Summary

Staff is recommending that the California High-Speed Rail Authority (Authority) Board of Directors (Board) approve a Project Management and Funding Agreement (PMFA) relating to the funding and construction of the Link Union Station Project (Link US) Phase A, to be constructed by Los Angeles Metropolitan Transportation Authority (LACMTA), for which the Authority is contributing Proposition 1A funds of $423.355 million. In April 2021, the Board approved the Funding Plan for this project.

Pursuant to SB1029 (Statutes of 2012), Budget Act of 2012, the Legislature requires that the Authority enter into a PMFA with the local project sponsor (LACMTA). The PMFA is the contractual agreement through which the Authority will provide funds to LACMTA and oversee the use of those funds. Prior to the Authority entering into the PMFA, the Department of Finance (DOF) must approve the PMFA. This Board Action would approve the CEO to submit the PMFA to DOF for review and approval. Upon approval from DOF the PMFA can be finalized with LACMTA.

Project Description:

Los Angeles Union Station (LAUS) is a major regional transportation gateway, 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. LAUS is an aging and capacity-constrained facility that is rapidly approaching maximum 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.

Work for the first phase (Phase A) of the Link US Project is the project scope covered in the Funding Plan, approved in April 2020. 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.

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 the introduction of high-speed rail. The Link US project is one of the highest priority projects contained in the 2012 Southern California Memorandum of Understanding (2012 MOU).

Proposition 1A Funding Plan:

In April 2020, the Board approved an expenditure funding plan (Funding Plan) to support the construction of the 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. Approval of the Funding Plan was an initial step towards eventual authorization of the release of $423.335 million in Proposition 1A funds. The Funding Plan was prepared in compliance with the Streets and Highways (S&H) Code, section 2704.08, subdivision (d), required under Proposition 1A for use of bond proceeds for construction.

PMFA Purpose:

The purpose of the PMFA is two-fold: First, to provide the mechanism for the Authority to provide up to a maximum of $423.335 million in Proposition 1A funds (the “Funds”) to reimburse LACMTA for costs incurred to acquire land, easements, rights of way and other necessary property rights and for costs incurred to design and construct Phase A of the Link US Project. To accomplish this overall purpose, this PMFA also provides the Authority with certain approval, oversight and/or audit rights to ensure, among other things, that (a) Phase A of the Link US Project is appropriately designed and constructed in a manner so as to accommodate future high-speed rail and (b) LACMTA is efficiently managing implementation of the Link US Project.

The second purpose of this PMFA is to provide that, in consideration for the funds to be provided by the Authority for the Phase A Link US Project, LACMTA has agreed to grant CHSRA the right to build within Los Angeles Union Station all necessary improvements to allow high-speed rail operations and to operate on the high-speed rail tracks without impairing functionality or the uses of, or the capacity associated with, the operations by other existing rail operators on the existing tracks.

In consideration for the funds provided by CHSRA in this PMFA, LACMTA will grant CHSRA the right to run four trains per hour per direction on the four-track shared corridor. When the State makes further investments in the corridor beyond the funds provided in the PMFA, the Authority will coordinate with LACMTA on further agreements for an expansion of operating rights beyond four trains per hour per direction.

Project Detail

The Authority’s primary project partner for the Link US project is Los Angeles County Metropolitan Transportation Authority (LACMTA). 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), 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 September 13, 2019 Link US Memorandum of Understanding 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. The Link US Proposition 1A Funding Plan was approved by the Authority’s Board in April 2020.

LAUS opened to service in 1939 and has been operational for over 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, traditionally 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 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.

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. Phase B is currently not funded and was not a component of the approved Funding Plan.

LACMTA’s Board of Directors approved the Construction Manager / General Contractor (CM/GC) delivery approach for the Link Union Station Project on December 5, 2019. CMGC is an innovative delivery method that allows LACMTA to engage a construction manager to provide input during the design process. LACMTA and the construction manager agree on a price for construction of the project, and the construction manager becomes the general contractor. With the 35% preliminary engineering design bridging documents, LACMTA will engage a CM/GC 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.

