

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.2000 Tel  
metro.net**REGULAR BOARD MEETING  
JANUARY 24, 2013****SUBJECT: POST MEASURE J****ACTION: APPROVE POST MEASURE J ACTIONS****RECOMMENDATION**

Approve continuation of first, second, and third decade Measure R project development work while we seek a viable financial strategy to allow acceleration of Measure R projects.

**ISSUE**

Among the referenda on the November 6, 2012 ballot was Measure J, which would have extended the 2008 voter approved Measure R half-cent sales tax for an additional 30 years and would have allowed for the acceleration of construction on transit and highway projects in Los Angeles County. While 66.11% of 2.8 million Los Angeles County voters were in favor of Measure J, the measure still failed because it was approximately 16,000 votes short of the required two-thirds vote necessary for special purpose tax measures.

Since the passage of Measure R in 2008, through various LACMTA Board of Directors (Board) actions and adopted policies, staff was directed to proceed with the planning and environmental analysis of all Measure R projects including those scheduled for delivery in the second and third decades, with the hope that financing could be secured to deliver these projects earlier than scheduled in the adopted 2009 Long Range Transportation Plan (LRTP). Without Measure J, however, alternative strategies must be explored to comply with the direction of the Board.

**DISCUSSION**

The Measure R expenditure plan included 12 transit projects and 16 categories of highway projects to be delivered over its 30 year time frame. The transit projects are more defined than the highway projects, in that specific project scope, cost, sequencing and delivery dates were identified. This sequencing was adopted by the Board in the 2009 LRTP and a cost control process and policy was adopted in March 2011.

Based on Board direction, planning and environmental work was budgeted and then began on the 12 transit projects and 16 highway categories while viable acceleration strategies were concurrently explored. In April 2010, the Board adopted a policy defining the parameters for staff to evaluate viable acceleration strategies for the Measure R projects. Per Board direction, only strategies which enabled the full 30 years of projects to be delivered in 10 years were pursued. To this end, planning and environmental work began on the 12 transit projects and 16 highway categories.

Of the Measure R transit projects, several first decade projects are either opened, under construction or about to start construction. These first decade projects are all proceeding. Several of the second and third decade transit projects, however, are now well along in the planning phases and are at critical milestones where a decision to proceed with work or not is needed. (See Attachment A for the current status of Measure R transit projects.)

As for the Measure R highway projects, four of the 16 categories are fully funded in the first decade and construction is underway. The remaining 12 project categories are either divided into smaller projects for implementation in accordance with the adopted LRTP, or in the planning or environmental phases positioned for advancement through Public-Private Partnerships (P3) without impacting other projects in the adopted LRTP. (See Attachment B for the current status of Measure R highway categories.)

Concurrent with the project development efforts, various financial mechanisms and approaches were developed and proposed to the federal government and others. These included: the potential of P3 for both transit and highway projects, expanding the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, creating a Master Credit Agreement (MCA) as part of the TIFIA program, and creating a Qualified Transportation Improvement Bond (QTIB) program. There were also efforts to attract low interest loans from sovereign wealth funds, and proposals were reviewed from various underwriting firms for combined borrowing against Measure R and Propositions A and C funds. The most recent attempt to increase MTA's bonding capacity and to accelerate all projects was the Measure J proposal combined with TIFIA.

Without Measure J, some combination of these previously explored strategies or new strategies will be needed to accelerate the Measure R program of projects. For example, the passage of Moving Ahead for Progress in the 21st Century (MAP-21) by the U.S. Congress this year included both an expansion of the TIFIA program and allowed the use of MCAs for a program of projects. Building upon this partial success will require a new strategy, in combination with the TIFIA enhancements. The specific strategic options for acceleration are discussed below.

### **Continued Acceleration Options**

The Board can instruct the staff to continue to explore acceleration through some or all of the following strategy options or it could decide to suspend these efforts.

### *Creation of a Federal America Fast Forward Transportation Bonds Program*

The portion of the LACMTA America Fast Forward initiative that did not get adopted into law in MAP-21 was our policy proposal to create a new class of qualified tax credit bonds for transportation projects, both highway and transit. To date, Congress has authorized qualified tax credit bond programs totaling in excess of \$35 billion for forestry, conservation, renewable energy projects, energy conservation, qualified zone academies and new school construction. The creation of an America Fast Forward Transportation Bond program would represent a sixth class of qualified tax credit bonds. The new bond program would be national in scope, with a proposition that the U.S. Congress authorize \$45 billion for America Fast Forward allocated evenly at \$4.5 billion annually. Previously, this proposal faced a series of challenges in the U.S. Congress, especially from those officials in the U.S. House and Senate who were skeptical of creating a new sixth class of qualified tax credit bonds. We are eager to again advance the idea of establishing and funding an America Fast Forward Transportation Bonds program during the anticipated lame-duck session of the 112th Congress this November and the coming 113th Congress.

