



BRIEFING: April 21, 2020 Board Meeting **Agenda Item: #4**

TO: Chairman and Board Members

FROM: Brian Annis, Chief Financial Officer
Frank Vacca, Chief of Rail Operations

DATE: April 21, 2020

RE: CONSIDER APPROVING THE LINK US FUNDING PLAN

Summary

Staff is recommending that the Board approve the expenditure funding plan (Funding Plan) to support the construction of the Link Union Station (Link US) Project Phase A, which is part of the Burbank to Los Angeles and Los Angeles to Anaheim Segments of the high-speed rail system. The Funding Plan is prepared in compliance with the Streets and Highways (S&H) Code, section 2704.08, subdivision (d), required under Proposition 1A (Prop 1A) for use of bond proceeds for construction.

The Link US project is one of the highest priority projects contained in the 2012 Southern California Memorandum of Understanding (SoCal MOU). Link US is located in Los Angeles Union Station (LAUS), which is a major regional transportation gateway, currently served by numerous transportation services, including Metrolink commuter rail service, Amtrak intercity and long-distance rail services, Metro Rail services (heavy and light rail), Metro Bus service, municipal bus operators, shuttles, and taxis. Approval of this Funding Plan is a necessary initial step towards eventual authorization of the release of \$423.335 million in Proposition 1A funds to allow train service to “run through” LAUS. The Link US Project is a required incremental step to eventually bring full high-speed rail service to Southern California and will provide the increased rail and transit capacity that is necessary to accommodate future growth in regional travel demand that is forecast both leading up to and following introduction of high-speed rail.

Background

The Authority’s primary project partner for the Link US project is Los Angeles County Metropolitan Transportation Authority (LA Metro). The Authority’s participation in the Link US project follows the Legislature’s direction in beginning the process of developing the necessary elements of the high-speed rail system in Southern California, in conjunction with local projects and other state funded projects. It is also consistent with the appropriation of Proposition 1A bookend projects funding under SB1029 (Statutes of 2012), Budget Act of 2012 that directed \$500 million to Southern California projects. Link US will provide immediate benefits for existing passenger rail services. Following completion of additional planned investments, high-speed trains will operate in the shared corridor between Burbank, Los Angeles, and Anaheim.

The Link US Memorandum of Understanding dated as of September 13, 2019 is an agreement by and among the California High-Speed Rail Authority, the California State Transportation Agency, and the Los Angeles County Metropolitan Transportation Authority to work collaboratively to secure full funding for the project.

LAUS opened to service in 1939 and has been operational for nearly 80 years as the central hub for regional transit services in Southern California. Today, LAUS is the busiest rail terminal west of Chicago and is among the top five busiest passenger terminals in the United States, serving over 110,000 passenger trips a day and an estimated 26,000 daily transfers between multiple transportation modes. LAUS already is an essential component of California's transportation network, providing direct linkages to Metro's bus and rail systems (e.g., Red, Purple, and Gold lines), Metrolink commuter trains, Amtrak intercity trains, and Amtrak's long-distance trains.

The role of LAUS in the state and regional transportation network will become increasingly critical as population and employment growth dictates a growing need for regional system capacity and connectivity. LAUS is a key component of the state-wide high-speed rail system and a vital regional transit hub that patrons will use to access key venues for the 2028 Olympics. Passenger throughput at LAUS is projected to more than double from current volumes to over 225,000 passenger trips daily by the year 2040.

LAUS, which is currently served by over 170 revenue passenger trains daily, is an aging and capacity-constrained facility that is rapidly approaching operational capacity. Recognizing the need to accommodate future growth, Metro currently is cooperating with its state and regional partners to implement dramatic improvements to LAUS through a comprehensive set of track, platform, and concourse improvements that now is named the Link US Project.

LAUS originally was designed as a stub rail facility with tracks only entering and leaving the station from the north through a five-track "throat" with no through-train operational capability. Currently, trains idle for 20 minutes or longer at the station due to the "stub-end" configuration. With the Link US Project, tracks in the LAUS property will be extended to allow train service to "run through" LAUS, reducing train idling, eliminating the need for transfer, and providing one-seat rides from San Luis Obispo to San Diego. The Link US Project will provide the increased rail and transit capacity that is necessary to accommodate future growth in regional travel demand and is a required step to bring full high-speed rail service to Southern California.

The Link US Project is an extremely important investment for Southern California that will transform LAUS into a world-class transit facility, increase rail service capacity and reliability, reduce train idling times, improve transit connectivity, enhance the passenger experience, and support the introduction of high-speed rail service. The Link US Project will also preserve the character of the historic station, maintain existing rail and transit operations during construction, and help revitalize and link the diverse cultures and neighborhoods of downtown Los Angeles.

