

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	01/25/10	Open	Information	01/21/10

Subject: South Sacramento Corridor Phase 2 Project Update

ISSUE

Update for South Sacramento Corridor Phase 2 Project.

RECOMMENDED ACTION

Information

FISCAL IMPACT

None

DISCUSSION

The South Sacramento Corridor Phase 2 project (Project) will extend Sacramento Regional Transit District's (RT's) light rail service from its existing terminus at Meadowview Road south and east 4.3 miles to Cosumnes River College (CRC). The extension will link the fastest growing portion of Sacramento County, the South Corridor, with Downtown, the northeast Sacramento corridor and Rancho Cordova or Folsom in the east corridor. The project includes four stations located at Morrison Creek, Franklin Boulevard, Center Parkway, and Cosumnes River College. The estimated project cost is \$270 million.

The RT Board certified the Subsequent Final Environmental Impact Report in October 2008 and the Federal Transit Administration (FTA) issued a Record of Decision for the Supplemental Final Environmental Impact Statement on December 18, 2008.

Consistent with the Federal New Starts program requirements, a request to enter Final Design was sent to the FTA in April 2009. Prior to granting entry into Final Design, RT was required to make a number of submittals to the FTA for review and approval. These submittals include documents supporting the completion of preliminary engineering elements, an update to the Project Management Plan, an update to New Starts submittal documents, and administrative authority. See Exhibit A for a detailed list of the submittals. The FTA's approval process also requires a Financial Capacity Assessment (FCA), and Technical Capacity and Capability review (TC&C) prior to any decision-making on the approval to enter Final Design. The TC&C issues have been addressed by providing staff augmentation through existing General Engineering Support Services and General Construction Management Support Services contracts, together with staff recruitments and personal services contracts to fill key positions within Engineering and Construction.

FTA provided an informal notice in mid-December that, due to issues related to the FCA, RT would not be granted entry into Final Design at this time. A copy of the FCA report was provided

Approved:



General Manager/CEO

Presented:



AGM, Engineering and Construction

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to RT on December 31, 2009. The report indicates that RT's fare revenue projections and other tax-based funding (e.g. Measure A sales tax, Transportation Development Act funds) to support Operations and Maintenance costs may be optimistic. With respect to capital funding, FTA's concern relates to the issuance of Certificates of Participation (COPs) and RT's ability to repay the COPs. The Board-approved funding plan includes the repayment of the COPs as an operating expense after the project is completed.

The stability and reliability of operations funding is the key to gaining approval from the FTA for a successful outcome of the FCA. The FCA concludes that the fare revenue projections, Measure A revenue growth rates and Transportation Development Act revenue growth rates may be optimistic, and that all should be adjusted downward to reflect a more moderate growth rate. The FCA also concludes that the projected negative growth rate for Operating and Maintenance costs for 2011 should be adjusted to show a positive growth rate. The FCA tested the stability and reliability of the Financial Forecast Model with these adjustments (stress case scenario) and notes that in all years after 2010 that negative operating cash balances exists. The stress case scenario also resulted in negative capital cash balances in all years after 2016.

The underlying message within the report is that the State's budget uncertainty, combined with the economic downturn, negatively impacts RT's Capital and Operating & Maintenance projects/programs. For the past several years, the elimination of State Transit Assistance funds (\$10 to \$26 million annually) and loss of sales tax revenues (almost \$24 million in 2010) have created a budgeting challenge. However, up to this point, RT has been able to manage those revenue reductions through the implementation of cost containment measures, revenue enhancements including fare increases, and elimination of nonproductive bus service. A new challenge for the current fiscal year is the decrease in ridership largely influenced by the implementation of State furlough days and unemployment in general. Because the State budget and general economic conditions largely influenced the conclusions of the report, FTA's approval of the advancement of the project in the immediate future is not expected. However, Staff will take a proactive approach to identify and implement further cost containment measures, explore options for revenue enhancement, and continue to discuss the specific remedies necessary to advance the Project with FTA.

The federal appropriations process, to date, has resulted in \$49.4 million in New Starts funding. The current status of the Project does not affect those funds. However, the President's budget will not include funding for the Project in 2011, funding through the appropriations process is not likely, and the expenditure of the previously designated funds will not be permitted until the issuance of a Full Funding Grant Agreement.

The delay in receiving authorization to enter Final Design is impacting the project schedule. Even with these delays, staff continues to work on activities needed to support the execution of a Full Funding Grant Agreement (FFGA) to minimize overall delays to the Project. This work includes updating the Project Management Plan and project cost estimates, completion of right of way acquisition activities, execution of third-party agreements for utility relocations, and

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submission of applications for required permits. The New Starts guidelines also allow the start of utility relocations following the issuance of the Record of Decision.