### *Focus on Future Federal Transportation Authorization*

MAP-21 is a two-year authorization that expires on September 30, 2014. Discussions concerning an extension are expected to begin in Congress almost immediately. Staff will continue to work with our Federal partners to create new authorization that best meets the needs of our Board-approved LRTP.

### *Further Exploration of P3 Opportunities*

In September 2008, the Board adopted a P3 Workplan which set the stage for identifying P3 candidates from among the projects included in the 2009 LRTP. The P3 program has placed particular emphasis on identifying projects that could attract private investment capital and thus allow for accelerated and less expensive project delivery. P3s are primarily a financing and delivery system that may allow accelerated project delivery through flexible financing and leveraging of public funds. However, P3s may also provide significant project funding in cases where new sources of revenue, such as net-positive user charges or tolls, can be generated by the project.

In June 2012, an initial screening of P3 candidate projects was presented to the Board. Through that screening process as well as subsequent exploration, the P3 program has thus far generated Business Plans for six of the Measure R projects, and recommendations are being provided for the following highway and multi-modal projects to be delivered as P3s to accelerate their delivery: High Desert Corridor, SR 710 North Gap, I-710 South Freight Corridor, the Accelerated Regional Transportation Improvements (ARTI) bundle of highway projects, and the Sepulveda Pass Corridor. If directed by the Board, staff will pursue these projects as P3s and any others where net-positive user charges or tolls could be generated by a project.

For some of the highway projects, implementation of tolling strategies on managed lanes and/or truck-only lanes can generate significant new revenue and accelerate projects, in addition to positively affecting congestion. Utilizing low interest loans and flexible repayment terms are opportunities provided by P3 project delivery methods, due to the new revenue streams that can supplement funding provided through Measure R, Propositions A and C, and TIFIA.

#### *Combination of Borrowing from Propositions A and C with Long-Term Bonds*

Long-term borrowing in combination with TIFIA enhancements will require an alternate source of funds in the years beyond 2039, the current end date for Measure R. Without Measure J, only those portions of Propositions A and C that are not needed for local return, operations, and state-of-good repair could be used. However, if the Board of Directors were to assume that a ballot measure similar to Measure J were to pass before 2039, then Proposition A and C funds anticipated to be needed for operations and state of good repair could be pledged now in anticipation of realizing voter approval of such a ballot measure. Since over half of the Measure R transit project costs are for underground work, and Proposition A and C cannot be used for such work, there are a number of issues to be worked out between the various local, state, and federal funding rules before we can thoroughly brief the Board of Directors on the viability of these options. We anticipate being in a position to brief the Board in March 2013.

#### *Further Discussions with Sovereign Wealth Funds*

We had previously determined that a series of sovereign wealth fund loans over an entire decade for approximately \$8 billion averaging at a 2.17% rate of interest would be sufficient to accelerate all 12 transit projects in Measure R. However, favorable terms for a loan of this size were not available from any of the sovereign wealth funds we met with late in 2011. The Board could ask us to offer better terms to such lenders, such as participation in the work to be performed, to attract the low interest loans required. To the extent that a project has federal funds included, however, we would not be able offer such favorable terms due to federal requirements.

#### *Pursue Various Actions with the State of California*

In November, both Los Angeles and Alameda County voters considered but ultimately did not pass local sales tax measures. In both cases the votes were within one percent of the 66.67% margin to approve such measures. Since that time a number of transportation stakeholders in California have discussed the possibility of lowering the vote threshold for transportation specific taxes to 55%. On Monday, December 3, 2012, State Senator Carol Liu introduced SCA 4 which would do exactly that. The measure will now proceed through the legislative process and Metro staff will bring it to the Board for their consideration. If the measure is approved in this legislative session it would not be on a ballot until 2014. Additionally, transportation stakeholders in California are also discussing a number of additional measures such as transportation related fees and a

potential bond measure all of which could help to accelerate completion of Metro's Board approved program of projects.

