

Cap and Trade Programs

From 46

| Category   | Program  | Department                         | 14-15 Allocation | n-Going              | Allocati | Funding Opportunities |
|--|--|------------------------------------|------------------|----------------------|----------|-----------------------|
| Sustainable Communities and Clean Transportation | High Speed Rail Project                                | High-Speed Rail Authority          | \$250 m          | 25%                  |          | X                     |
|  | Low Carbon Transit Operations Program                  | State Controller's Office/Caltrans | \$25 m           | 5%                   |          | X                     |
|  | Transit and Intercity Rail Capital Program             | CalSTA/Caltrans                    | \$25 m           | 10%                  |          | X                     |
| Energy Efficiency and Clean Energy               | Affordable Housing and Sustainable Communities Program | Strategic Growth Council           | \$130 m          | 20%                  |          | X                     |
|  | Low Carbon Transportation                              | Air Resources Board                | \$200 m          | Annual Appropriation |          | X                     |
|  | Energy Efficiency Upgrades/Weatherization              | Community Services and Development | \$75 m           | Annual Appropriation |          | X                     |
| Natural Resources and Water Division             | Energy Efficiency for Public Buildings                 | Energy Commission                  | \$20 m           | Annual Appropriation |          | X                     |
|  | Agricultural Energy and Operational Efficiency         | Food and Agriculture               | \$15 m           | Annual Appropriation |          |                       |
|  | Wetlands and Watershed Restoration                     | Fish and Wildlife                  | \$25 m           | Annual Appropriation |          |                       |
|  | Fires Prevention and Urban Forestry Projects           | Forestry and Fire Protection       | \$42 m           | Annual Appropriation |          |                       |
|  | Waste Diversion  | Cal Recycle                        | \$25 m           | Annual Appropriation |          |                       |



Metro

Item 46

**Remarks Delivered to the Executive Management Committee by  
Michael Turner, Director Government Relations, State Affairs  
November 6, 2014**

Today I would like to focus on the status of the cap and trade program and touch on the status of discussions about public private partnership legislation in Sacramento.

When talking about the cap and trade program we should really think about cap and trade programs.

The framework adopted by the legislature sets out a series of 11 programs that will receive cap and trade funds. This year, each program will receive a set dollar amount. In the coming years, some programs will receive a set percentage of funds while other program allocations will be determined in the annual budget process. All of the programs except for the high speed rail project and the Low Carbon Transit Operations program are allocated via competitive processes at various state agencies.

At this point in time, the various state agencies that implement the various programs are in the process of drafting guidelines and requirements for each of the programs. We anticipate that application processes for each of these programs would be initiated in early 2015.

We have been working diligently with each of the agencies that will be implementing each of the programs. I'd like to go through each of the programs where we anticipate funds may be available for Metro's projects and programs. Let me reiterate that most of these programs are subject to statewide competition.

**High Speed Rail (HSR)**

This year the high speed rail program will receive \$250 million and in the future will receive 25% of all future cap and trade funds. This provides a long-term funding source for high speed rail and will allow them to begin to really put some focus on the bookends. In fact, during the legislative process the California State Transportation Agency, in which the HSR authority is housed, communicated in writing to the Legislature that these funds would allow high speed rail to make progress on the bookends.

MOU's exist that outline these programs but to date there has been no funding source for these improvements. We have worked very closely with the high speed rail authority. We have a very good relationship with members of the board such as Dan Richard and we were encouraged when last year Governor Brown appointed Katherine Perez-Estolano to the board. HSR CEO, Jeff Morales has also be very engaged with Metro. Our staff is also working very closely with the local HSR staff and we have been working very closely with the various deputy secretaries at State Transportation Agency who are involved in this program.

**Affordable Housing and Sustainable Communities Program (AHSC)**

The AHSC program is funded at \$130 million this year and will receive 20% of all future cap and trade funds. This program is managed by the Strategic Growth Council. The SGC is comprised

of various agency secretaries. SGC recently published guidelines for this program and we have submitted comments on those guidelines. Additionally our staff has been working closely with SGC staff on both the content of the guidelines and to outline the efforts at Metro that could be funded via this program. I also recently hosted the Deputy Secretary for Sustainability at the Transportation Agency for a tour of our transit system and joint developments along our line. I'm pleased to report that this tour was well received. We have also been working through various coalitions such as the California Transit Association and the California Council of Governments to ensure that our issues were raised by those coalitions. Our staff have also reached out to the affordable housing community to explore opportunities to partner on applications.

