



Metro

Los Angeles County
Metropolitan Transportation Authority

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Mr. John Bulinski
Director
California Department of Transportation, District 7
100 N. Main Street
Los Angeles, CA 90012

Dear Mr. Bulinski,

Thank you for your letter and recommendations for funding options to pay for the substantial cost increase in the I-5 North construction project. As mentioned in your letter, Metro has diligently worked with Caltrans, which designed and managed the project, to ensure completion of these projects within budget and in reasonable time. Unfortunately, the various segments of this project have had substantial cost increases due to design issues, delays, administrative issues, unforeseen conditions, and other reasons. These problems were particularly concerning in Segment 3 and 4.

As you are aware, current substantial shortfalls in sales tax revenues, including the Measure R and Proposition C highway portions in Los Angeles County have mandated tight budgeting and commitment of all funds available to support the on-going projects. In May 2020 the Metro Board approved my "Call to Action to Control Costs" that involved the prioritization of Metro projects based on the anticipated revenues and availability of other funds. As a result, a large number of Metro projects are now deprioritized. Our primary state funding source, the Los Angeles County share of Regional Improvement Program (RIP) funds, has been completely allocated to other projects over the next five years, and is not available to support the I-5 cost increase. The use of other Metro sources would cause a defunding of active Metro projects and would have substantial financial impacts and contractual liabilities on Metro. Excess RIP funds budgeted for the I-5 North Segment 3 released by CTC in December 2012 were programmed to the I-5 South construction project and are no longer available.

The funding agreement for this project indicates that Metro does not have financial responsibility for cost overruns on this project. Specifically, Item 7.1, under SOURCES AND DISPOSITION OF FUNDS states: "STATE shall fully fund or contribute State's Funding Commitment, if any, as identified in the Programmed Budget (Attachment A) toward the cost of the project. If the Funds identified in Attachment A are insufficient to complete the Project, LACMTA and STATE agree that a request will be submitted to the LACMTA Board for the additional funds necessary to complete the Project, and pay all Claims and associated Claims defense costs. Any additional funds approved for the Project shall be deducted from future programming allocations, if any, for the Project equivalent Modal category. Nothing in this FA shall obligate, or be construed to obligate, the LACMTA Board to approve such request for additional funds."

My staff have been working and will continue to work with Caltrans to explore the best alternatives to fund the [REDACTED] shortfall in this project without impacting other projects. We are available to meet and discuss further.

Sincerely,

Phillip A. Washington
Chief Executive Officer