Proposed Measure R Extension:
Strategic Financial Plan

June 21, 2012
• Main goal: Accelerate projects in Long Range Transportation Plan sequence
  – MTA approval of accelerated schedules required
  – No re-programming of highway funding for use on transit or vice versa
  – Project costs capped at Long Range Plan amounts
    • Priorities from 2009 Long Range Plan and Measure R
• Coordinate with P3 program to maximize leverage
  – Include project planning, design, delivery, and operations
• Seek federal aid for accelerated financial assistance
  – Ask LA County Congressional delegation to work with the Administration on financing mechanisms
Proposed Measure R Extension:
Strategic Financial Plan Assumptions

• All Long Range Transportation Plan update assumptions
• Voter adoption of Measure R extension
  • No change to funding categories
    • Option: No sunset or 30 years
• Aggressive borrowing to accelerate projects
  • Transportation Infrastructure Finance & Innovation Act
    – Master Credit Agreements, rate locks, ascending debt payments, and subordinate borrowing
• Federal transportation reauthorization enacted
  – Subordinate Capital Appreciation Bonds can serve as an inferior fallback plan
    – Interest rates much higher than TIFIA
Measure R Categorical Funding Extended

- 5% Metrolink and Metro Rail System Needs $1,777 M
- 15% Local Return $5,331 M
- 5% Rail Operating Improvements $1,777 M
- 20% Bus Operating Improvements $7,108 M
- 20% Highway Projects $7,108 M
- 35% Rail/BRT Expansion Projects $12,439 M

Percentages are net of 1.5% for Administration ($541 M)

Measure R $36.1 Billion Total
FY 2010 – FY 2040
Measure R Extension

Measure R Extension $125 Billion Over Sixty Years
Includes $1.9 Billion for Administration

- Operations and Local Return: $51.1 B (41%)
- Local Return: $18.5 B (15%)
- Transit Capital: $38.5 B (30%)
- Transit and Highway Capital: $56.0 B (44%)
- Highway Capital: $17.5 B (14%)
- Highway Capital Int Cost: $7.1 B (6%)
- Transit Cap Interest Cost: $10.8 B (9%)
- Transit and Highway Capital Interest Cost: $17.9 B
Measure R Highway & Transit
Revenue and Interest Cost

Measure R Extension Over Sixty Years
Annual Revenue and Bond Interest Cost

Measure R Sunset
Project Acceleration

Capital Interest Cost $15.9 B (Hwy. & Transit)
Capitalized Interest Cost $2.0 B (Hwy. & Transit)
Measure R Capital $55.7 B (Hwy. & Transit)
Measure R Capital Used $38.3B (Hwy. & Transit)
Measure R Operations and Local Return $51.1 B
Proposed Measure R Extension
Strategic Financial Plan for Transit

- Transit funding capacity expands to $7.7 B
  - $3.5 B in total Measure R borrowing
    - Previously $1.6 B
  - $4.2 B in MAP-21 TIFIA loans
    - Previously $1.2 B

- Allocations adhere to Metro Board’s 30/10 Initiative Policy

- Original Measure R expenditure plan
  - “Funds Available Beginning” dates amended where necessary to permit acceleration
Measure R Extension
Strategic Financial Plan Alternatives Considered

Alternative 30/10 Funding Strategies
(Dollars in Billions)

- Large Grant
- Large Loan @ 2.17%
- Measure R Extension Preferred Strategy
- Fallback Strategy

- New Starts Grants
- Gap
- TIFIA Loans
- Measure R Borrowing
- Other State, Local & Federal

Assumes Measure R extension

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Measure R Transit Projects
Preferred Strategic Financial Plan by Funding Source

**Proposed Measure R Extension Draft Accelerated Expenditure Plan**

**Funding by Source**
(Dollars in Millions)

- **Total Cost**: $15.3 B
- **Measure R Base**: $5.6 B
- **TIFIA**: $1.2 B
- **Additional TIFIA**: $3.0 B
- **Other-State, Local & Federal**: $5.5 B

Measure R Transit Projects
Preferred Strategic Financial Plan by Project

Proposed Measure R Extension Draft Accelerated Expenditure Plan
Funding by Project
(Dollars in Millions)

Total Cost-$15.3 B

Under Construction includes:
- Exposition Boulevard Light Rail Transit
- Gold Line Foothill Light Rail Transit Extension, SFV North-South Rapidways (Canoga Corridor).

Other includes:
- South Bay Green Line Extension; Redondo Beach Station to South Bay Corridor; Airport Metro Connector, SFV East North-South Rapidways, West Santa Ana Branch Corridor.
Measure R Transit Projects

Strategic Financial Plan: Bond Proceeds and Debt Service

Measure R 35% Cumulative Bond Proceeds & Annual Debt Service Costs
(Dollars in Millions)

- Cumulative Bond Proceeds
- Measure R Sunset
- LRTP November 2011
- Measure R Extension Preferred Strategy
- Fallback Strategy

Annual Debt Service Cost
Proposed Measure R Extension
Preferred Strategic Financial Plan for Highways

• Highway funding capacity expands by $3.7 B
  – $2.3 B in MAP-21 TIFIA loans
  – $1.4 B in new Measure R borrowing

• Recommended framework for allocation
  – Use original Measure R allocation ratios for accelerating highway projects
Measure R Extension Highway Targets

Total of $3.7 Billion Additional Highway Bonds if Taken in First Decade

- San Gabriel Valley: $823M (22.24%)
- South Bay Cities: $632M (17.08%)
- Gateway Cities: $1,128M (30.49%)
- Regionwide: $175M (4.73%)
- Arroyo Verdugo: $308M (8.32%)
- North County: $512M (13.84%)
- Las Virgenes/Malibu: $122M (3.30%)

Total: $3.7 Billion
Measure R Highway Program P3 Potential
Comparison of Potential Sources and Uses

LRTP + Extension + P3 * (millions)

Note: Long Range Transportation Plan for the Highway Program is $32.4 billion
Measure R Highway Program P3 Potential
Potential Tolling & P3 Program Contributions

- Tolls support acceleration of highway program delivery by providing a new source of funding
  - Tolls and extending Measure R work well together
  - Provides two independent revenue sources
    - Variation in leveraging methods helps achieve efficient financing and delivery

- P3 program can aid project delivery (our next challenge)
  - Transfers key schedule and cost overrun risks to private sector
  - Typically reduces whole-life costs of projects from 20-30% on a risk-adjusted basis
  - Reduces Metro’s reliance on other future federal, state, and local funds that have not yet been secured
  - Brings private equity capital that can increase the total toll-based financing capacity – frequently by 25% or more on robust highway projects
 Measure R Highway Program
Strategic Financial Plan: Bond Proceeds and Debt Service

Measure R 20% Cumulative Bond Proceeds & Annual Debt Service Costs
(Dollars in Millions)

Cumulative Bond Proceeds

Annual Debt Service Cost

Measure R Sunset

LRTP November 2011

Measure R Extension Preferred Strategy

Fallback Strategy
Program Cost and Schedule
Assumptions

June 14, 2012