

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
8	09/10/18	Open	Information	09/05/18

Subject: Use of Proposition 1A Funds for Construction and Small Starts Grant Agreement Support-Informational Update.

ISSUE

To provide information regarding the potential use of a portion of the Proposition 1A High Speed Rail Funding programmed for the Downtown Riverfront Streetcar Project in advance of a Small Starts Grant Agreement.

RECOMMENDED ACTION

This is an informational update, no action is being requested.

FISCAL IMPACT

This is an informational update, there is no fiscal impact.

DISCUSSION

This is an information item regarding the potential use of a portion of Proposition 1A funding programmed for the Downtown Riverfront Streetcar Project in advance of a Small Starts Grant Agreement.

Proposition 1A, or the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, was approved by California voters on November 4, 2008. Proposition 1A approved the issuance of \$9.95 billion of general obligation bonds. This money provides partial funding of an 800-mile high speed rail system under the supervision of the California High-Speed Rail Authority. The system is planned to run between San Francisco and Los Angeles, with Sacramento expected to one day be the northern terminus of the project and, in addition, included formula-based funds for commuter and urban rail projects for existing operators.

SacRT was deemed eligible to receive \$30,165,000 of these formula-based funds. In June 2012, at SacRT's request, the California Transportation Commission (CTC) included the Sacramento Intermodal Facility Improvements Project (SVS Loop) in the program of projects, with a commitment of \$25,223,000 of Proposition 1A funds.

Under the terms of the High-Speed Passenger Train Bond Program Guidelines and the Master Agreement State Funded Transit Projects, the requesting of an allocation and execution of the Program Supplement constitutes a commitment by the recipient to complete each defined project or identified project phase/component. While the Master Agreement specifies a procedure for crediting Caltrans for state contributions if assets acquired with Caltrans funding cease to be used for the original public transportation project or are transferred to another party, there are no specific provisions relating to consequences if an approved project is never completed, if there are

Approved:

Presented:

General Manager/CEO

Deputy General Manager/COO

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no physical assets acquired at the time the project is abandoned.

In June 2016, Staff requested that the California Transportation Commission (CTC) to amend the Proposition 1A funds to modify the scope of the programmed project to include the Streetcar Project and deallocate a portion of the funding from the Project Approval and Environmental Document phase to make those funds available for later phases. While the scope of the project was broadened, the overall funding plan and schedule were not updated at that point and the project scope currently includes both the SVS Loop and Streetcar projects, with scheduled completion in 2019. Staff will work with CTC staff at a later date to modify the overall funding plan and schedule.

On June 12, 2017, by Resolution 17-06-0088, the Board approved the use of \$25,000,000 in Proposition 1A funds for the Downtown Riverfront Streetcar Project. However, the Board included a provision in the Resolution that Staff may not request an allocation of Proposition 1A funds for the Downtown Riverfront Streetcar Project until a Small Starts Grant Agreement (SSGA) for the Project has been executed with the Federal Transit Administration (FTA) and \$30,000,000 in funding has been allocated by the California State Transportation Agency (CalSTA) from Cap and Trade (Transit and Intercity Rail Capital Program) funding. Because of the Board contingencies, Staff has not taken any further action with respect to the previously-approved Program Supplement/Amendment. As part of the above resolution, the City of Sacramento and SacRT partnership has been successful in revising the Light Rail Operations and Maintenance Agreement as well as agreeing on the concept and location of the relocated SVS Loop and storage tracks.

On June 19, 2018, the Streetcar Joint Powers Authority (JPA) Board approved a \$2,600,000 FY19 budget to be funded by City contributions of local match funding. The adopted FY 2019 Budget will allow minimal progress on the Project, allowing only the critical path activities of the Project to advance through late 2018. Included in the JPA Board approval was support of a request to the SacRT Board to approve a request for allocation of \$3,500,000 of Proposition 1A funding that would allow Staff to build a budget to more aggressively progress the Project.