#### *Create Another Acceleration Measure for a Future County Ballot*

With statewide interest in lowering the vote threshold for transportation specific taxes to 55%, efforts could be initiated to create another acceleration measure for the County ballot in 2014. MoveLA and other organizations which supported Measure J are already proceeding to undertake steps to initiate a future campaign.

#### **Continued Advancement of Second and Third Decade Projects**

With the likelihood that one or more of the acceleration options listed above will be successful within the next few years, the Board should also instruct the staff to continue to advance second and third decade projects so that they will be ready to proceed into construction when funds are available. The status of individual projects is described below.

#### *Westside Subway*

There are three sections of the Westside Subway Extension. All three sections were included in the Final Environmental Impact Statement/Report (FEIS/R) that was certified by the Board and approved by the FTA. This project is moving toward construction and without Measure J or its replacement, only the first section to La Cienega can be built in the first decade. The remaining sections would be built in the second and third decades. The Transit Project Delivery Department will proceed with the procurement of a Design/Build contractor for the first section only, and with the negotiation of a Full Funding Grant Agreement (FFGA) for that section (with provisions for FFGA amendments to cover the future sections). Construction on the first section is expected to start in the spring of 2014. Since a Federal Record of Decision has been received, staff recommends that it would be in MTA's best interest to finalize the PE (already well underway) in order to complete the Design/Build packages for Sections 2 and 3 so they are ready for advertisement when funding sources are identified. There is a high probability of losing the engineering talent working on this project if design is stopped on Sections 2 and 3 immediately. Staff estimates that \$16.1 million will be required to complete this work. (Approval of the finalization of PE for Sections 2 and 3 of the Westside Subway Extension is the subject of a separate board report.)

#### *Airport Metro Connector*

The Airport Metro Connector project is a second decade project in the LRTP. However, the Measure R Expenditure Plan allows for the acceleration of this project if the Los Angeles World Airports (LAWA) provides funding. The Alternatives Analysis phase of work has been completed and was received by the Board in April 2012. We have not begun the draft environmental analysis due to on-going discussions with LAWA, the FTA, and the Federal Aviation Administration (FAA). Recently, LAWA committed to

using an Automated People Mover (APM) within the Central Terminal Area and they identified three potential locations where the APM could connect with Metro's light rail system. Therefore, staff recommends that we continue to work with LAWA and continue with the technical analysis that will become the basis of the draft environmental work. The environmental work will begin once the FTA and FAA give clearance to begin. At the December 2012 Board meeting, staff was instructed to study the possibility of using a P3 approach in order to accelerate this project. That study will also be undertaken.

#### *South Bay Green Line Extension*

The Draft Environmental Impact Statement/Report (DEIS/R) for the South Bay Green Line Extension has been completed and is being reviewed by the FTA. In order to proceed with this project, we need to get the agreement of the FTA to distribute the DEIS/R to the public even though a viable financial plan for acceleration is not yet in place, which is required by the FTA. The staff recommendation is to work with the FTA to determine a path that will allow the project to move forward. This may include proceeding with public distribution and review of the DEIS/R, followed by proceeding with final environmental work and initiation of Advanced Preliminary Engineering. Staff estimates that \$13 million will be required to complete this work.

#### *Eastside Gold Line Phase 2 Extension*

The Eastside Gold Line Extension Phase 2 is in much the same situation as the South Bay Green Line Extension. This project is also a third decade project and its DEIS/R is being reviewed by the FTA and the Cooperating agencies. As above, in order to proceed with this project, we need to get the agreement of the FTA to distribute the DEIS/R to the public even though a viable financial plan for acceleration is not yet in place. Similar to the South Bay Green Line Extension, the staff recommendation is to work with the FTA to determine a path that will allow the project to move forward. Staff estimates that \$15 million will be required to complete this work.

#### *West Santa Ana Branch*

The West Santa Ana Branch Corridor is the Los Angeles County portion of a 34-mile corridor that also stretches into Orange County. This project is a second decade project. SCAG is leading the AA work on this project because it spans two counties. The AA phase of work is complete and will be taken to the SCAG Regional Council in February 2013. If the SCAG Regional Council approves the AA recommendations, we assume that Metro would then lead further efforts on the portion of the Corridor in Los Angeles County, and OCTA would lead any further efforts in Orange County. The staff recommendation is to begin work on an Alternatives Analysis Refinement Study on the Los Angeles portion of this project once SCAG has approved AA. Staff estimates that \$4 million will be required to complete this study.

