Long Range Transportation Plan

“30/10” Initiative

Project Acceleration Methodologies

Planning and Programming Committee
Finance, Budget, & Audit Committee
Executive Management Committee

April 2012
“30/10” Status & On-Going Efforts
30/10 Initiative
MTA Board’s April 2010 Policies and Principles

- **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
• Progress of 30/10 project acceleration efforts include:
  – Pursuing Federal finance mechanisms to accelerate projects “America Fast Forward”
  – Other financing options include:
    • Seeking large Federal grants
    • Low interest rate loans – including foreign

• Local options currently being evaluated include:
  – Extending Measure R beyond 2039
  – Evaluating Public Private Partnerships (P3)
Federal Financing Mechanisms

- **Federal Strategy (America Fast Forward)**
  - Various financing strategies have been explored to accelerate both highway and transit projects

- **Qualified Transportation Improvement Improvement Bonds**
  - New class of “qualified” bonds for surface transportation
  - Federal tax credits in lieu of cash interest payments
  - Issuance volume legislatively capped
  - Permitted purposes carefully defined
  - Not yet included in Moving Ahead for the 21st Century (MAP-21)

- **Transportation Infrastructure Finance and Innovation Act (TIFIA)**
  - Loans direct from USDOT at Treasury rates
  - Flexible payment terms
  - Enhancements included in MAP-21
“30/10” Acceleration Benefits
Transit and Highway Acceleration Benefits

- Complete 12 **transit** projects in 10 years
  - Create 152,000 jobs (updated)
  - Eliminate 522,000 lbs of carbon emissions every day
  - Reduce vehicle miles traveled by 191 million
  - Increase transit boardings by 77 million

- Seek to accelerate 15 **highway** projects
  - Create 256,000 jobs (updated)
  - Relieve Congestion Countywide
  - Improve goods movement
Project Costs & Financing Alternatives
Measure R Transit Program
Progress on Federal Financing Mechanisms

Accelerated Plan Funding by Source - August 2011
(Dollars in Millions)

Alternatives to QTIB funding gap:
- $4.0 B Add a Large Grant, Borrow More
- $9.1 B Replace All Borrowing w/ 2.17 % Loan
- $4.2 B TIFIA/$4.5 B Extend Measure R
- $2.2 B TIFIA/$6.1 B Extend Measure R

Qualified Transportation Improvement Bonds rely on Federal tax credits in lieu of interest. They would have a policy focus and a national volume cap of $45 billion.
Measure R Transit Program
New Starts/QTIBs Funding Gap

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure R</td>
<td>$6,398</td>
</tr>
<tr>
<td>State</td>
<td>$1,751</td>
</tr>
<tr>
<td>Federal</td>
<td>$2,314</td>
</tr>
<tr>
<td>Prop A &amp; Prop C</td>
<td>$1,204</td>
</tr>
<tr>
<td>Gap</td>
<td>$3,968</td>
</tr>
</tbody>
</table>

All dollars in millions and year of expenditure.

(1) The QTIBs gap shown here is net of the Measure R borrowing Metro could accomplish without this proposed federal financing tool.
Measure R Transit Program

Alternatives to QTIBs Funding Gap

Alternative 30/10 Funding Strategies
(Dollars in Billions)

- Large Grant: $2.07
- Large Loan @ 2.17%: $2.07
- Preferred Strategy: $2.07
- Fallback Strategy: $2.07

Gap: $3.97

Assumes Measure R extension

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

$4.61  |  $0  |  $0  |  $4.18  |  $4.72

$4.56  |  $0  |  $0  |  $4.34  |  $4.72

$4.43  |  $0  |  $0  |  $4.43  |  $4.72

$2.19  |  $0  |  $0  |  $6.03  |  $4.72

Grants

Loans

Borrowing

Measures

State, Local & Federal
### Measure R Transit Program
#### Funding Gap Alternatives

<table>
<thead>
<tr>
<th>Alternatives</th>
<th>Selected Variable Assumptions</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New Starts Grants</td>
<td>TIFIA Loans</td>
</tr>
<tr>
<td>Large Grant</td>
<td>$2.07 B</td>
<td>$1.19 B</td>
</tr>
<tr>
<td>Large Loan @ 2.17%</td>
<td>$2.07 B</td>
<td>--</td>
</tr>
<tr>
<td>Extend Meas. R &amp; More TIFIA</td>
<td>$2.07 B</td>
<td>$4.18 B</td>
</tr>
<tr>
<td>Extend Meas. R &amp; Some TIFIA</td>
<td>$2.07 B</td>
<td>$2.19 B</td>
</tr>
</tbody>
</table>

Note: P3 strategies may aid attainment of these project schedules while lowering project risks.
Measure R Preferred Acceleration Options

• A funding strategy will be finalized to accelerate both highway and transit projects

• Extending Measure R is an option
  – Analysis needs to be finalized
  – Consider using TIFIA financing tools
  – Consider using Master Credit Agreements, rate locks, & ascending debt payments: All optimize an extended Measure R program

• What if MAP-21 does not pass?
  – Subordinate Capital Appreciation Bonds can serve as a fallback plan – Interest rates much higher than TIFIA
Measure R Categorical Funding Extended

- Enables 30/10 for transit
- Aids highway funding gap
- Local Return continues
- Operating funds extended
- Metrolink /Metro Rail funds continued
Measure R Acceleration Preferred Option –
New Highway Funding Capacity

- Highway funding capacity expands by $3.7 B
  - $2.3 B in MAP-21 TIFIA loans
  - $1.4 B in new Measure R borrowing
- Suggested framework for allocation includes
  - Use original Measure R process for guidance
    - Some sub-regions received more highway funds
  - Population equity by sub-region
  - Employment burden equity by sub-region
Measure R Highway Program – Long Range Transportation Plan Funding Gap

Note: Long Range Transportation Plan for the highway program is $32.4 billion.
Measure R Highway Program
Long Range Plan Funding Gap After Extension

- Tolls/PPP: $9,370
- Measure R Ext: $3,700
- State: $2,747
- Prop. C: $1,855
- Measure R: $4,504
- Federal: $962
- Gap: $9,281

State and Federal: $6,523
Freight Program: $2,758

Note: Long Range Transportation Plan for the highway program is $32.4 billion.
Fallback Strategy
New Highway Funding Capacity

- Without MAP-21 less TIFIA will be available
  - Very competitive TIFIA program will mean less for our Highway Program
- Highway funding capacity expands by $2.8 B
  - $700 M in TIFIA loans
  - $1.4 B in new Measure R borrowing
  - $700 M in Capital Appreciation Bonds
Public Private Partnership (P3) Strategies
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
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
• Additional work on highway projects will enable greater precision on tolling/P3 delivery
  – Refined cost estimates and potential delivery timetables
  – Better revenue forecasts and financing capacity estimates under P3 scenarios
  – Assess project risks and potential risk transfer opportunities
  – Complete value for money analyses
Conclusions & Next Steps
Conclusions & Next Steps

• Accelerating both transit & highway programs adheres to MTA Board policy
  – Provides optimal regional mobility & economic benefits
• We are further defining financing options made possible by extending Measure R
• Current results show that extending Measure R makes:
  – “30/10” financially feasible for all twelve transit projects
    • Benefits (job creation, mobility, & emission reductions) will outweigh costs
  – Highway program acceleration also feasible if
    • P3 and toll based finance strategies are implemented
    • Benefits will also outweigh costs when P3 evaluation is complete