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Item 3

**MEASURE R OVERSIGHT COMMITTEE
MARCH 7, 2014**

SUBJECT: WESTSIDE PURPLE LINE EXTENSION SECTION 1

**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 \$856 million Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan secured with Measure R revenues for the Westside Purple Line Extension Section 1 project ("Westside Purple Line") exceed issuance and interest costs, Attachment A.

ISSUE

The Measure R Ordinance requires that The Proposition R. Independent Taxpayers Oversight Committee of LACMTA, ("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 interests costs".

DISCUSSION

On June 27, 2013, the LACMTA Board (Board) approved the Long Range Transportation Plan financial forecast update which included the \$2.509 billion Westside Purple Line 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 Westside Purple Line costs. Staff has been working with TIFIA staff since January 2013 and submitted the Westside Purple Line TIFIA Loan application on July 25, 2013. Loan documents could be ready for execution as early as April of this year 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 on June 27, 2013 to advance the Measure R funds available beginning dates for five transit capital projects was contingent, in part, on 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 - \$500 thousand.

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 Westside Purple Line
- C. Westside Purple Line TIFIA Loan Preliminary Terms

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Arthur T. Leahy

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ATTACHMENT A

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A TIFIA LOAN UP TO \$856 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 LACMTA 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 avoid inflationary cost growth; and

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

WHEREAS, LACMTA was invited to apply for a \$856 million TIFIA loan for the Westside Purple Line Extension Section 1 Project; and

WHEREAS, LACMTA retains the right to use traditional tax-exempt borrowing for the Westside Purple Line Extension Section 1 Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Westside Purple Line Extension Section 1 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 LACMTA finds that the economic, environmental and transit benefits of the \$856 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 7th day of March 2014.

ATTACHMENT B

Project Description for Westside Purple Line Extension Section 1

The Westside Purple Line Extension Section 1 consists of the design and construction of approximately 3.92 miles of double track heavy rail underground transit system below Wilshire Boulevard in the cities of Los Angeles and Beverly Hills with three new stations and a new maintenance-of-way building, and non-revenue vehicle maintenance facility at the existing Metro Division 20 Yard. The three new stations will be located at Wilshire/La Brea, Wilshire/Fairfax and Wilshire/La Cienega. The Project is the first section of a three-section extension of the Metro Purple Line to Westwood/VA Hospital.

The Westside Purple Line Extension Section 1 will extend the Metro Purple Line heavy rail transit system west from the current terminal station at Wilshire/Western. The Project construction will begin at the Wilshire/La Brea Station with twin bore tunnels extending east from that station to a tunnel boring machine (TBM) retrieval shaft to be constructed immediately west of the existing Wilshire/Western Station. The tunnels will then proceed west from Wilshire/La Brea Station to Wilshire/Fairfax Station and then onto the new interim terminus station at Wilshire/La Cienega.

The Revenue Service date for the Project is October 31, 2024.

ATTACHMENT C

Westside Purple Line Extension Section 1 TIFIA Loan Preliminary Terms

Lender:	U.S. Department of Transportation
Borrower:	Los Angeles County Metropolitan Transportation Authority
Loan Amount:	Proposed principal amount up to \$856,000,000.00
Interest Rate:	Tied to U.S. Treasury Rate for final maturity of the loan, plus one basis point. The actual interest rate on our loan is a fixed rate and is set on the day we sign the loan with TIFIA.
Final Maturity:	The proposed final maturity of the loan is June 1, 2038.
Drawdown:	The loan can be drawn down over time and interest does not accrue until the proceeds are drawn. We are not required to draw down any of the loan proceeds.
Debt Service Reserve Fund:	We are required to set aside a reserve fund equal to 5% of the outstanding principal.
Source of Repayment:	Measure R Sales Tax Revenues after payment of all senior obligations
Expected Ratings:	"A" Category