion.

ATTACHMENTS

Attachment A - Repayment Schedule

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Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

Table 1: Repayment Schedule

| Board Action | First Payment | | Second Payment | | Amount Received by Metro |
|-----------------------------------|---------------|-----------|----------------|-----------|--------------------------|
| | Amount | Due | Amount (up to) | Due | |
| 5/26/2011 (original agreement) | \$13,000,000 | 7/1/2014 | \$28,000,000 | 7/1/2016 | - |
| 6/26/2014 (first amendment) | \$13,000,000 | 6/30/2015 | \$28,000,000 | 6/30/2017 | \$13,000,000 |
| 5/25/2017 (second amendment) | \$16,000,000 | 7/1/2017 | \$12,000,000 | 7/1/2018 | \$16,000,000 |
| 6/28/2018 (third amendment) | \$ 5,000,000 | 7/1/2018 | \$ 7,000,000 | 7/1/2019 | \$ 5,000,000 |
| 6/27/2019 (proposed amendment) | \$ 1,530,845 | 7/1/2019 | \$ 5,469,155 | 7/1/2021 | |