Staff also plans to submit a Letter of No Prejudice (LONP) for completion of design coordination activities to minimize the inefficiencies and cost impacts that may result if the design consultants are required to demobilize and remobilize due to the decision by FTA not to advance the Project into Final Design. If entry into Final Design is not granted before August/September 2010, it is highly likely that additional LONP's may be requested. One example is the procurement of traction power substations, as they are currently carried as optional items under a procurement contract issued for another project. Those options expire in early November 2010. It is important to procure the substations to ensure maintenance and operational efficiencies by minimizing the number of different types of substations to be maintained.

Completion of right of way acquisition activities to demonstrate access and control of needed properties, finalizing the capital cost estimate upon completion of Final Design, and a final risk assessment by FTA will be vital in getting the FFGA developed and approved. Developing the FFGA and getting the necessary approvals, on an optimistic schedule, is expected to take a minimum of six months following approval to enter Final Design. The main construction contract (Civil, Track and Systems) is dependent upon the FFGA to ensure adequate cashflow and cannot be advertised unless the FFGA has been executed.

After reviewing the impacts to the Project schedule resulting from the delays discussed above, the Revenue Operations Date has been shifted to late 2013, but could be further delayed dependent upon the timing of receiving approval for entry into Final Design and the approval of the Full Funding Grant Agreement.

EXHIBIT A

COMPLETION OF PRELIMINARY ENGINEERING
Project Definition/Scope
Project Plans, Drawings, Design Criteria, Standards and Specifications with refined project definition for overall project, tracks or routes, stations, stops and other structures
Master Permitting Plan and Schedule
Geotechnical Baseline Report
Documentation of passenger level boarding design for all stations and/or satisfactory determination of infeasibility for one or more stations and satisfactory alternative plan for accessibility.
Project Cost, Schedule and Financial Plan
Capital Cost Estimate and Project Schedule in Original Format and Standard Cost Category (SCC) Format (refined and updated to support final design request)
Summary of O&M Cost Assumptions/Productivities (if O&M costs changed since approval to enter PE)
Financial Plan and Supporting Information Supporting Final Design Request and Financial Capacity Assessment
Project Development Requirements
Final NEPA Documentation (i.e. Record of Decision) including description of required environmental permits and New Starts Rating Information in ROD if the New Starts Rating is less than "medium"
Before & After Study Documentation of Methods, and "Predicted" Results and Identification of Responsible Contractors
TIP and STIP Programming of Final Design and Construction (and update or amendment of long range plan, if needed)
Travel Forecasts (If changed since approval to enter PE)
Documentation of Methodologies and Assumptions
Summit Reports and Maps
Travel Forecasts Template
Annualization Factor Justification
PROJECT MANAGEMENT PLAN (PMP) UPDATE
Basic Requirements Update
Project Sponsor Staff Organization
Project Budget & Schedule
Procedures Update
Document Control Procedures
Change Order Procedures
Material Testing Procedures
Internal Reporting Procedures
Operational Testing Procedures
Quality Assurance/Quality Control (QA/QC)
Plans Update
Contingency Management Plan (identifying significant areas of uncertainty in scope, cost and schedule)
Real Estate Acquisition Management Plan (RAMP)
Rail Fleet Management Plan (RFMP)
Bus Fleet Management Plan (BFMP)
Safety and Security Management Plan (SSMP)
Operating Plan
Configuration Management Plan
Other Project Management Products
Value Engineering Analysis Report
Procurement Contract Packages
Contracting Plan for Final Design Phase
Contracting Plan for Construction/Procurement (draft policies/procedures for all proposed contracting) inclusive of profit strategies and proposed risk allocation measures
Claims Avoidance Plan for Final Design
Claims Avoidance Plan for Construction/Procurement Phase
General Conditions (preliminarily drafted for design, construction and procurement contracts)
Third Party Agreements (negotiated and completed to the extent possible)
Utility Agreements
Master, Interagency, Public/Private, Joint Development, Railroad and Right of Way Agreements
NEW STARTS TEMPLATES, CERTIFICATIONS, AND OTHER REPORTS
New Starts Criteria Templates and Certifications
SCC Annualized Cost Worksheets
Land Use Supporting Information
Making the Case Document
ADMINISTRATIVE REQUIREMENTS
Legal Capacity (Authority to undertake implementation of proposed transit mode)
Authority to pursue and contract with project delivery method proposed (if not design-bid-build)
Grantee Letter of Request for FD Initiation