Let me highlight a few key issues with the guidelines. First is that the funds will be split into two programs. Half of the funds will be available for affordable housing projects and half will be available for sustainable communities projects. Again, these are competitive programs available to various agencies statewide.

One particular element of the draft guidelines include a requirement that only one project will be allowed per jurisdiction. That requirement has raised significant concern around the state including amongst Los Angeles County stakeholders. Los Angeles County has 88 cities, one regional transportation agency, and there are a myriad of agencies that could apply for this program. A number of agencies have expressed concern with this requirement and we have specifically raised it with the staff at the Strategic Growth Council and the Deputy Secretary working on the guidelines.

### **Transit and Intercity Rail Capital Program**

This program will be allocated by through a competitive process at the California Transportation Commission. This program will receive \$25 million this year and will receive 10% of future allocations. Guidelines are being drafted by the California State Transportation Agency. We have participated in the various listening sessions conducted by the Undersecretary for Transportation and we have had numerous discussions amongst a small group of transit agencies through the California Transit Association with the Undersecretary. We anticipate guidelines for this program will be issued by the end of the year with an application process to begin sometime in early 2015. As I mentioned we have been working closely through CTA and our partner agencies who share our concerns and the Undersecretary of Transportation has been very much available to discuss how these programs should be structured.

### **Low Carbon Transit Operations**

The Low Carbon Transit Operations program will receive \$ 25 million this year and will receive 5% of future funds. These funds will be allocated using the State Transit Assistance Account formula which provides roughly our population share to Los Angeles County. These funds are also shared with the municipal operators in our county. The specific guidelines and requirements of this program have not been identified. However as with all cap and trade programs, agencies that are eligible for these funds will have to identify how the project or

program on which these funds are used actually decrease greenhouse gasses (GHG's) beyond existing levels.

### **Low Carbon Transportation**

Lastly the Low Carbon Transportation program is under development at the California Air Resources Board (CARB) and will fund the purchase of alternative fuel vehicles. This program is funded at \$200 million this year and future allocations will be made in the budget process. Our staff has been working with CARB for some time on a variety of programs related to GHG's prior to the development of this specific program and that relationship will benefit us as this program is developed.

### **Disadvantaged Communities Requirements**

The entire cap and trade program is subject to the requirements of the Disadvantaged Communities program in which 25% of the funds must benefit Disadvantaged Communities and 10% must be in Disadvantaged Communities. The California Air Resources Board has been developing this program and last week they finalized the identification of the communities in California. It's important to note that the measure for being a disadvantaged community is not solely economics, it is a combination of economics and exposure to greenhouse gas emissions. In this effort we coordinated closely with SCAG and I must give them due credit in this regard. SCAG was instrumental in ensuring that the criteria accurately reflected the conditions in Los Angeles County. The Bay Area was particularly concerned about the lack of disadvantaged communities in their area and attempted to reconfigure the requirements to benefit them. That effort was unsuccessful and the original CARB recommendations which favor LA stand.

Internally, I have been convening a multi-disciplinary group of staff, from planning, operations and construction which include our specialist in sustainability, clean fuel programs, grant applications, planning and programming, vehicle development, and others to ensure that all departments in the agency are aware of all the cap and trade programs and that we are scouring our programs to maximize the funding opportunities from the various cap and trade programs. There are no silos in this effort. We are also mindful of the Board's priorities dating back to the adoption of the LRTP in which we are to seek funds for the Crenshaw LAX light rail project and the Foothill Extension of the Metro Gold Line.

Lastly, we have convened technical experts through the California Transit Association to refine the arguments relating to how public transit reduces GHG's. Despite all the gains we have made in Sacramento regarding the stability of public transit funding, there are still those who focus only on things like mode share or mode shift, or how many people switch from using their cars to riding transit. This rather simplistic look at public transit ignores the complexity of mobility in many of the urban regions of the state. Los Angeles is transforming itself through Measure R. Mobility will change in our County simply from that but we have also seen changes in where people live. Millennials are a larger and larger segment of the population and how they live and move about the county is different than how someone of say my generation moved around LA. Additionally, the sharing economy and technology have great potential to affect how

people move around LA. The old arguments about mode shift and the strict percentage of trips on transit don't capture the future and don't recognize the potential that exists in our region.

