

June 2024 RM3 Capital Program Semi-Annual Report

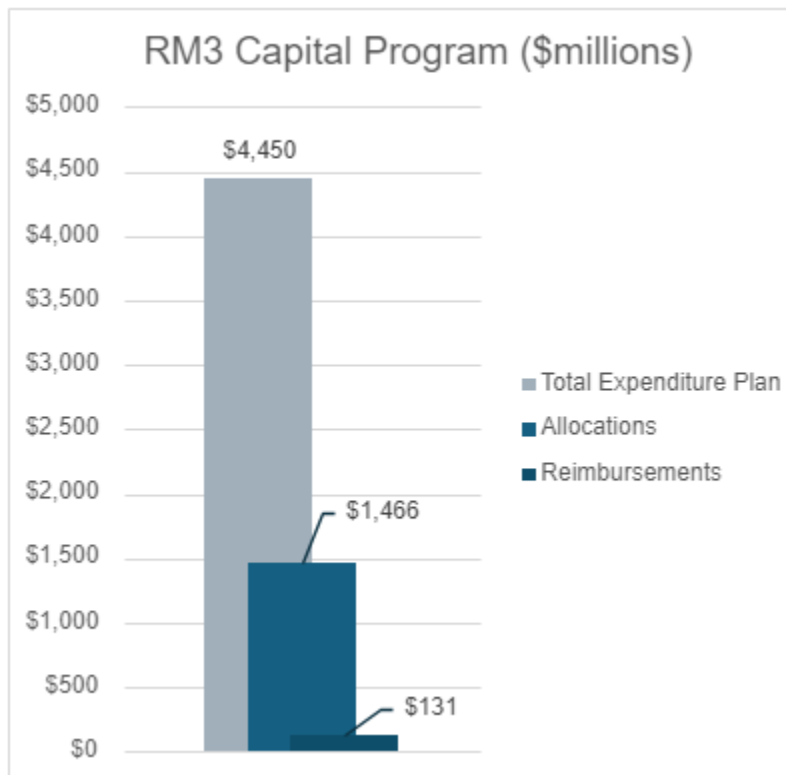
This report summarizes the status of the RM3 capital program and provides updates on RM3-funded projects, including highlights of recently completed projects and notable progress.

RM3 Program Overview and Updates

The RM3 capital program has a total program amount of \$4.45 billion in capital funds for transportation improvements throughout the Bay Area.

In June 2023, following the resolution of the lawsuits that delayed implementation of RM3, the Commission began allocating funds to RM3 projects, beginning with projects that had received Letters of No Prejudice (LONPs) to begin work prior to the release of RM3 funds.

As of May 2024, MTC has approved \$1.47 billion in RM3 capital allocations, or 33% of the total RM3 capital program, to 42 projects or subprojects. MTC has approved \$131 million, or 3% of the total RM3 capital program, in reimbursements to these projects.



The following tables show the distribution of allocations by mode and county.

Allocations by Mode	Allocated (\$M)
Transit	\$903
Highway	\$549
Active Transportation	\$14
Total	\$1,466

Allocations by County	Allocated (\$M)
Regional/Multiple	\$551
Alameda	\$234
Contra Costa	\$35
Marin	\$96
Napa	\$40
San Francisco	\$157
San Mateo	\$21
Santa Clara	\$160
Solano	\$163
Sonoma	\$9
Total	\$1,466

Because the RM3 capital funds are distributed on a reimbursement basis, project sponsors have likely spent additional funds on RM3 projects that have not yet been invoiced to or approved by MTC. Staff continues to work with sponsors to submit timely invoices based on the information provided to MTC as part of the RM3 Initial Project Reports.

Letters of No Prejudice

Prior to the resolution of the RM3 litigation and release of RM3 funds, MTC issued Letters of No Prejudice (LONPs) to projects in the RM3 expenditure plan that were ready to proceed with RM3-eligible work using alternative funding, allowing the sponsor to preserve eligibility to request RM3 allocation and reimbursement at a later date if and when funding was available. MTC issued LONPs to 20 projects or subprojects totaling \$602 million in RM3 funding. When RM3 allocations began in 2023, MTC staff prioritized allocating funds to projects with LONPs. Almost all projects with approved LONPs have received an allocation for those funds, many were able to make significant progress and advance towards later phases, and a few were completed, as highlighted later in this report.

