



THE CITY OF  
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## STAFF REPORT

### MEETING

DATE: July 10, 2018

TO: City Council

FROM: Regan M. Candelario, City Manager  
Russell S. Thompson, Public Works Director  
Chris Blunk, Deputy Director/City Engineer

SUBJECT: **CONSIDERATION OF AND POSSIBLE ACTION TO ADOPT A RESOLUTION (1) APPROVING A FUNDING STRATEGY IN THE AMOUNT OF \$5,214,000 FOR PHASE 2 OF THE DOWNTOWN SONOMA MARIN AREA RAIL TRANSIT (SMART) STATION, (2) AUTHORIZING PREPARATION OF FUNDING AGREEMENTS BETWEEN THE CITY, MTC, SMART, AND/OR TAM; AND (3) AUTHORIZING EXPENDITURE OF \$500,000 FROM THE "CITY OWNED PROPERTY" FUND #112;**

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## REQUEST

Consider and possibly take action to adopt a resolution to:

1. Approve a funding strategy in the amount of \$5,214,000 for Phase 2 of the Downtown Sonoma Marin Area Rail Transit (SMART) Station;
2. Authorize preparation of funding agreements between the City of Novato, Metropolitan Transportation Commission (MTC), SMART, and/or Transportation Authority of Marin (TAM); and
3. Authorize expenditure of \$500,000 from the "City Owned Property" Fund #112.

## DISCUSSION

On October 6, 2015, the City Council agreed to fund a feasibility study performed by SMART that considered the costs and operational impacts of a third SMART station in downtown Novato. SMART determined that it was possible to serve the Novato North Station and the Downtown Station on an alternating stop basis.

After considerable debate and input from the public, the Council approved moving forward with a phased approach to the project with the caveat that overall costs would be higher if the project was not built as a single phase and that future phases could also exceed initial cost estimates. On February 9, 2016, Council approved a funding agreement with SMART and directed them to move forward with Phase 1 to install the passenger platform and siding rails at a cost of \$2.4 million. Phase 2 would add the rail switches, platform amenities, electrical components, railings, and other improvements to deliver an operational station and was initially estimated to cost \$2.6 million.

Phase 3 would develop the adjacent commuter parking lot, but the scope and cost were not clearly defined.

The January 26, 2016 Downtown SMART Station staff report stated:

*“The cost of the first phase is estimated at \$2.4 million, inclusive of engineering and contingencies. The Phase 2 cost would be the \$2.6 million (remainder of the \$5 million total) plus \$500,000 cost of the adjacent site improvements. The Phase 2 cost will likely be higher, however, due to the proximity of the operating rail service, construction cost increases which will likely occur over time, and the reduction of efficiencies from not completing all of the work in one contract. These anticipated cost increases are unknown at this time, and given the inclusion of the 30% contingency allowance, the \$2.6 million is an appropriate figure to start with.”*

The City’s Phase 1 project was funded by a \$2.2 million loan from the Hamilton Trust, to be repaid by the General Fund over 20-years. Construction of Phase 1 was completed by SMART in April 2017 on-budget. SMART began overall service for the system later that year.

The City continued to look for potential funding sources for the remaining project improvements, and in 2016 TAM made a call for projects that was known as “OBAG-2”. As part of that process TAM requested that cities identify their highest priority project(s). The City identified Phase 2 of the Downtown SMART Station as their highest priority, and was later awarded a \$1.48-million grant to assist in the completion of the project.

As part of the 17/18 CIP budget, staff increased the Phase 2 construction estimate to \$3.1 million based on discussions with SMART staff, where they raised concerns of a changing bidding environment, potential new contractors, and pending federal regulations impacting key components of the project. On May 23, 2017, Council approved \$3.1 million for the design and construction of Phase 2 and directed staff to seek additional outside funding sources for the station. Staff subsequently met several times with TAM and MTC and the city was awarded a \$500,000 federal grant suitable for Phase 3 “Depot Lot” site improvements.

Based on the budgeted Phase 2 project and after several scheduling discussions with SMART staff, on June 26, 2018, staff directed SMART to proceed with the final design of the Phase 2 improvements so as to not potentially delay the project.