Based on the current project activities and schedule, any allocated Proposition 1A funding would be used to fund: (1) streetcar procurement activities including vehicles, (2) preparation of the Civil, Systems and Stations bid package, (3) outreach support, (4) project controls, (5) construction management Work Orders in preparation for construction, and (6) Project Staff time. Staff has spoken with CTC Staff and received a preliminary determination that these expenditures appear to be permissible uses of the programmed Proposition 1A funds, however final approval would be contingent on CTC Board approval following approval by the SacRT Board to make an allocation request. Proposition 1A requires a dollar for dollar match and the match is limited to the phase programmed for Proposition 1A funds (such that design expenditures cannot be a match for construction phase funding). If an allocation request is ultimately approved by the SacRT Board, staff would work with CTC staff to use past, current and future eligible local funds to match any Propositions 1A dollars that are spent.

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In making a recommendation to the CTC for a requested allocation, Caltrans staff must evaluate, under the High-Speed Passenger Train Bond Program guidelines, the availability of all identified and committed matching and supplementary funding for the Project. Staff has been forthcoming with Caltrans that the bulk of the project funding is contingent on the execution of the SSGA and that the currently-available match funding is limited. The next CTC meeting at which Caltrans staff could submit a recommendation for an allocation is October 18th. Following the October 18th Board meeting, the next CTC meeting is not until December 5th/6th.

If the Board were to approve submission of an allocation request at the September 24, 2018 Board meeting, it would enable Staff to continue advancing critical elements of the Project. Staff expects to release the Project's guideway construction bid package in early October. Receipt of the construction bids is a critical step in the Project's advancement. If bids are within the Engineer's Estimate, the Project will be positioned to receive the SSGA within a few months. If the bids far exceed the Engineer's Estimate, the Project will be re-evaluated by the JPA for next steps. Award of the construction contract, contingent upon receipt of a SSGA, may be presented to the Board in January or February 2019. Depending on the outcome of the received bids, Staff would either stop work while awaiting the JPA's re-evaluation on the Project, thus reducing the amount of Proposition 1A funds that would be needed, or, if favorable bids are received, move ahead to secure the SSGA and begin construction.

If the Board elects at a later date to authorize Staff to request an allocation of \$3,500,000 in Proposition 1A funding, approximately \$1,000,000 of these funds could be encumbered for the types of construction-related items specified above prior to Staff receiving the construction bids. A portion of the funds from the most recent \$2,600,000 cost reimbursement agreement would be used for match. The remaining funds from the \$2,600,000 cost reimbursement agreement would go toward design activities. In order to fully match the requested Proposition 1A funds, it may be necessary for the JPA and cities to enter into a separate cost reimbursement agreement. Because of this contingency, the CTC may not approve allocation of a full \$3,500,000 and may instead limit the allocation to the currently-committed match funds.

As explained to the Board last June, there are other eligible uses for these funds. Expending them to continue advancing the Streetcar Project prior to the SSGA creates the obvious risk that they will be unavailable for those other projects if the Streetcar Project is not ultimately granted an SSGA. As indicated above, it is not clear from the Caltrans Master Agreement what other consequences might flow if the Streetcar project is abandoned prior to the acquisition of any physical assets with Caltrans funding. However, the Board, at its discretion, could make its approval of the allocation request contingent on securing an agreement from the Cities to reimburse SacRT for any expended Proposition 1A funds if the Project is ultimately abandoned or if CTC staff ultimately finds this request to be ineligible after allocating funds; due to the respective Board and City Council meeting schedules, such an agreement is unlikely to be in place by the October 18 CTC meeting.

Staff continues to work with the Federal Transit Administration (FTA) to advance the SSGA. A Risk Assessment was held on June 20-22, 2018. A list of eleven action items were provided at

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the end of the Risk Assessment. Staff provided FTA a response to each Risk item on August 31, 2018. In approximately 60 days, the Risk Assessment report may be finalized and ready for administration approval. However, the official delivery of the final report to the project team may be delayed until administration policy decisions are finalized.

Without an allocation of Proposition 1A funding prior to receipt of the SSGA, the Project will continue with minimal progress, allowing only the critical path activities of the Project to advance through late 2018, unless the Cities choose to provide additional local funding.

This item is being presented to the Board at this point for consideration and feedback as to whether the Board would like the allocation request brought back as an action item at a later Board meeting.