A few projects have not received allocations for their full LONP amount. The Mission Bay Ferry Landing project was delayed due to the COVID-19 pandemic and a related cost increase; The Water Emergency Transit Authority (WETA) is conducting a value engineering and feasibility study to determine how the project will move forward. The Sonoma-Marín Area Rail Transit (SMART) extension to Windsor and Healdsburg secured other funds to complete the LONP scope and is working with MTC staff to determine the scope for the remaining RM3 funds. The

original LONP scope for the I-80/I-680/SR-12 Interchange project was advanced with other funding sources and required less RM3 funding than originally planned to complete; the remaining RM3 funding will be used for later phases of the project.

Approved Changes to Projects

After a public hearing in December 2023, the Commission approved the following changes to the RM3 expenditure plan in January 2024:

- Redirect \$16,700,000 in funds from the Solano County I-80/I-680/SR-12 Interchange Project (RM3 project #21) to the Solano I-80 Express Lanes (Toll System) project – part of the Bay Area Corridor Express Lanes suite of projects (under RM3 project #2)
- Modify scope of the SMART project (RM3 project #7) to clarify eligibility of the multi-use pathway along SMART right-of-way.
- Modify scope of Highway 101-Marin/Sonoma Narrows (RM3 project #20) to extend the project limits approximately 4.5 miles from Petaluma Blvd. South to Petaluma Blvd. North in Petaluma and approximately three (3) miles from Atherton Ave. to State Route 37 in Novato.
- Add the Metropolitan Transportation Commission (MTC) as a joint project sponsor to State Route 37 Improvements (RM3 project #23)

In April 2024, the Executive Director approved via Delegated Authority an update to the project title and scope for the Cutting Boulevard Transit Improvements project (RM3 Project #25.3) to accurately capture the full extent of the Cutting Boulevard, I-80, and San Pablo Boulevard intersection. The Delegated Authority action did not make any changes to the allocation amount. This was the first use of Delegated Authority for RM3 Capital Allocations.

RM3-Funded Project and Program Updates

This section provides updates on completed projects, projects advancing into construction, and regional megaprojects and programs. A brief status update on all projects with RM3 capital allocations is included in Attachment B: RM3 Project Status Summaries. For this semi-annual report, updates from project sponsors were only collected for projects with RM3 allocations as of March 2024; updates for a few other significant projects without allocations or with more recent allocations are also included in this section.

Completed Projects

Solano County I-80/I-680/SR-12 Interchange Project (Package 2)

- An LONP for this project was approved in 2020 and RM3 funds were allocated in 2023.
- Together with the other I-80/I-680/SR-12 Interchange Packages, this project will reduce congestion and improve safety on this key regional corridor.

- Construction on package 2 is complete and project is in closeout.

Vine Transit Maintenance Facility

- An LONP for this project was approved in 2021 and RM3 funds were allocated in 2023.
- The maintenance facility will support electrification of the Vine transit fleet and provide sufficient space to expand the fleet to meet projected growth.
- Construction was completed and the facility began operations in March 2024 and closeout is expected Summer 2024.

County Connection Bus Replacements

- RM3 funds were allocated to this project in 2023.
- The RM3 funding served as match for federal funding to replace forty buses and related equipment and infrastructure.
- The final buses were delivered and the project was completed in October 2023.

Mokelumne Trail Bicycle/Pedestrian Overcrossing of SR-4

- An LONP for this project was approved in 2021 and RM3 funds were allocated in 2023.
- The overcrossing closes a gap between the Mokelumne Trail segments east and west of the highway and improves access for cyclists and pedestrians to neighborhoods, recreation, and transit on either side of the highway.
- The overcrossing opened to the public in March 2024 and closeout is expected Summer 2024.

Projects that Entered Construction this Reporting Period

AC Transit Telegraph Rapid

- Construction contract awarded and construction began.

AC Transit Quick-Build Transit Priority Projects

- Construction contract awarded and construction began.

Eastridge to BART Regional Connector

- The full RM3 amount of \$130 million was allocated for construction in July 2023.
- Start of construction was delayed due to high construction bids.
- VTA secured additional state and local funds to cover the difference between the engineer's cost estimate and the construction contract bids.
- Construction contract was awarded in March 2024.
- New construction completion date is 2029.