By mid-2017, SMART was in final contract negotiations with their design-construction team on their Larkspur Extension project. Then, in March 2018, they received the actual bid for the Novato Phase 2 work. It came in substantially higher than previous estimates due to a nationwide shortage of “*positive train control*” designers, contractors, and equipment suppliers responding to new mandated federal regulations with a deadline for implementation by December 31, 2018. The proposed cost was approximately \$5.2 million and created a funding shortfall of \$2.1 million for Phase 2.

### Proposed Phase 2 Funding Strategy

Staff has actively pursued additional funding over the past three months. Those discussions resulted in a meeting on June 19, 2018 at MTC’s San Francisco offices. The City Manager and Public Works Director, a City consultant, and TAM Executive Officer Diane Steinhauser met with

the SMART General Manager, Chief Engineer and MTC staff, including Executive Director Steve Heminger. The goal of the meeting was to determine a path forward that recognized the City’s existing commitment to the project, SMART’s design and construction constraints, and potential state, local, and regional funds that could cover the funding shortfall.

At this meeting the outlook for increased transportation funding revenues in the region, namely the State Gas Tax funding via SB-1, and the newly passed bridge toll increases known as RM-3, were discussed. Additionally, TAM came to the meeting with a proposal, pending their board action on June 28, 2018, to contribute an additional \$483,000 (roughly 25% of the increased construction costs) from their available Measure B and Local Partnership Program funds. The TAM Board has now approved the allocation. It should be noted that these funds are at risk should SB-1 be repealed in November.

A portion of the funding proposal discussion included a willingness by MTC and TAM to consider a possible funding exchange agreement that would allow Novato’s \$500,000 federal Phase 3 grant to be converted into non-federal dollars to be used for Phase 2 construction. As a back-up, the possibility of SMART exchanging recently awarded State funds for these federal dollars was discussed.

TAM has assured staff that the Phase 3 “Depot Lot” project would qualify for upcoming Alternative Transportation Program or other grants, in an equivalent amount to backfill the \$500,000 grant that is proposed to be exchanged. The funding strategy for the \$2.1 million Phase 2 shortfall is summarized in the table below:

TAM Local Partnership Funds (19/20 SB1)	\$ 483,000
Phase III Federal Grant (18/19 STP)	\$ 500,000
City Contribution	\$ 500,000
Future MTC Funds/Regional Grant	\$ 622,284
<b>TOTAL:</b>	<b>\$ 2,105,284</b>

In summary, the resulting funding strategy essentially includes a three-way divide of the \$2.1 million Phase 2 construction funding shortfall, with a direct contribution of \$500,000 from the City of Novato, a \$483,000 contribution from TAM, the assistance of TAM and MTC to exchange and backfill the City’s \$500,000 Phase 3 grant, and potential future contribution from MTC.

The timing and availability of the money from different funding sources will impact the final funding strategy. The City currently has \$3.1 million allocated and on hand for the project within the current CIP budget. The additional funding to cover the \$2.1 million shortfall is available as follows: The City’s \$500,000 proposed contribution from General Fund not say reserves here reserve funds on-hand; the \$500,000 Phase 3 grant fund exchange likely accomplished by the spring of 2019; and the \$483,000 TAM contribution available after July 1, 2019. The final funding contribution by MTC could occur around the estimated completion date of the Larkspur Extension project in late 2019.

Staff is requesting tonight that the Council consider how the city comes up with the needed \$500,000 for the City portion. Below are options identified by city staff with the preferred recommendation:

## Potential Sources of Additional City Funding

1. Proceeds from the Sale of City Owned Properties
  - Senior Triangle Property (staff recommendation) \$ 500,000
  - Hamilton Hospital \$ 2,000,000
  - Old Human Needs Center (So. Novato Blvd) \$ 325,000 (estimated)
2. Measure F - Unallocated Funds and/or Measure F Reserve
3. Loan from Hamilton Trust (GF Repayment over 20-years)
4. Buck Center Agreement Reserve Funds \$ 500,000

## Required Agreements

A funding agreement between the city and SMART will be necessary for SMART to proceed with construction of the Phase 2 project. Funding agreements may also be necessary to secure the funding contributions from TAM and MTC, and an exchange agreement and resolution will also likely be required to exchange the current \$500,000 federal Phase 3 grant with non-federal funds to be identified for use on the Phase 2 project. With Council direction, staff will work with our partners at SMART, TAM, and MTC to prepare these agreements, review the terms and conditions with the City Attorney, and return to Council for final approvals.

