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Metropolitan Transportation Authority

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3

**MEASURE R OVERSIGHT COMMITTEE
OCTOBER 9, 2013**

SUBJECT: REGIONAL CONNECTOR PROJECT

**ACTION: ADOPT A RESOLUTION FINDING THAT THE BENEFITS OF A
TIFIA LOAN EXCEED ISSUANCE AND INTEREST COSTS**

RECOMMENDATION

Adopt a resolution finding that the benefits of a \$160 million Transportation Infrastructure Finance and Innovation Act (“TIFIA”) loan secured with Measure R revenues for the Regional Connector Transit Corridor Project (“Regional Connector”) exceed issuance and interest costs, Attachment A.

ISSUE

The Measure R Ordinance requires that the Measure R. Independent Taxpayers Oversight Committee of MTA, (“Measure R Oversight Committee”) “review all proposed debt financings and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoiding future costs escalation, and related factors exceed the issuance and interest costs”.

DISCUSSION

On June 27, 2013, the LACMTA Board approved the Long Range Transportation Plan financial forecast update which included the \$1.399 billion Regional Connector project. [See project description in Attachment B.] The loan will be repaid from Measure R 35% Transit Capital receipts. The Board approved submission of a TIFIA Loan Master Credit Agreement Letter of Interest on September 27, 2012 to finance a portion of the Regional Connector costs. Staff has been working with TIFIA staff since January 2013. Loan documents could be ready for execution as early as November 2013, potentially allowing us to lock in a currently attractive loan rate.

Key benefits of a TIFIA loan include:

- A low interest rate based on the rate of the U.S. Treasury security for the final maturity of the loan, set on the date of loan execution.

- Flexible repayment terms including non-level debt service.
- Actual loan draws may be deferred for up to five years after loan execution with interest accruing only as proceeds are drawn with no change in the original interest rate.
- LACMTA is not obligated to draw the full amount of the loan.

The MTA Board of Directors' action to amend Measure R on June 27, 2013 was contingent, in part, on the Measure R Project Finance Acceleration Plan and the approval of this and other TIFIA loans. Even if traditional tax-exempt borrowing rates become more advantageous, the flexibilities of the TIFIA loan allow us to make adjustments to the overall financing plan to our best advantage. Locking in the TIFIA loan and interest rate is a hedge that will allow us the choice to borrow over the next five years at rates that could be lower than rates then available. The TIFIA loan amount is fixed, hence this authorization is unaffected by future changes to project costs. The costs of issuance related to the execution of the loan, non-refundable fees and costs, are estimated to be approximately \$300,000.

It should be noted that we are concurrently pursuing a TIFIA loan for our Westside Subway Purple Line Extension Section 1 project and expect to return to this Committee in Spring 2014 seeking a similar finding.

NEXT STEPS

- LACMTA Board approves the loan
- Obtain investment grade credit ratings and execute loan agreement

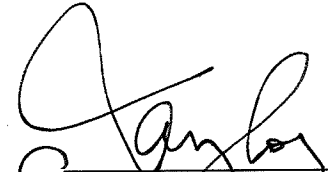
ATTACHMENTS

- A. Resolution Finding Benefits of a TIFIA Loan
- B. Project Description for Regional Connector
- C. LRTP and Accelerated Project Delivery Costs Schedules

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ATTACHMENT A

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A TIFIA LOAN UP TO \$160 MILLION EXCEED ISSUANCE AND INTEREST COSTS

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, the America Fast Forward Initiative adopted by the MTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, accelerated construction would take advantage of any continuation of the current soft construction market to reduce costs potentially; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, MTA was invited to apply for a \$160 million TIFIA loan for the Regional Connector Project; and

WHEREAS, MTA retains the right to use traditional tax-exempt borrowing for the Regional Connector Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Regional Connector Project would free up Measure R funds to meet the cash flow necessary to pay for a potential future accelerated construction program for other Measure R transit capital projects; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program will generate 165,990 annual full-time equivalent jobs.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$160 million TIFIA loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed issuance and interest costs.

Adopted this 9th day of October 2013.

ATTACHMENT B

Project Description for Regional Connector

The Regional Connector Project is a 1.9 mile light rail line with three underground stations in downtown Los Angeles. The Project will provide a direct connection from the 7th/Metro Center Station to the existing Metro Gold Line tracks to the north and east of 1st and Alameda. This connection will provide through service between the Metro Blue Line, Metro Gold Line Pasadena, Metro Gold Line Eastside, and Metro Exposition Line corridors. The result of this connection will be an enhanced regional connectivity by providing continuous train operations between Long Beach and Montclair and from East Los Angeles and the San Gabriel Valley to Santa Monica without the need to transfer, thus making it easier for potential riders to get to and from Downtown Los Angeles and across the county.

REVISED ATTACHMENT C

L RTP and Accelerated Project Delivery Costs Schedules

**Los Angeles County Metropolitan Transportation Authority
Total Transit Project Cost and Opening Year Assumptions (a)**

(Year of expenditure (YOE) dollars in millions)

	Project Description	L RTP June 2013 Update		Accelerated Plan May 2013	
		Assumed Funding (\$ in millions)	Opening Year	Assumed Funding (\$ in millions)	Opening Year
1	L RTP 1st Decade				
	Orange Line Canoga Extension	160.1	FY 2013	160.1	FY 2013
	Exposition Blvd. Light Rail Transit II	1,511.2	FY 2017	1,511.2	FY 2017
	Gold Line Foothill Extension	851.1	FY 2017	851.1	FY 2017
	East San Fern. Valley Transit Corridors	170.1	FY 2018	170.1	FY 2018
	Crenshaw/LAX Transit Corridor	2,058.0	FY 2020	2,058.0	FY 2020
	Regional Connector	1,399.0	FY 2020	1,399.0	FY 2020
	Westside Subway Extension Section 1	2,509.1	FY 2024	2,509.1	FY 2024
2	L RTP 2nd & 3rd Decades				
	Westside Subway Extension Section 2	1,817.7	FY 2026	3,166.9	FY 2023-25
	West Santa Ana Branch Line	649.0	FY 2027	502.8	FY 2019
	Airport Metro Connector (Green Line Extension to LAX) (b)	330.0	FY 2028	247.7	FY 2019
	South Bay Green Line Extension	555.0	FY 2035	360.8	FY 2019
	Gold Line Eastside Extension Phase II	2,490.0	FY 2035	1,734.3	FY 2023
	Westside Subway Extension Section 3	2,145.8	FY 2036	Included in Westside Subway Section 2	
	Sepulveda Pass Transit Corridor	2,468.0	FY 2039	1,647.6	FY 2025
	Total (a)	19,114.1		16,318.7	

(a) Includes prior year expenditures.

(b) Estimated local agency contribution is \$1.006 B in addition to MTA-funded accelerated project cost of \$247.7 M.