### *Sepulveda Pass Corridor*

The last of the twelve Measure R transit projects is the Sepulveda Pass Corridor. We have completed the Systems Planning Study and have identified the possibility that there is potential for new revenues from net-positive user charges or tolls. At the December 2012 Board meeting, the Board approved proceeding with testing the viability of a P3 approach through the selection of a private sector developer for the project through a Pre-Development Agreement. With private sector financing, there is the possibility that the project can be accelerated. Any private sector financing would be based on anticipated revenues generated from a toll facility that would link the San Fernando Valley to the Westside. If a P3 effort can fully finance this project, it is possible that the Measure R funds budgeted (\$1 billion) could be reallocated to other projects.

### **Highway Projects**

#### *Countywide Soundwall Construction*

Complete the on-going construction projects and continue to explore the feasibility of constructing Packages 10 and 11 as part of the bundled highway improvement projects in the Accelerated Regional Transportation Improvements (ARTI) package using P3 as a delivery mechanism.

#### *Interstate 5 Capacity Enhancement from I-605 to Orange County Line*

Complete the on-going construction projects on the first four segments and work with the State of California and the Gateway Cities subregion to identify funding options for the last segment.

#### *Highway Operational Improvements in Arroyo Verdugo (AV) and the Las Virgenes/Malibu (LV/M) subregions*

Complete the delivery of the Board approved project list and continue to work with the AV and LV/M subregions to develop new project lists for the un-defined portion of Measure R.

#### *Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay [SB])*

Complete the delivery of the Board approved project list and continue to work with the SB subregions to develop new project lists for the un-defined portion of Measure R.

#### *Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line*

Complete the construction of Phase 1 (truck lanes from SR-14 to Pico Canyon), continue to explore feasibility of delivering Phase 2a (High Occupancy/Express lanes

from SR-14 to Parker Road) as part of the ARTI package using P3 as a delivery mechanism.

*Interstate 605 Corridor "Hot Spot" Interchanges*

Continue to work with the Gateway Cities subregion to identify, develop and deliver new projects consistent with the Long Range Transportation Plan (LRTP).

*State Route 710 North Gap Closure*

Complete the environmental document consistent with the LRTP.

*Interstate 710 South and/or Early Action Projects*

Complete the environmental document for I-710 South and the delivery of the Board approved list of I-710 Early Action Projects consistent with the LRTP.

*State Route 138 Capacity Enhancements*

Complete the delivery of the Board approved project list.

**DETERMINATION OF SAFETY IMPACT**

The recommended actions will not impact the safety of our employees and/or customers.

**FINANCIAL IMPACT**

For the Measure R transit and highway programs combined, the FY 2013 budget includes over \$200 million for planning, environmental clearance, and preliminary engineering from various funds sources. This level of commitment was established consistent with delivering projects on an accelerated schedule. Going forward, it is anticipated that the continuation of these budgeted expenditures would be supported by the U.S. DOT if they believe that a promising accelerated financial plan has been identified and is under development. If the Board continues to favor acceleration for all projects, then identifying a viable acceleration strategy will become increasingly urgent as we near final environmental clearance for projects in the second and third decade. After environmental clearance, it is estimated that these documents will have a shelf-life of approximately three years.

Pending direction from the Board, each Department Head will be responsible for returning to the LACMTA Board of Directors with project specific budget revisions that reflect this continuation of our project development strategy.

## **ALTERNATIVES CONSIDERED**

The Board could decide not to continue the planning and environmental analysis on all Measure R second and third decade projects pending the identification of specific financing mechanisms to deliver these projects early. In the near term, this alternative is not recommended since we anticipate aggressively pursuing a viable financial plan. Pursuing this alternative should only occur when the Board determines that a viable project acceleration strategy does not exist.

The Board could also decide not to pursue P3 as a mechanism to advance project delivery. This alternative is not recommended since the Board would forego opportunities for new revenue sources that could close the gaps in several key transportation improvement projects in Los Angeles County.

## **NEXT STEPS**

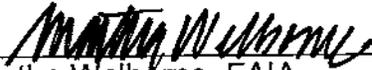
If instructed by the Board, staff will complete the phases of work on the second and third decade projects, as described in this report. We will also meet with the various project stakeholders and community groups involved with each project to inform them of the status and revised schedules of each project. Staff will also keep the Board apprised of the status of each project as work is finalized.