Regional Megaprojects and Programs

San Francisco Bay Area Rapid Transit District (BART) Expansion Cars

- Full RM3 amount of \$500 million was allocated in April 2024.
- The railcar delivery contract is partially funded by RM3 and is already underway.
- Delivery of the expansion cars will follow the soon to be completed delivery of the 775 replacement cars.

Bay Area Corridor Express Lanes

- A total of \$182 million has been allocated to express lanes projects in Solano and Alameda Counties.
- All projects with allocations under this program are in construction.

Caltrain Downtown Extension (“The Portal”)

- The Transbay Joint Powers Authority (TJPA) completed 30% design.
- Received Federal Transit Administration (FTA) medium-high rating in February and was recommended for \$500 million in the FY25 draft budget.
- Accepted into the Engineering phase of the federal Capital Investment Grant (CIG) program in May with a lower federal share than requested – leaving a larger construction funding gap.
- TJPA will be preparing a revised Financial Plan and Project Management Plan.
- RM3-funded right-of-way acquisition is expected to advance by the end of 2025.
- Plan to request additional RM3 funds for pre-construction work in fall or winter 2024.

San Jose Diridon Station

- Early right-of-way acquisition of key parcels was completed using RM3 funds.
- Diridon Station business case (non-RM3 funded) work continued.
- The project has completed conceptual design and will enter the environmental phase starting in 2025 and anticipates completion by 2028.
- Plan to request additional RM3 funds for preliminary engineering and environmental work in summer or fall 2024.

BART to Silicon Valley Phase 2

- RM3 funding planned for Construction; may request allocation in late fall 2024 or winter 2025.
- Seeking entry into Capital Investment Grant (CIG) Engineering phase by the end of 2024.

Issues

RM3 Funding Does Not Escalate

RM3 funding for each legislated project is fixed and does not escalate over time with inflation. Delays in allocating and expending funds will effectively reduce the value of RM3 investments, requiring larger portions of projects to be funded through other sources. Delivering projects and programs sooner rather than later will preserve the purchasing power of RM3 investments.

Risk of Cost Increases and Delivery Challenges

Through RM3, MTC has invested or plans to invest significantly in several megaprojects and other large capital projects. Large projects with long delivery timelines are at high risk for delays, cost increases, and other delivery issues. Staff are continuing to coordinate internally and with project sponsors to monitor progress on these projects and respond to issues as they come up. Staff are also working to develop MTC's role in project oversight and risk management, including through the MAP stage gate process.

Invoicing, Reimbursements, and Cash Flow

Most sponsors with RM3 allocations have been submitting invoices at a slower pace than was planned in their allocation requests. This may be partially due to a lag time between when a project incurs costs and when the sponsor invoices MTC for reimbursement, but this Semi-Annual report has found that many projects with early RM3 allocations have encountered delays at all stages of project development and construction, including but not limited to longer-than-expected public outreach and alternatives development in the environmental phase, difficulty or delays in developing agreements or other coordination with project partners, higher-than-expected procurement bids and other issues with contract negotiations, and weather and environmental mitigation delays to construction.

Staff rely on the cash flow estimates provided by project sponsors to plan for future RM3 allocations and reimbursements, including when making decisions about investing collected bridge toll funds and issuing bonds. Inconsistencies between the cash flow plans provided by sponsors and the actual spend down rates create risk for MTC, and further highlight the need for improved risk management and project oversight throughout the region.

Look Ahead

- \$22.7 million in RM3 funds are recommended for allocation in June to four projects.
- Over \$1 billion in new allocation requests are anticipated in FY25, based on timelines and estimates provided by project sponsors. This may include (depending on project

readiness) advancement of the Safe Routes to Transit and Bay Trail program, pre-construction for The Portal, construction of BART to Silicon Valley Phase 2, planning and environmental phases of Diridon Station, Interstate 80 West-Bound Truck Scales and advancement of other projects and programs throughout the region such as WETA's Ferry Enhancement, MUNI Fleet Expansion and Facilities and North Bay Transit Improvements.

- Over \$750 million in RM3 spenddown via invoices from project sponsors is anticipated in FY25, based on timelines and estimates provided by project sponsors.