Lastly I'd like to touch on some discussions that have taken place recently with respect to updating the statute authorizing Public Private Partnerships in California. I'd like to first remind you that the authority to do p3's has existed in California for a few years now. That law however is set to expire in 2017. Some transportation stakeholders have sought to remove that sunset. Transportation California has taken the lead in this effort and we are working closely with them and with the California Foundation on the Environment and the Economy to have initial discussions about potential legislation next year. Generally speaking there are two objectives in this regard. First is to remove the 2017 sunset date. Second is to look at the statute to see if it could be improved by streamlining the code section. We have just begun these discussions, however, since this mechanism is one on which the Board has expressed its interest we wanted to ensure that we are engaged early and working in a robust fashion with our partners.

**Executive Management and Audit Committee  
Remarks Delivered By Marisa Yeager  
Government Relations Manager, Federal Affairs  
November 6, 2014**

Chairman Garcetti and members of the committee, I am pleased to provide an update on a number federal transportation issues that impact our agency.

**Meetings in Washington, DC:**

Last week, Metro Government Relations and Planning staff met with the Staff Director of Senate EPW committee to discuss next surface transportation bill; Senior Staff of Senator Feinstein regarding the path forward of Section 2 of the Purple Line Extension; Silvia Garcia, Chief Finance Officer with USDOT regarding Obama Administration's executive order creating "Build America Investment Initiative," Metro's Capitol program and our high level of interest on P3s and, FHWA administrator Greg Nadeau regarding the "Build America Investment Initiative." Finally, Metro in partnership with Rep. Grace Napolitano hosted a successful content rich transportation briefing with the Los Angeles County Congressional delegation staff. The delegation staff was appreciative of the information provided which included: Overview of Metro, a thorough financial presentation by David Yale on Metro's funding and project delivery process. At the briefing we were very pleased to have the active representation from the City and County of Los Angeles representatives George Kivork and Greg Campbell.

**Continuing Resolution:**

We are continuing to work closely with members of the Los Angeles County Congressional Delegation on efforts to pass an annual transportation appropriations bill. The current Continuing Resolution passed by Congress expires on December 11, 2014.

**Surface Transportation Authorization Bill:**

The current extension of MAP21 expires on May 31, 2015. We continue to work with our Congressional Delegation – especially members on the authorizing committee - on the next surface transportation bill. We are pleased that Senator Boxer, Chair of the Senate Environment and Public Works Committee and U.S. Representatives Grace Napolitano (D-32) and Janice Hahn (D-44) [who both serve on the House Transportation and Infrastructure Committee] are very open to working to adopt our Board-approved federal legislative priorities into the final version of the surface transportation bill. Two bills that propose to create a Freight Trust Fund have been introduced since last month: HR 5101, ‘The National Freight Network Trust Fund Act of 2014,’ by Rep. Janice Hahn and HR 5624, ‘The National Multimodal and Sustainable Freight Infrastructure Act’.

**New Starts Project - Section 2 of the Westside Purple Line Extension:**

We are very pleased with the high level of engagement we have had with the FTA to include section 2 of the Westside Purple Line Extension in President Obama’s Fiscal Year 2016 Budget. Specifically, we are working to include the project in the U.S. Department of Transportation’s annual New Starts Report. We are requesting approximately \$1.1 billion in New Starts grant funds and \$307 million in a low interest TIFIA loan. We are grateful to our Chairman, our U.S. Senators, members of our House Delegation and other key stakeholders for authoring correspondence in support of this effort.

**America Fast Forward Transportation Bond Initiative:**

We are continuing to leverage the positive response from Wall Street for with Congressional Committees Members as they develop the next surface transportation bill.

**Lame Duck Session of Congress:**

We are in touch with both the House and Senate Finance Committees with respect to the fate of a long overdue tax extenders bill. It is possible that such a bill could be considered in the lame duck session and that it may include both a CNG tax credit and transit commuter tax credit. We are supportive of both of these tax credits.

**Conclusion:**

Chairman Garcetti that concludes my remarks before the committee. I would welcome the opportunity to respond to any questions you or members of the committee may have.