Independent Consultant Report Recommendations
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 conducted an extensive independent technical, commercial and financial review of the Link US Project Phase A Funding Plan to prepare their report and in the course of doing so made a number of recommendations as to how the Authority should structure the forthcoming PMFA. The Board asked that those recommendations be included within the PMFA. Those recommendations, and their corresponding PMFA sections, are summarized as follows:

1. **PFAL Recommendation: Maximum dollar cap:** In the event that costs exceed the proposed amounts, there currently are no plans to secure additional funding. The PMFA should cap the Proposition 1A maximum dollar amount at $423.335 million.
   
   - **PMFA Recommendation Addressed:** Section 3.1.1 of the PMFA sets out a maximum dollar cap of $423.335 million for the Authority contribution to the project.

2. **PFAL Recommendation: Design Approval:** The Authority has provided standards for high-speed train operations to LACMTA and is part of the Core Four management team. The PMFA should further specify review during construction and request LACMTA to certify compliance at waypoints to ensure the Authority’s standards are maintained.
   
   - **PMFA Recommendation Addressed:** Sections 2.6, 2.7, 3.1.1, 3.1.2, 3.4, 5.1.2, 5.1.3, 6.3.1 and Attachment 4 of the PMFA collectively set the design approval requirements for the Authority within the project delivery process. These include the identification of 35% Design Plans, the requirement for compliance with technical specifications and design change orders, the requirement to notify the Authority of proposed changes, an agreement by LACMTA not to make changes without written permission from the Authority, and a codification of procedural elements of design approvals which includes Authority review and approval.

3. **PFAL Recommendation:** Guaranteed right to operate in corridor and access for future high-speed rail capital improvements: The PMFA should address the Authority’s right to operate and access LAUS for future high-speed rail capital improvements.
   
   - **PMFA Recommendation Addressed:** Sections 2.6, 3.1.2, 3.4, 6.3.1 set out the Authority’s right to operate and access LAUS for future high-speed rail capital improvements. This includes a defined number of tracks for access and use, the agreement to share or not impeded tracks used by other operators, and limits on actions that LACMTA can take without first seeking approval from the Authority.

4. **PFAL Recommendation: Dedicated use of Prop 1A Funds:** Given the early state investment of Prop 1A funds for the Link US Phase A, the PMFA should specify right-of-way and construction activities are the only acceptable use of Prop 1A funds.
   
   - **PMFA Recommendation Addressed:** Section 4.2 of the PMFA sets out the Use of Funds. This includes defining the specific uses that funds can be applied to and how those uses are compliant with Proposition 1A and SB1029.

5. **PFAL Recommendation: Risk mitigation for right-of-way Prop 1A proceeds in project default:** The PMFA should require LACMTA to sell land acquired for the project to pay back Prop 1A bond proceeds if the project does not proceed. This is a worst-case scenario protection in the event the Link US Phase A Project is unable to be completed.
   
   - **PMFA Recommendation Addressed:** Sections 7.4.1, 7.4.2 and 7.4.3 of the PMFA create the procedure for LACMTA disposing of acquired land and returning funds to the Authority in the event that the project does not proceed on the agreed schedule and falls into default. Section 7.5.1 creates the mechanism whereby, upon construction completion, unused land can be
identified, first offered for sale to the Authority, or sold and the proceeds used to defray any cost overrun. Following that, funds can be reimbursed to the Authority on a 50/50 split with LACMTA.

6. **PFAL Recommendation: Fair Market Value Resale of Real Property:** The PMFA should state real property will be sold at market value, per the California Constitution, and proceeds used to repay the used Prop 1A funds to the Authority. Sale of real property in a distressed scenario or in a volatile market may mean that 100% of expended funds may not be recovered. As a result, there is a risk all Prop 1A funds may not be repaid depending on the market value of the property.