## **PUBLIC OUTREACH**

On January 12, 2016, the City Council conducted a public workshop to review the results of the SMART feasibility study and made the decision to move forward with the Downtown Station.

Prior to making the decision to the City received extensive public input at several public meetings. Most recently at the May 23, 2017 Council meeting the chambers was filled when the issue of the funding exchange to accept the OBAG-2 grant was debated. Additionally, each year since 2016 the annual capital projects budget process has included the city's consideration of funding the Phase 2 project.

Most recently the City has held two community workshops in March and April of 2018 with over 230 members of the public in attendance. While specifically for the Depot Lot visioning process, the connection to, and importance of the completion of Phase 2 were linked.

As part of the Depot Lot process Staff has also met the community in several small-scale meetings including Whole Foods, the Novato Chamber of Commerce, Millworks residents, the Downtown Novato Business Association, specific visits to businesses at the east side of Grant adjacent to the site, large employers in the City, the Novato Historical Guild, the Depot "Caretakers," and North Marin Community Services.

Updated project costs are posted on the City website, and the decision in front of the City Council tonight are also identified. Tonight's meeting, and the staff report and presentation materials for this item, were noticed in accordance with normal city policies.

## **FISCAL IMPACT**

The table below summaries the current funding allocations as described in this report:

<b>PHASE 2 – Funding Source</b>	<b>Pre-18/19</b>	<b>18/19</b>	<b>19/20</b>	<b>Total</b>
<b><u>City Funds</u></b>				
Meas. A (OBAG2 Grant Exchange)	488,510			488,510
Meas. B (OBAG2 Grant Exchange)	456,206			456,206
Meas. A (OBAG2 Grant Exchange)	550,000			550,000
Infrastructure L-T Maintenance		300,000		300,000
Emergency & Disaster Response	300,000			300,000
Equipment Replacement	1,000,000			1,000,000
<b>Additional City Funds</b>			<b>500,000</b>	<b>500,000</b>
<b><u>Additional Outside Funds</u></b>				
<b>TAM SB-1 (Proposed)</b>		<b>483,000</b>		<b>483,000</b>
<b>MTC Potential Funding Commitment</b>			<b>636,284</b>	<b>636,284</b>
<b>Phase 3 Grant Funds Swap</b>			<b>500,000</b>	<b>500,000</b>
<b>TOTAL</b>	<b>2,794,716</b>	<b>783,000</b>	<b>1,636,284</b>	<b>5,214,000</b>

## **RECOMMENDATION**

Approve resolution.

## **ALTERNATIVES**

1. Do not approve the proposed funding strategy, preparation of agreements, or expenditure of city-owned property funds for the Phase 2 project.
2. Approve the proposed funding strategy and preparation of agreements, but instruct staff to utilize alternative funding sources for all or a portion of the \$500,000 city portion.
3. Provide direction to staff at Council discretion.

## **ATTACHMENTS**

1. Resolution (will be provided at the Council meeting)
2. TAM Staff Report to Board dated June 28, 2018 regarding commitment of Program Cycle 2 Local Partnership Program requesting funding assistance to Novato for Downtown Station
3. Letter dated June 28, 2018 to Jake Mackenzie, Chair MTC Board from Stephanie Moulton Peters, Chair TAM Board



**DATE:** June 28, 2018

**TO:** Transportation Authority of Marin Board of Commissioners

**FROM:** Dianne Steinhauser, Executive Director  
David Chan, Programming and Legislation Manager

**SUBJECT:** Commitment to Program Cycle 2 Local Partnership Program (LPP) Formula Funds and Forward Letter to MTC Requesting Funding Assistance for the Novato Downtown SMART Station (Action), Agenda Item No. 9

## RECOMMENDATION

- 1) Recommend that the TAM Board program Local Partnership Program (LPP) Cycle 2 Formula funds to Novato's Downtown SMART Station Phase II.
- 2) Recommend the attached letter be sent by TAM to MTC requesting funding assistance in closing the funding gap for the Novato Downtown SMART Station.

