

**Metropolitan Transportation Commission
Programming and Allocations Committee**

October 11, 2023

Agenda Item 3a - 23-1158

**MTC Resolution Nos. 4537, Revised and 4130 Revised. Major Project Advancement
Policy and Transit and Intercity Rail Capital Program Framework**

Subject:

Proposed revisions to the Major Project Advancement Policy (MAP) and the MTC Framework for the Transit and Intercity Rail Capital Program (TIRCP) state funding program. Proposed revisions include:

1. Commit \$770 million in FY2023-24 and FY2024-25 TIRCP funding to the BART Core Capacity Program (\$350M), the VTA BART to Silicon Valley Phase II project (\$375M) and a Transit Operations Reserve (\$45M).
2. Adoption of the Stage Gate process for MAP projects to move between levels based on an evaluation of cost and funding, policy reinforcements and readiness.

Staff will also present information on megaproject cost increases and potential future changes to the Bipartisan Infrastructure Law – Regional Endorsement List.

Background:

In October 2022, the Commission adopted the first version of the MAP, a regional policy to support implementation of Plan Bay Area 2050 aimed at delivering the next round of major transportation projects and building off the Bay Area’s previous Regional Transit Expansion Program, MTC Resolution No. 3434. This adoption included a list of projects in the MAP assigned to Levels 1, 2, and 3 based on readiness criteria. The adoption also included a funding endorsement matrix identifying full funding plans for Level 1 megaprojects and likely funding sources for smaller Level 1 projects and Level 2 projects.

Over the past several months, the Programming and Allocations Committee (PAC) has received updates on the MAP process and received presentations directly from megaproject sponsors in the region. In September 2023, this Committee received a presentation with an initial staff proposal for the commitment of the \$770 million in FY2023-24 and FY2024-25 TIRCP funding and the adoption of the MAP Stage Gate Policy and Procedures.

Megaproject Cost Increases

Projects in the region continue to experience cost increases due to multiple factors including project delays, adjusted escalation rates, labor and material cost increases, and other factors. This is not unique to the region. Similar increases are occurring throughout the country for FTA Capital Investment Grant (CIG) projects as well as other non-transit megaprojects.

VTA's BART to Silicon Valley Phase II Project – On October 5, 2023, the VTA Board of Directors received a project presentation including an updated capital cost of \$12.2 billion attributable to advanced design, higher contingencies, increased construction costs and updated escalation rates. The revised funding plan included an updated FTA CIG request of \$6 billion and increased local sales tax contributions. The project will now undergo an FTA Risk Review, expected to be completed in Spring 2024.

BART Transbay Core Capacity Program – In August 2023, BART received a final FTA Risk Review and Contingency Report for the project. BART has accepted the FTA revised cost estimate of \$5.09 billion. The updated cost includes updated cost numbers to implement the Communications Based Train Control system and adds additional contingency for inflation risks in labor and materials. BART is currently working with FTA on a project completion plan.

Transbay Joint Powers Authority – The Portal – On August 10, 2023, the TJPA Board of Directors received a presentation on the project's 20-year financial plan, with an updated capital cost of \$8.2 billion, including \$728 million already expended from Phase I of the project for the train box structure. The cost adjustments were made in conjunction with an FTA project review and included revised escalation rates, schedule adjustments, and the inclusion of \$375 million in financing costs.

Addressing Cost Increases

Sponsors are considering a wide variety of remedies to address the cost increases, including securing new sources or requesting larger amounts from existing sources, dedicating more local funds to the project, financing options, revising project scopes, value engineering and program or project level evaluations to identify cost savings opportunities.

The funding plans for transit megaprojects in the MAP rely on critical and significant investment from the FTA CIG program: BART's Transbay Core Capacity Program has received all the funding under its Full Funding Grant Agreement, and three Bay Area projects (VTA BART Extension to Silicon Valley Phase II, TJPA – The Portal, and Tri-Valley – San Joaquin Valley Regional Rail Valley Link) are in the New Starts pipeline. While federal funding for the CIG is at high levels through the Bipartisan Infrastructure Law, nationwide demand for projects on similar timelines could prove challenging for our region to receive all proposed funding on the desired timeline. Further analysis is available in Attachment A: FTA Capital Investment Grant Program Detail.

