



STAFF REPORT

City Council Meeting Date: 2/9/2016
Staff Report Number: 16-032-CC

Regular Business: Authorize the City Manager to prepare an additional funding request to the San Mateo County Transportation Authority (SMCTA) for the US 101/Willow Road Interchange Project and to appoint a City Council member or subcommittee to advocate for Caltrans support

Recommendation

Staff recommends the City Council authorize the City Manager to prepare an additional funding request to the San Mateo County Transportation Authority (SMCTA) for the US 101/Willow Road Interchange Project and to appoint a City Council member or subcommittee to advocate for Caltrans support.

Policy Issues

The Willow Road Interchange Project was included in the City's 2012-2013 Capital Improvement Program (CIP). Council action on this item is needed to secure funding to close a funding gap for this project in order to advance construction on the current schedule, anticipated to start in mid-2016.

Background

On November 2, 2004, the voters of San Mateo County approved the continuation of the collection and distribution by SMCTA of the Measure A half cent transaction and use tax for the additional 25 years to implement the 2004 Transportation Expenditure Plan, beginning January 1, 2009 (new Measure A).

On May 24, 2012, the TA issued a call for projects for the Highway Program and in response to the call for projects, the City of Menlo Park (City) requested the TA provide \$500,000 in Measure A funds to engage a consultant team to support the City's review of the environmental review and design documents for the US 101/Willow Road Interchange Project. This project met the intent of the 2004 Transportation Expenditure Plan and TA's 2009-2013 Strategic Plan and on October 4, 2012, SMCTA programmed and allocated up to \$500,000 from the new Measure A Supplemental Roadway Highway Program Category for the project.

On May 7, 2013, Caltrans staff presented a series of design alternatives to the City Council, and the Council voted in support of a preferred design alternative. On November 25, 2013, Caltrans certified the environmental review documents and identified the preferred design alternative for this project, consistent with the Council's recommendations.

Since that time, Caltrans has been preparing the detailed design documents for the project, and is nearly complete. City staff has been involved in reviewing engineering documents and design details that interface with or may affect City streets, utilities, or right-of-way. A consultant team led by Swinerton Engineers was hired in late 2014 to assist the City with this effort.

The SMCTA through Measure A has provided the main source of funding for the environmental and design phases of this project, supporting the design work underway by Caltrans, as well as funding for consulting support to assist the City with design review.

On June 2 and 16, 2015, the City Council authorized staff to submit an application to the SMCTA Highway Program for construction funding for this project. On October 1, 2015, the SMCTA Board approved funding of \$56 million of the \$64 million needed for the project, fully funding the capital construction cost. An additional \$8 million was needed to support construction management and oversight of the project.

Analysis

At the time the SMCTA Board took action on the project, it was anticipated that the remaining funds necessary for construction management and oversight of the project, approximately \$8 million, would come from the State Transportation Improvement Program (STIP). The STIP currently has funds for the project programmed in FY2017-2018; however, it would be necessary to advance these funds to the current fiscal year in order to stay on the current construction timeline. Based on feedback from C/CAG and MTC, the STIP is significantly oversubscribed for the current and future fiscal years due to lower than expected gas tax revenues due to lower gas prices. The proposed state budget does not currently include measures to close this funding gap, resulting in delays expected to effect construction projects around the state in the coming years. The US 101/Willow Road Interchange project could be delayed indefinitely if funds cannot be secured. Delays may also result in escalating costs and potential redesign necessary if requirements, standards or site conditions change while the necessary funds are secured.

Staff has been collaborating with C/CAG and SMCTA staff to explore all possible alternative funding sources for this project since environmental clearance was achieved in 2013. Funding sources that have been explored includes federal, state, regional and local funds including STIP, ATP, TIGER, Measure A Highway and Bicycle/Pedestrian Programs, HSIP, and pavement rehabilitation funds. No other funding sources have been successfully identified to replace the STIP funds to complete this project.

Loss of the STIP funds also may trigger preparation of an updated cost estimate for construction management funds from Caltrans. Caltrans has indicated to SMCTA staff that projects that are fully funded using local funds (no state or federal funds) are subject to an overhead markup for construction and administrative management. The application of this overhead rate would increase the funding shortfall to an estimated \$10 million. Staff recommends the City Council appoint a Councilmember or subcommittee to advocate to Caltrans to waive this overhead rate for purposes of this project given the STIP shortfall and the fact that it is fully funded using County funds.

Staff also recommends that the Council authorize a request to the SMCTA to fund the balance of the project cost, a maximum of \$10 million for construction management and oversight. The request to SMCTA is needed in order to reduce project risk and delay while the City, SMCTA, and C/CAG can continue to explore other funding sources and advocate to Caltrans on behalf of the project. Caltrans will not advance the project to construction without the full funds necessary for construction secured. A draft letter to SMCTA requesting \$10 million in funds for the shortfall is included in Attachment A.