   - **PMFA Recommendation Addressed:** Section 7.5.1 creates the mechanism by which state real property can be sold at fair market value in the event of project termination.

7. **PFAL Recommendation: Require All Funding Commitments:** The PMFA should require all funding sources be committed “in a manner that is reasonably certain” before any Prop 1A construction dollars are used for the Link US Phase A Project. PFAL interprets fully committed funding to indicate the funding sources have necessary board level approvals and executed funding agreements.

   - **PMFA Recommendation Addressed:** Sections 7.4.1, 7.4.2 and 7.4.3 of the PMFA specifically describes the manner in which funds can be applied to the project, including LACMTA providing the Authority with all executed funding agreements (except Measure R and M). They also create the mechanism whereby LACMTA can notify the Authority of shortfalls, delays, cost increases and deviations from material conformance to designs.

**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.

**2020 Funding Plan.** In April 2020, in accordance with Resolution #HSRA 20-01, the Authority Board adopted the Link Union Station Project Funding Plan that represented the first step in releasing Proposition 1A funds to the project. This triggered the requirement to initiate work on the PMFA.

**Discussion**

Staff is recommending that the Board approve the PMFA for the phased work to construct the Link US Project, which is part of the Burbank to Los Angeles and Los Angeles to Anaheim Segments of the high-speed rail system.

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 (LACMTA in this case).

The Authority has worked carefully with LACMTA to finalize the draft of the PMFA and has incorporated the recommendations that were made by the independent consultant in its review of the Authority’s Link US Funding Plans.

Prior to entering the PMFA, the Department of Finance (DOF) must approve the PMFA. The PMFA, once approved by the Board, will be submitted by the Authority’s Chief Executive Officer to DOF. Upon DOF
approval the document will be finalized and executed. This 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’s Office (STO). The Authority’s Finance Office (FINO) will coordinate with DOF and LACMTA to include the projected expenditures for the Link US project in the cash flow forecasts prepared as part of the periodic bond survey process that is used by the 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 approve this PMFA under applicable law.

**Budget and Fiscal Impact**

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount ($ millions)</th>
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<tbody>
<tr>
<td>Proposition 1A bond proceeds</td>
<td>$423.3</td>
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<tr>
<td>CHSRA Planning funds</td>
<td>$18.7</td>
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<tr>
<td>State Transit and Intercity Rail Capital Program (TIRCP)</td>
<td>$337.6</td>
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<tr>
<td>State Interregional Transportation Improvement Program (ITIP)</td>
<td>$60.8</td>
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<tr>
<td>LACMTA Measure M funds</td>
<td>$13.3</td>
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<td>LACMTA Measure R funds</td>
<td>$51.7</td>
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<tr>
<td>SCRRRA – non-Metro funds</td>
<td>$40.0</td>
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<tr>
<td>CalSTA and Caltrans</td>
<td>$5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$950.4</strong></td>
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The total cost estimate and the Authority’s contribution remain consistent with the figures presented in the agenda item within the April 2020 Board Meeting concerning the Link US Funding Plan.

**REVIEWER INFORMATION**

<table>
<thead>
<tr>
<th>Reviewer Name and Title: Brian Annis</th>
<th>Signature verifying budget analysis: Signed April 20, 2022</th>
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<td>Chief Financial Officer</td>
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<tr>
<th>Reviewer Name and Title: Alicia Fowler</th>
<th>Signature verifying legal analysis: Signed April 20, 2022</th>
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<td>Chief Legal Counsel</td>
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Recommendation

Staff recommends the Board approve the PMFA through adoption of the attached resolution which would resolve:

- The Authority approves the Project Management and Funding Agreement for the Los Angeles Union Station “Link US” Project.
- The CEO is authorized to submit the Project Management and Funding Agreement to Department of Finance for review and approval, and to finalize and execute the Project Management and Funding Agreement upon Department of Finance approval.

Attachments

The Project Management and Funding Agreement for Los Angeles Union Station.