State Budget Funding for Transit Operating Relief and Transit Capital Funding

Assembly Bill (AB) 102 and Senate Bill (SB) 125 amended the Budget Act of 2023 to appropriate \$4 billion of State General Fund to the TIRCP over the next two fiscal years as well as \$910 million of Greenhouse Gas Reduction Fund funding and \$190 million of Public Transportation Account funding over the next four fiscal years to establish the Zero-Emission Transit Capital Program (ZETCP). These funds, totaling nearly \$1.2 billion in funding for the MTC region, were made available by the State to assist with sustaining public transit operations over the next several years, as federal COVID-19 relief funds are exhausted and an on-going alternative source of operating funds to replace fare revenue lost to the pandemic and on-going remote work trends, have yet to be identified. Both the General Funded TIRCP and ZETCP programs have been made flexible for use on both transit capital and operating projects. Importantly, these state actions assign the funding to the regional transportation planning agencies to program to eligible expenses.

Notably, nearly \$800 million of the \$1.2 billion estimated as the MTC region's share of the State Budget funding, had already been identified in the MAP as previously committed state funding for capital projects that are currently leveraging approximately \$6 billion in federal funds. Should the Commission choose to continue the commitment of these funds for capital purposes through the MAP endorsements proposed in the section below, approximately \$450 million in remaining AB 102 State Budget funding will be available to MTC to provide transit operating relief.

TIRCP Framework Update

In October 2022, the Commission revised MTC's TIRCP Framework (part of the Regional Cap and Trade Framework, MTC Resolution No. 4130, Revised), to include the funding recommendations in the MAP endorsement matrix. Since then, TIRCP Augment 1 awards have generally tracked the MTC MAP endorsement matrix.

Additionally, the revised TIRCP framework included an estimated \$800 million for TIRCP Augment 2. The revised amounts available for the TIRCP Augment 2, based on California State Transportation Authority (CalSTA) estimates, are slightly less. The adopted FY2023-24 state budget includes approximately \$385 million for the region and assigns programming authority of this amount to MTC. Another approximately \$386 million for TIRCP Augment 2, while subject to future state budget approval, is expected to be available to the region in the FY2024-25 State Budget.

Revised Staff Proposal for TIRCP Augment 2 Endorsement – For Committee

Discussion

Based on the adopted FY2023-24 State Budget, staff has developed the following proposal with the objective of securing state and federal funding to deliver the MAP Level 1 transit megaprojects: BART Core Capacity and VTA BART to Silicon Valley Phase 2. The proposal, shown in the table below, is based on the following principles:

- Sustain the Valley Transportation Authority (VTA) BART to Silicon Valley Phase II project at an overall \$750M TIRCP Augmentation funding -- \$375M from Augment 2 to match the \$375M from Augment 1. This action will allow

VTA to meet the required committed funding levels to secure a Federal Transit Administration Full Funding Grant.

- Sustain BART Core Capacity at an overall \$600M MAP funding level and identify this project as the recipient of \$350 million in TIRCP Augment 2 funding.
- Direct the remaining \$45 million in Augment 2 – FY2024-25 funding to address critical transit operating needs. Staff notes Attachment B is a letter received from MTC Commissioners Dutra-Vernaci and Miley requesting the direction of \$15 million, of this \$45 million, to the Valley Link project for further project development work. Given the magnitude of the transit operating need, directing these funds to capital would require careful trade-off considerations. Staff plans to bring more information on those needs and considerations to the full Commission at the October 25th meeting.

<i>In \$ Millions</i>						
Project	MAP Endorsement for TIRCP Augment 1	Actual TIRCP Augment 1 Awards	Delta	MAP Endorsement for TIRCP Augment 2	Draft TIRCP Augment 2 Rebalance	
Peninsula Corridor Electrification Project	\$300	\$367	\$67	\$0	\$0	\$0
BART Core Capacity Program	\$250	\$250	\$0	\$350	\$350	\$350
BART to Silicon Valley Phase II	\$450	\$375	(\$75)	\$300	\$375	\$375
Caltrain Downtown Extension (The Portal)	\$60	\$60	\$0	\$0	\$0	\$0
Valley Link	\$40	\$25	(\$15)	\$0	\$0	\$0
Transit Operations - TBD	\$110	\$109	(\$1)	\$150	\$45	\$45
Total	\$1,210	\$1,186	(\$24)	\$800	\$770	\$770

Stage Gate Evaluation Policy and Procedure

Also presented to this Committee in October 2023, staff propose adoption of a Stage Gate evaluation policy and procedure as summarized below and in the presentation. At the 2022 Commission Workshop on the MAP and project delivery challenges, expert testimony and Commission direction focused on the need for a stage gate system to successfully advance and deliver Plan Bay Area projects. In February 2023, staff presented a general outline of a MAP stage gate process. The general outline has been tested and refined by Steer, Davies, and Gleave, a firm with expertise in strategic project

and program delivery, including recent work for MTC on rail governance and project delivery. The refined framework is summarized below.