Proposed City Contribution to the Project

Staff has explored potential use of City funds to help close the shortfall. The City's Transportation Impact Fee (TIF) does not include this project; therefore, funds from the TIF cannot be used directly for this project. A significant shortfall would remain, and no other local revenue streams have been set aside to make up this difference. Given the regional nature of the project with its significant benefit to regional infrastructure

on Highway US 101 and State Route 114 and its link to the Dumbarton Bridge, state, regional and county funds are appropriate. The City would also need to absorb the cost for utility system upgrades with the interchange construction. The project also includes the relocation of two water supply lines under US 101 at a total cost of approximately \$750,000. The City's share for upgrading the lines would be approximately \$300,000 from the water fund.

Next Steps

With Council approval, staff will transmit the request to SMCTA to fund the balance of the project cost as outlined in Attachment A. The SMCTA Board of Directors would consider this request at a later meeting. If approved, the project would stay on schedule, with construction anticipated to start later this year, in summer or fall 2016. The construction schedule is anticipated to be approximately 2 years.

If funds are not secured, the project would potentially be put on hold until the balance can be secured at a later date. Given the anticipated statewide shortfalls for transportation infrastructure, delays are anticipated to be a minimum 2 years beyond the current timeframe. Depending on the delay, additional design or re-engineering work may be needed before the project could be constructed in the future. The additional cost and schedule delay is unknown at this point in time, but staff would continue to actively monitor the project status and funding options.

Impact on City Resources

The US 101/Willow Road Interchange Project is a significant capital project and affects local and regional transportation network. While Caltrans would be responsible for project implementation, significant coordination from City staff will be required. While no additional resources are requested at this time, the urgency of the funding shortfall will absorb significant resources over the next two to three months, and if the project advances mid-year, will continue for the next two to three years during construction.

As a result of this project, the City would receive upgraded utility infrastructure (water lines) at an estimated cost savings of \$450,000 and would benefit from the significant infrastructure upgrades to Willow Road (SR 114).

Environmental Review

Environmental clearance for the project was obtained by Caltrans on November 25, 2013.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Letter - US 101/Willow Road Interchange Project

Report prepared by:
Nicole H. Nagaya, PE, Transportation Manager

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February 10, 2016

San Mateo County Transportation Authority
Attn: Joseph Hurley, PE, Director
1250 San Carlos Avenue
San Carlos, California 94070

Dear Mr. Hurley,

Thank you for your continued support and collaboration to see through the timely construction of the US 101/Willow Road Interchange Project. As you know, the US 101 highway corridor between San Francisco and San Jose is the most economically productive 48 miles in California, producing one-quarter of all the tax revenue in the state. The US 101/Willow Road Interchange project is a key transportation node on this corridor and the primary gateway to the Dumbarton Bridge, which provides a critical east-west transportation link across the southern portion of the San Francisco Bay.

The City of Menlo Park, with your assistance and support from the City/County Association of Governments of San Mateo County, is working diligently to see this project through construction. The SMCTA Board in October 2015 awarded \$56M in construction capital funds. The funds for construction management, estimated to be \$8M-10M, remain to be secured. Originally, State Transportation Improvement Funds (STIP) were programmed for this purpose in FY17-18; however, it was necessary to advance these funds to the current fiscal year in order to stay on the current construction timeline.

Based on feedback from C/CAG and MTC, the STIP is significantly oversubscribed for the current and future fiscal years due to lower than expected gas tax revenues from lower gas prices. The proposed state budget does not currently include measures to close this funding gap, resulting in delays expected to affect construction projects around the state in the coming years. The US 101/Willow Road Interchange project could be delayed indefinitely if STIP funds cannot be secured. Delays may also result in escalating costs and potential redesign necessary if requirements, standards or site conditions change while the necessary funds are secured.

City staff has been collaborating with C/CAG and SMCTA staff to explore all possible alternative funding sources for this project since environmental clearance was achieved in 2013. Funding sources that have been explored, beyond Measure A

Highway Program funds, includes federal, state, regional and local funds including STIP, ATP, TIGER, HSIP, and pavement rehabilitation funds. No other funding sources have been successfully identified to replace the STIP funds to complete this project to meet the current construction timeline.

Loss of the STIP funds also may trigger preparation of an updated cost estimate for construction management funds from Caltrans. Caltrans has indicated that projects that are fully funded using local funds (no state or federal funds) are subject to an overhead markup for construction and administrative management. The application of this overhead rate would increase the funding shortfall to an estimated \$10 million. The City Council has appointed a Councilmember subcommittee to advocate to Caltrans to waive this overhead rate for purposes of this project given the STIP shortfall.

The City has explored potential use of local funds to help close the shortfall. The City's Transportation Impact Fee (TIF) does not include this project; therefore, funds from the TIF cannot be used directly for this project, and no other local revenue streams have been set aside to make up this difference. The City would also need to absorb cost for utility system upgrades with the interchange construction. In addition, the project includes the relocation of two water supply lines under US 101 at a total cost of approximately \$750,000. The City's share for upgrading the lines would be approximately \$300,000.

As such, the City is requesting that the SMCTA respectfully consider a request to advance the remaining funds for construction management. The City will continue to work with SMCTA and C/CAG to identify any other funding streams for the project.

If you have any questions, please contact Justin Murphy at 650-330-6770 or jicmurphy@menlopark.org.

Thank you for considering this request.

Sincerely,

Richard Cline
Mayor