Work for the first phase (**Phase A**) of the Link US Project is the project scope covered in this Funding Plan. Phase A will be conducted within three project segments:

Link US Project Segment 1 – Throat Area: The tracks leading to LAUS from the north are referred to as the throat. The project work in this segment includes rail signal, communication and track work as well as utility relocation.

Link US Project Segment 2 – Commercial & Center Streets: The work in this segment includes property acquisition, utility relocation, and improvements to Commercial Street and Center Street to accommodate a new viaduct structure.

Link US Project Segment 3 – Viaduct & Run-Through: A new viaduct structure will be constructed, south of LAUS across the US 101 freeway. In Phase A, two run-through tracks running from the LAUS rail yard will be constructed on the viaduct and will connect with mainline tracks along the west bank of the Los Angeles River.

A future phase of the project (**Phase B – Link US Project Segment 4**) will include: raising the LAUS rail yard (with new platforms, tracks, and vertical circulation); constructing a new expanded passenger concourse and open plaza; adding a new lead track in the throat; and constructing up to a total of nine run-through tracks on the viaduct structure over US 101.

Metro's Board of Directors approved the CM/GC delivery approach for the Link Union Station Project on December 5, 2019. With the 35% preliminary engineering design bridging documents, Metro will engage a CMGC under one contract to perform both pre-construction services during the final design and construction services of the Phase A project at a Not-to-Exceed (NTE) price.

Components of the Link US Project Phase A Funding Plan

The Funding Plan includes the following topics pursuant to Streets and Highways Code Section 2704.08, subdivision (d):

Section A: The Usable Segment – This section of the Funding Plan defines the Burbank to Los Angeles and the Los Angeles to Anaheim Segments, on which the Link US Project is located, as the Usable Segments for this Funding Plan.

Section B: Sources of Funds and Anticipated Time of Receipt – This section describes the sources of funds to be used for the construction and acquisition activities of the Link US Project.

Section C: Projected Ridership and Operating Revenue – This section describes current and projected passenger ridership over the Usable Segments for the existing rail services and provides the Authority's ridership estimates for the corridor once its service begins.

Section D: Projected Construction Cost – This section describes the construction and acquisition cost estimates, including cost escalation and reserves for contingencies, for the Link US Project.

Section E: Material Changes – Because the Legislature made the appropriation for projects in Southern California without a separate Funding Plan pursuant to S&H Code section 2704.8, subdivision (c), there are no material changes to report.

Section F: Terms and Conditions of Agreements – This section describes the terms and conditions of the agreements that the Authority has entered or plans to enter into with regards to the completion of the Link US Project as well as other key agreements to which the Authority is not a party.

Recent Legislation Relating to Proposition 1A

In 2016 the Legislature passed and the Governor signed into law Assembly Bill 1889 (AB 1889) that clarified that the early investments in the Bookends, including the Link US Project, which will ultimately be used by the high-speed rail trains, are consistent with the intent of the Legislature in appropriating funds and is consistent with Proposition 1A. AB 1889 also states that, for purposes of the funding plan required pursuant to subdivision (d) of Section 2704.08, a corridor or useable segment is suitable and ready for high-speed train operation if the bond proceeds are used for project costs that would enable a high-speed train to operate immediately or after additional planned investments are made and passenger train service providers will benefit from the project in the near-term.

Independent Consultant Report

In September 2015, after conducting a public competitive procurement, the Authority selected the firm of Project Finance Advisory Limited (PFAL) to prepare the Proposition 1A Funding Plan Independent Consultant Reports required by Streets and Highways Code Section 2704.08(d)(2). PFAL has conducted an extensive independent review of the Link US Project Phase A Funding Plan to prepare their report, which is attached to this memorandum. The Authority and LA Metro provided factual information and answered questions, but all conclusions were developed by PFAL independently.

The Independent Consultant report includes discussion of the following topics required by Streets and Highways Code Section 2704.08, subdivision (d)(2):

- A. Construction of the corridor or usable segment thereof can be completed as proposed in the plan submitted pursuant to paragraph (1) (i.e., this Link US Project Phase A Funding Plan),

- B. If so completed, the corridor or usable segment thereof would be suitable and ready for high-speed train operation,
- C. Upon completion, one or more passenger service providers can begin using the tracks or stations for passenger train service,
- D. The planned passenger train service to be provided by the authority, or pursuant to its authority, will not require operating subsidy; and,
- E. An assessment of risk and the risk mitigation strategies proposed to be employed.

Prior Board Action

2012 Business Plan. On April 12, 2012, the Authority adopted the 2012 Business Plan which established the Authority's plans to utilize a Blended System in the urban "bookends" of the statewide high-speed rail system, including in Southern California. Resolution #HSRA 12-13.

2012 MOU. On April 12, 2012, the Board adopted a Resolution supporting the 2012 MOU to create a program of early investment projects in Southern California that would provide near-term passenger rail improvements while also providing necessary components of the high-speed rail system. The Board authorized the Chief Executive Officer to sign the final MOU, and directed staff to continue working with partner agencies to implement the agreement. Resolution #HSRA 12-10.