Evaluation Framework

The proposed evaluation framework focuses on the following:

1. **Cost and Funding:** an evaluation of the cost and funding plan including assessments of contingency, escalation rates, overall cost estimates versus similar recent projects, assessment of capital and operating plans focused on non-committed funding sources.
2. **Adherence to Plan Bay Area and Regional Policies:** an assessment of adherence to Plan Bay Area and other policies including Transit Oriented Communities, Clipper/Fare Integration/Discount Fares, the Regional Express Lane Strategic Plan, Vision Zero and other policies.
3. **Project Readiness:** an assessment of governance, procurement, delivery and operating model and other areas relevant to the successful delivery and operation of the project.

Evaluation Process

The proposed evaluation process is purposefully scalable and flexible to address the different types, cost, opportunities, risk and challenges facing MAP projects and program. The following is a summary of the evaluation process:

1. Evaluation initiated by project sponsor's request to be reassigned levels within the MAP or MTC staff's identification of a project that cannot remain in the current map level due to delivery obstacles. For Stage Gate evaluations on projects over \$1 billion, the Commission would need to approve the evaluation before commencement of process.
2. MTC staff, with the support of a consultant with relevant expertise, would then define the type of assessment to be used based on project risk/complexity and project cost. Projects with lower costs and/or a reduced risk profile could be evaluated through a rapid or basic assessment, whereas moderate and detailed assessments would be used when risk/complexity and/or project costs are higher.

3. The Rapid, Basic, Moderate or Detailed assessment would then be performed based on the three components of the Evaluation Framework identified above.
4. Based on the assessment, the project will receive a confidence score of low, medium or high to be incorporated into a staff recommendation to the Commission. The recommendation could include:
 - a. Advance the project to the next MAP Level without conditions.
 - b. Advance the project to the next MAP Level with conditions or recommendations.
 - c. Do not advance the project to the next MAP Level until specific conditions are met or further assessments are performed.
 - d. Reassignment of the project to a lower MAP Level until specific conditions are met.

More detail of the proposed Stage Gate framework and process is contained in the attached presentation.

Programmatic Categories

As adopted, the MAP includes six programmatic categories for projects under \$1 billion in capital costs. Because of the differences between these categories, staff are proposing to address stage gate evaluations and prioritization of projects in each category separately, accounting for differences between the types of projects in each category, with potential Level assignments for some categories. An update on the programmatic categories and timing of any future updates to these categories is included in the staff presentation.

Bipartisan Infrastructure Bill – Regional Endorsement List

In 2022, MTC adopted a Regional Endorsement List for certain categories within the Bipartisan Infrastructure Law. This list was last updated in June 2022 (included as Attachment A) and is intended to be updated periodically based on regional funding priorities and opportunities and corresponding project funding needs. The list is part of the Bay Area Infrastructure Grants Strategy, a collaborative effort aimed at helping the Bay Area take full advantage of this incredible influx in federal grant opportunities. When the Bay Area transportation

community is united, we empower our elected officials and transportation stakeholders to champion the region's top priorities. Thus, the Commission endorsed a short list of regionally significant projects – developed in coordination with Bay Area transportation partners, for a subset of those USDOT grant programs focused on larger-scale, regional and national significant projects. MTC's BIL grant strategy is bearing fruit; nearly 60 percent of California's grant awards for our target grant programs were awarded to our regional priority projects.

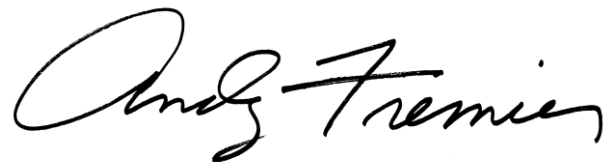
In coordination with project sponsors, as well as local, state and federal funding partners, staff may develop potential revisions to the list to reflect awards to date and evolving funding opportunities and challenges for regional priority projects. Any proposed revisions will be presented to the Programming and Allocations Committee as early as November.

Recommendation:

Refer MTC Resolution Nos. 4537, Revised and 4130, Revised, to the Commission for approval.

Attachments:

- Attachment A: FTA Capital Investment Grant Program Detail
- Attachment B: Letter from MTC Commissioners Dutra-Vernaci and Miley
- Attachment C: Bipartisan Infrastructure Bill – Regional Endorsement List
- Attachment D: Presentation
- Attachment E: MTC Resolution No. 4537, Revised
- Attachment F: MTC Resolution No. 4130, Revised



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