## BACKGROUND

The Road Repair and Accountability Act of 2017 (SB1) approved by Governor Brown in April 2017, is a \$5.24 billion annual transportation funding package aimed at fixing the state's local roads, freeways and bridges and investing more funding toward transit and safety projects. The revenue generated from taxes and a variety of other sources statewide (12 cent/gallon gas tax, 20 cent/gallon diesel tax, increased vehicle registration fees, fees for electric vehicles starting in 2020) will provide the first significant on-going increase in state transportation funding in more than two decades.

In some cases, SB1 funding will augment existing programs (including the Active Transportation Program (ATP), State Highway Operation and Protection Program (SHOPP), Transportation Asset Management Program (TAMP), and State Transportation Improvement Program (STIP). Funding will also be provided through newly developed SB1 programs (including Local Streets and Roads (LS&R), Solutions for Congested Corridors, Trade Corridor Enhancement, and Local Partnership Program (LPP)).

The objective of the LPP is to reward counties, cities, districts, and regional transportation agencies in which voters have approved fees or taxes solely dedicated to transportation improvements or that have enacted fees solely dedicated to transportation. LPP is divided into two programs of funding – Competitive Programs whereby agencies statewide must submit grant applications to receive funding, and Formula Programs in which a specific amount of funding will be set aside by formula. Both programs of LPP are administered by the California Transportation Commission (CTC).

TAM is listed in SB1 as an eligible recipient of LPP Formula funds because of Measure A Transportation Sales Tax and Measure B Vehicle Registration Fee. Whereas, the towns, cities, and County receive annual LS&R funding from SB1, TAM receives LPP Formula funds from SB1: Note LPP is a much smaller amount of funds, approximately \$500,000 annually.

Instead of an annual allocation, LPP Formula funds will be distributed by cycle. Cycle 1 of LPP included funding from FY 17/18 and FY 18/19. Cycle 2 of LPP will include only FY 19/20. Note the California Transportation Commission (CTC) is expected to issue the Cycle 2 Local Partnership Program Call for Projects on June 29, 2018.

### **PRIOR PROGRAMMING OF LPP FORMULA FUNDS**

In Cycle 1, the CTC made available LPP funds from FY 17/18 and FY 18/19. TAM's share of LPP Formula funds in Cycle 1 was \$1,002,000. The TAM Board approved the programming of \$500,000 to the Marin Sonoma Narrows Project and \$502,000 to San Rafael's Francisco Boulevard West Multi-Use Path (2<sup>nd</sup> to Andersen). The project list and amounts were submitted to the CTC in October 2017 and the funds have since been allocated to TAM and San Rafael.

### **LPP CYCLE 2**

Unlike Cycle 1, Cycle 2 will only include one year of funding from FY 19/20. According to the CTC's draft Formula Shares, TAM will receive a total of \$483,000 for programming in Cycle 2. Of the \$483,000 total available, \$100,000 is derived from Measure B and \$383,000 is derived from Measure A. Attachment A is the draft LPP Formula Shares.

The CTC is scheduled to adopt the guidelines and fund shares for Cycle 2 on June 27, 2018 with the Call for Projects to be issued on June 29, 2018. Recipients of LPP Formula funds are due to submit project application(s) to the CTC by August 29, 2018.

### **NOVATO'S DOWNTOWN SMART STATION PHASE II**

Novato's Downtown SMART Station Phase II project will complete the construction of a new SMART station located at the corner of Grant Avenue and Railroad Avenue in downtown Novato. This work includes the installation of rail switches, a signal house, electrical switching components, Positive Train Control software and hardware, system integration/testing, and platform amenities. The current cost estimate for the Downtown SMART Phase II project is \$5,214,000. The project is intended to be constructed as a change order to SMART's ongoing Larkspur Extension contract.

In July of 2017, Novato City Council approved \$3,094,716 to construct the Phase II project. This amount was based off of a \$3.1M engineer's cost estimate provided by SMART at the time. Since then, SMART contracted with Stacy & Witbeck/Herzog to construct their Larkspur Extension project and the contractor provided the updated \$5.2M construction estimate in March 2018. The cost increase was primarily due to high demand for Positive Train Control hardware/software as well as labor and material price escalations. The revised construction estimate created a funding gap of \$2,119,284 to complete the project.