In March 2013, we will return to the Board with a specific path forward for project acceleration.

## **ATTACHMENTS**

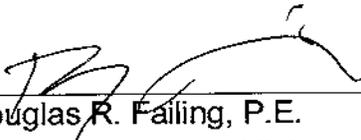
- A. Status of Measure R Transit Projects
- B. Status of Measure R Highway Categories

Prepared by: Martha Welborne, FAIA, Executive Director, Countywide Planning  
(213) 922-7267  
Douglas R. Failing, P.E. Executive Director, Highway Program  
(213) 922-6840  
David Yale, Executive Officer, Countywide Planning  
(213) 922-2469  
Renee Berlin, Executive Officer, Countywide Planning  
(213) 922-3035  
Lan Saadatnejadi, Executive Officer, Highway Program  
(213) 922-7337  
Michael Turner, Director, State Affairs  
(213) 922-2122  
Raffi Haig Hamparian, Director, Federal Affairs  
(213) 922-3769  
Kathleen Sanchez, Manager, Public-Private Partnership Program  
(213) 922-2421



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Martha Welborne, FAIA  
Executive Director, Countywide Planning



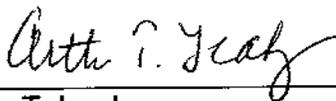
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Douglas R. Failing, P.E.  
Executive Director, Highway Program



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K. N. Murthy  
Executive Director, Transit Project Delivery



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Arthur T. Leahy  
Chief Executive Officer

**MEASURE R TRANSIT CORRIDORS**

**Transit Corridor Projects**

Twelve specific transit projects were included in Measure R. A great deal has been accomplished since Measure R was passed in 2008. Of the twelve, one project has been constructed and is operating, two are in construction, two are in the midst of selecting a Design/Build (D/B) contractor, one is about to enter the selection process, and the remaining six are in various stages of conceptual planning through to completion of draft environmental documents. The twelve projects are summarized below:

<b><i>Measure R Transit Project</i></b>	<b><i>Status</i></b>
West SFV North-South Canoga Corridor	Built and Operating
Exposition Light Rail Phase I	Built and Operating
Phase II	Under Construction
Gold Line Foothill Extension to Azusa	Under Construction
Crenshaw Light Rail Procurement	D/B Procurement Underway
Regional Connector	D/B Procurement Underway
East SFV North-South Corridor	Finalizing Alternatives Analysis (AA)
Westside Subway Extension Section 1	D/B Procurement Underway
Sections 2 and 3	Finalizing Preliminary Engineering
Airport Metro Connector	AA done, Technical Studies underway
South Bay Green Line Extension	DEIS/R under review by FTA
Eastside Gold Line Extension Phase 2	DEIS/R under review by FTA and others
West Santa Ana Branch Corridor	AA awaiting SCAG approval
Sepulveda Pass Corridor	Planning Study Complete, pursuing P3

## MEASURE R HIGHWAY CATEGORIES

Highway Categories

Sixteen highway categories were included in Measure R. A great deal has been accomplished since Measure R was passed in 2008. The sixteen categories are summarized below:

<b>Measure R Highway Categories</b>	<b>Status</b>
Alameda Corridor East Grade Separation Phase II	Various Stages
BNSF Grade Separation in Gateway Cities	Various Stages
Countywide Soundwall Construction	Various Stages
High Desert Corridor (Environmental)	Environmental
I-5/St Route 14 Capacity Enhancement	Under Construction
I-5 Capacity Enhancement I-605-Orange County	Under Construction
I-5 Capacity Enhancement: SR-134 to SR-170	Under Construction
I-5/Carmenita Rd Interchange Improvement	Under Construction
Highway Op Improv. in Arroyo Verdugo	Various Stages
Highway Op Improv. in Las Virgenes/Malibu	Various Stages
I-405, I-110, I-105 and SR-91 Ramp and	Various Stages
Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line: Phase 1: SR-14-Pico Canyon Rd (Truck Lanes) Phase 2a: SR-14 to Parker Rd (HOV Lanes) Phase 2b: Parker Road towards Kern County Add Capacity	Under Construction Planning Not Initiated
I-605 Corridor "Hot Spots" Interchanges	Various Stages
SR-710 North Gap Closure	Environmental
I-710 South and/or Early Action Projects	Environmental/ Various Stages
SR-138 Capacity Enhancements	Various Stages