In February 2016, in accordance with Resolution #HSRA 16-03, the Authority Board directed staff to negotiate and execute a contract with the LA Metro to share project development costs for the integration of high-speed rail at LAUS.

In December 2016, in accordance with Resolution #HSRA 16-29, the Authority Board approved the Peninsula Corridor Funding Plan and the Associated Independent Consultant Report.

In June 2017, in accordance with Resolution #HSRA 17-13, the Authority Board approved the Rosecrans/Marquardt Grade Separation Project Funding Plan and the Associated Independent Consultant Report.

In May 2019, in accordance with Resolution #HSRA 19-03, the Authority Board adopted the Program Baseline of \$15.6 billion. Within the Program Baseline bookend early investment funding was identified, including the Link US project. This request is consistent with that approval.

Discussion

Staff is recommending that the Board authorize the CEO to approve the expenditure funding plan (Funding Plan) for the phased work to construct the Link Union Station (Link US) Project, which is part of the Burbank to Los Angeles and Los Angeles to Anaheim Segments of the high-speed rail system. The Funding Plan is prepared in compliance with the Streets and Highways (S&H) Code, section 2704.08, subdivision (d), required under Proposition 1A (Prop 1A) for use of bond proceeds for construction, and must be reviewed by the Department of Finance (DOF) for a determination as to whether the plan is likely to be successfully implemented as proposed before the Authority may enter into any funding commitments.

Pursuant to SB1029 (Statutes of 2012), Budget Act of 2012, the Legislature requires that the Authority enter into a project management and funding agreement (PMFA) with the local project sponsor (LA Metro in this case). Prior to entering the PMFA, DOF must approve the PMFA. The PMFA, once negotiated, approved by the Board, and executed, would commit the Authority to provide the \$423.335 million described in the funding plan, per the terms and conditions of the PMFA.

To generate the \$423.335 million, future Prop 1A bonds will be issued by the State Treasurer. The Authority's Finance Office (FINO) will coordinate with the DOF and LA Metro to include the projected expenditures for Link US in the cash flow forecasts prepared as part of the periodic bond survey process that is used by the State

Treasurer’s Office (STO) in scheduling sales of general obligation bonds and commercial paper for all bond-funded projects. FINO also will work with these parties and the STO’s bond counsel to identify the steps necessary to issue tax-exempt Prop 1A bonds for some or all of the Link US project, in accordance with requirements of the Internal Revenue Service (IRS) for use of tax-exempt bond proceeds. Taxable Prop 1A bonds also may be issued, as needed.

Legal Approval

The Authority Chief Counsel’s office has reviewed the requested action and affirms the Authority’s ability to take the action under applicable law.

Budget and Fiscal Impact

The cost estimate for the Link US Project (Phase A) is \$950.4 million in year of expenditure dollars (YOES). In addition to the Proposition 1A bond proceeds of \$423.3 million, other funding sources are included below:

Source	Amount (\$ millions)
Proposition 1A bond proceeds	\$423.3
CHSRA Planning funds	\$18.7
Transit and Intercity Rail Capital Program (TIRCP)	\$398.4
LA Metro Measure M funds	\$13.3
LA Metro Measure R funds	\$51.7
SCRRA – non-Metro funds	\$40.0
CalSTA and Caltrans	\$5.0
Total	\$950.4

Approval of this plan is a necessary initial step towards eventual authorization of the release of \$423.335 million in Proposition 1A funds as outlined in the funding plan, in accordance with the Program Baseline, and in consistent with the appropriation of funding under SB1029 (Statutes of 2012), Budget Act of 2012.

Recommendations

Staff recommends the Board approve the Funding Plan through adoption of the attached resolution which would specifically do the following:

- The Authority designates the BLA Corridor, and the BLA Corridor combined with the LAA Corridor, each as a Usable Segment as defined in S&H Code section 2704.01(g);
- The Authority approves the Link US Project (Incremental Capital Investment #2) Funding Plan and the associated independent consultant report that evaluated that Plan pursuant to S&H Code section 2704.08(d);
- The Chief Executive Officer (CEO) is hereby authorized to finalize the Funding Plan and submit it, and the independent consultant report (unchanged from what the consultant submitted), to the Director of Finance and the Chairperson of the Joint Legislative Budget Committee; and
- The CEO is authorized to begin to negotiate with Metro a Project Management and Funding Agreement (per Senate Bill 1029), and any other needed agreements, and to return to the Authority Board for authorization to enter into such agreements.

Attachments

The attached Funding Plan and Independent Funding Plan Report has been prepared for the Authority's consideration.

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis Chief Financial Officer	Signature verifying budget analysis: Original Signed March 10, 2020
Reviewer Name and Title: Alicia Fowler Chief Legal Counsel	Signature verifying legal analysis: Original Signed March 10, 2020