The previous Downtown SMART Phase I project constructed the station platform, siding rails, and installed electrical conduit for future switching controls and was completed in April of 2017 for a total cost of \$2,400,000. A Phase III project is in the planning phase and will likely improve the adjacent Depot Lot and Building to support commuters, visitors, and patrons of downtown Novato.

Note as part of TAM's cycle of federal gas tax funds in OBAG2, the TAM Board programmed \$1,450,000 to the Novato Downtown SMART station. The City of Novato has also dedicated a substantial amount of its own funds of over \$3.5 million to fund the project.

## **PROPOSAL ON PROGRAMMING CYCLE LPP FORMULA FUNDS**

LPP Formula funds are required to exhibit a one-to-one match of non-state funds. LPP formula funds under Cycle 1 were assigned based on other non-state funds being dedicated. The same condition is being met in staff's proposal for Cycle 2.

Novato is faced with an urgent need to finalize a funding plan in order to have the work done by SMART's contractor, Stacy&Witbeck/Herzog. Due to significant demand nationally for Positive Train Control work in particular, it would cost substantially more to complete the work under a separate contract, if bidders could in fact be attracted to a small amount of work. The City of Novato has contributed substantially to the effort, and staff in Novato intends to seek a match of \$500,000 of their own funds, to address the shortfall. In addition, staff at Novato has agreed to move funds previously dedicated by MTC for parking and landscaping improvements to this urgent Phase 2 work. This leaves a final gap of approximately \$600,000 unfunded.

In a meeting with MTC's staff leadership including Executive Director Steve Heminger, MTC committed to working on closing the final gap of approximately \$600,000. MTC stated they would not allocate RM3 funds until after January 1, 2019. SMART has indicated they will work with the partners to develop a cash flow plan that responds to MTC's schedule of funding.

TAM staff recommends the attached letter be sent to MTC committing to TAM's share of the funds and documenting MTC's assistance in a solution.

## **FISCAL IMPACTS**

There are no fiscal impacts to the TAM. If the funds are programmed to a project of TAM, TAM's budget would need to be amended to show the anticipated funds. Since the proposal is to program LPP funds to Novato, TAM's budget would not be affected. The CTC will issue the funds directly to Novato through a funding agreement.

## **NEXT STEPS**

Submit a project application for an amount of \$483,000 in Cycle 2 LPP Formula funds to the CTC by August 29, 2018 and forward the attached letter (Attachment B) to MTC requesting funding assistance in closing the funding gap for the Novato Downtown SMART Station.

## **ATTACHMENT**

Attachment A – Cycle 2 LPP Formula Shares

Attachment B – Letter to MTC on Novato Downtown SMART Station Funding



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Dennis Rodoni  
Judy Arnold

June 28, 2018

Mr. Jake Mackenzie  
Chair  
Metropolitan Transportation Commission  
Bay Area Metro Center  
375 Beale Street  
San Francisco, CA 94105

Subject: SMART Station in Downtown Novato

Dear Chair Mackenzie:

The advent of the SMART rail system in Marin and Sonoma has been an important part of our multi-modal system of options for travelers in the corridor. Over the past two years the City of Novato, seeing the benefits that the SMART rail system was providing, elected to fund an additional SMART station in downtown Novato on Grant Avenue.

Working with the Metropolitan Transportation Commission (MTC) and TAM, the City developed a funding plan that, until recently, would have secured the station being constructed. Recent estimates, especially the cost of positive train control, have placed the funding plan in jeopardy. The station site is under construction and there is an urgency to closing the funding gap.

TAM and the City of Novato request consideration from MTC to close the funding gap of \$636,284. TAM and the City of Novato met with MTC senior staff on June 19<sup>th</sup> to discuss the issue, with all partners present. Cooperation expressed at that meeting by all of the partners resulted in a positive path forward. TAM supports the station implementation as a key access point to downtown Novato, businesses, commercial areas and residences, and is approving a contribution of \$483,000 towards meeting the City's needs.

Thank you for your consideration of helping us reach a successful conclusion.

Respectfully,

Stephanie Moulton-Peters  
Chair  
Transportation Authority of Marin