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PLANNING AND PROGRAMMING COMMITTEE

July 16, 2014

**SUBJECT: RESPONSE TO MOTION 42 – COMMUNITY INFRASTRUCTURE
PARTNERSHIP PROGRAM (CIPP)**

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file status report on tools to assist Los Angeles Cities to join a Metro supported issuance of bonds to finance their local transportation projects.

ISSUE

At the March 2013 Board meeting, Directors Diane DuBois and Pam O'Connor requested that Metro staff take action on the points listed below.

- A. Staff conduct a formal survey among all cities within Los Angeles County to determine demand and desirability for this program, and
- B. Metro staff work with the cities of Los Angeles County and representatives of Councils of Governments to refine provisions of the CIPP, including extending the program to all cities and unincorporated areas located within the County
- C. Staff is requested to determine what additional resources might be necessary to support this program on a Countywide basis
- D. Staff is to report back to the Board in 90 days with a final set of implementing recommendations.

DISCUSSION

Metro staff will address the bonding issue at an upcoming Consolidated Audit Workshop that will be held July 14, 2014. This is an annual workshop whereby all Jurisdictions are invited to attend a presentation on fund requirements of Local Return and other funds that will be audited under the consolidation audit. At this meeting, staff will brief the Cities on the bonding program. Afterwards, staff will conduct a formal survey of the Cities to determine demand and desirability, incorporating each City's potential bonding capacity based on the local return values and funds committed to Operations.

Additionally, Metro Local Programming and Planning staff will work together with the Cities and project development teams on the Subregional Mobility Matrices beginning in early July 2014. As funding issues arise in the development of these plans, the CIPP will again be discussed with the cities and opportunities for using a CIPP financing approach for projects identified in the plans will be assessed.

The Board has previously approved borrowings secured by a Jurisdiction's share of Local Return, for both Prop C and Measure R. Local Return bond procedures were further addressed in February 2013 in Board Item #10 amending Measure R Local Return Guidelines and addressing Local Return borrowing as a whole.

The Measure R Local Return Guidelines authorize three basic ways that a Jurisdiction may currently borrow against its Local Return funds:

1. Issue its own debt – only MTA program/project approval with little financing oversight
2. MTA issues the bonds on the Jurisdiction's behalf – MTA board approval and staff oversight
3. Borrow directly from MTA – MTA board approval and MTA full control of execution of the bond sale.

When the survey is finalized and should there be sufficient interest in a CIPP, staff will return to the Board seeking updates to the Prop A and/or Prop C guidelines to allow bonding of these local return funds, similar to the Measure R Guidelines update in February of 2013.

As bonding needs arise out of the Subregional Mobility Matrices or through needs of individual Cities, staff will invite the Cities who desire MTA assistance to set up the proper financial agreements and accounts. The agreement shall address the following:

- Formal transfer of authority regarding the respective cities' local funds.
- Authorize Metro to secure the bonds with the Local Return funds
- Cover administrative rules for the program
- Establish a cost of issuance allocation formula
- Set coverage factors sufficient to achieve minimum ratings of A- or its equivalent from any Nationally Recognized Rating Agency.

In addition, cities will also need to provide well defined project description(s) and financial statements. Bond issues thru the CIP Pool will be subject to the same IRS rules and regulations as a stand-alone debt issue.

FINANCIAL IMPACT

There is a potential indirect financial impact, depending on the volume and timing of bond requests from local Jurisdictions, involving MTA staff time required to sell bonds

and complete all the related administrative actions. These costs can be recovered by billing the local Jurisdiction for the MTA staff time. Should the MTA issue debt to provide a direct loan, MTA's overall borrowing capacity would be reduced by that amount.

NEXT STEPS

Staff will continue efforts to determine viability of a CIPP and will report back to the Board on City survey results and, if warranted, seek updates to the Prop A and/or C local return guidelines to incorporate borrowing criteria.

ATTACHMENTS

The original Board motion (item 42 from the March 2014 Planning and Programming Committee Meeting) has been included as Attachment A.

A. Item 42 from March 2014 Planning and Programming Committee Meeting

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Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

Motion by Diane DuBois and Pam O'Connor

Community Infrastructure Partnership Program

Los Angeles County cities are confronted with limited financial resources and investment tools to accelerate or fully fund local transportation projects. Cities, particularly smaller cities, also face barriers in the issuance of bonds to finance their local share of transportation investments.

Access to substantial new state and federal transportation funding to support local level transportation project priorities appears unlikely to improve in the near future.

The Gateway Cities Council of Governments (COG) initiated a Metro supported comprehensive Strategic Transportation Plan (STP) process that includes a financial component. The COG's consulting team identified a new financing tool that Gateway Cities Council of Governments member cities might wish to utilize in order to support funding priorities for local or sub-regional transportation projects.

This innovative financial tool, known as the Community Investment Partnership Program (CIPP) would allow Los Angeles County Cities to participate in a bond pool that would allow a participating city to obtain cash to fund transportation projects exceeding the cities available annual Local Return revenues.

Metro staff was consulted regarding provision of the CIPP and stated their support for the financing concept in partnership with cities in LA County.

The MTA Board authorized the development of mobility matrices for the seven subregions with LA County. The CIPP can be an additional funding tool to advance the products of these matrices.

I THEREFORE MOVE that;

- A. Staff conduct a formal survey among all cities within Los Angeles County to determine demand and desirability for this program, and
- B. Metro staff work with the cities of Los Angeles County and representatives of Councils of Governments to refine provisions of the CIPP, including extending the program to all cities and unincorporated areas located within the County.
- C. Staff is requested to determine what additional resources might be necessary to support this program on a Countywide basis.
- D. Staff is to report back to the Board in 90 days with a final set of implementing recommendations.