



# Metro's 30/10 Initiative



**Metro**<sup>®</sup>

# LA Metro 30/10 Initiative

## The concept is simple:

The 30/10 Initiative concept is to use the long-term revenue from the Measure R sales tax as collateral for long-term bonds and a federal loan which will allow Metro to build 12 key mass transit projects in 10 years, rather than 30.

Accelerating construction of these 12 key Metro projects will result in substantial cost savings by beating inflation on labor and materials and by taking advantage of competitive construction bids. Successful implementation of the 30/10 Initiative will also deliver immediate benefits like hundreds of thousands of jobs to improve the local economy, reduce greenhouse emissions and ease traffic congestion.

The 30/10 Initiative is both an unprecedented step forward for LA County and a model of progress for the entire nation.

## Employment Benefit:

> **160,000** new jobs will be created

## Annual Benefits with 30/10:

> **77 million** more transit boardings

> **568,000** fewer pounds of mobile source pollution emissions

> **10.3 million** fewer gallons of gasoline used

> **208 million** fewer vehicle miles traveled

## Here is the Plan:

### A tax-preferred bonding program will help finance the 30/10 Initiative.

Metro will finance a substantial portion of the 30/10 Initiative (about 42 percent) by issuing debt backed by local revenues. In order to effectively monetize the Measure R revenue stream, Metro seeks federal authorization of a new category of direct subsidy tax-preferred bonds for major mass transportation improvements that provide significant environmental, energy independence, safety and “livability” benefits. These Transit Improvement Bonds (TIBs) would provide a much deeper federal subsidy than either tax-exempt bonds or the current Build America Bonds program. Subsidizing the financing cost to Metro through TIBs will more than double the amount of capital investment supportable by Measure R revenues, compared to conventional tax-exempt bonds, allowing Metro to greatly accelerate projects and take advantage of favorable construction market conditions. It will also allow Metro to significantly diversify its funding sources by accessing new categories of bond investors such as pension funds and endowments. The current finance plan calls for issuing \$6 billion of TIBs over the next decade.

**Action Item:** Secure authorization of a new category of direct subsidy tax-preferred bonds – TIBs – for transit initiatives of national significance, as part of pending or future tax legislation.

These TIBs could be enacted as part of a pilot program, through which the Secretary of Transportation would allocate bond issuance authority to state and local sponsors of nationally significant projects or programs of projects, such as 30/10. The federal interest subsidy would be set at 100 percent of the interest rate on the bonds and the bond principal repayment must be backed by non-federal revenue source(s), such as Measure R.

### A Federal Credit Assistance (TIFIA Direct Loan) will complete the 30/10 Initiative financing package.

Metro seeks \$2.3 billion of federal credit support, in the form of a direct loan provided through the Transportation Infrastructure Finance and Innovation Act (TIFIA), to help monetize the Measure R revenue stream more efficiently. The federal loan represents a cost-effective source of flexible/subordinate debt financing that is not readily available through the capital markets. It is estimated that this credit assistance will cost the federal government about \$200 million while potentially saving the 30/10 Initiative about \$600 million in borrowing costs on a present-value basis. More importantly, it diversifies Metro’s financing sources and enables Metro to sufficiently monetize local revenues to accelerate the \$14 billion mass transit building program.

**Action Item:** Secure legislation to modify the TIFIA program structure to enable the U.S. Department of Transportation (USDOT) to make an upfront credit commitment for a

# Accelerating Mass Transit in LA County

<b>30/10 INITIATIVE – FINANCIAL MECHANISMS</b> \$ billions	<b>CAPITAL SOURCES</b> Upfront Proceeds	<b>FEDERAL SCORED</b> Budget Cost <sup>1</sup>	<b>METRO COMMITMENTS</b> Measure R & Other Non-Federal Sources <sup>2</sup>
Transit Improvement Bonds / TIBs (Measure R repayment)	\$6.0	\$1.6-\$2.0	\$6.2
Federal Credit Assistance / TIFIA Loan (Measure R repayment)	\$2.5	\$0.3	\$4.3
Additional Federal Grants	\$0.9	\$0.9	–
<b>Total</b>	<b>\$9.4</b>	<b>\$2.8-\$3.1</b>	<b>\$10.5</b>
<b>30/10 INITIATIVE – EXISTING FUNDING SOURCES</b> \$ billions	<b>CAPITAL SOURCES</b> Upfront Proceeds	<b>FEDERAL SCORED</b> Budget Cost <sup>1</sup>	<b>METRO COMMITMENTS</b> Measure R & Other Non-Federal Sources <sup>2</sup>
Planned New Starts	\$1.7	–	–
Other Federal Funding (CMAQ, FTA Formulatory)	\$0.2	–	–
Other State/Local (Non-Measure R) Funding	\$1.3	–	\$2.5
Measure R Pay-As-You-Go and Fund Earnings	\$1.4	–	\$2.4
<b>Total</b>	<b>\$4.6</b>	<b>–</b>	<b>\$4.9</b>
<b>30/10 INITIATIVE TOTAL</b>	<b>\$14.0</b>	<b>\$2.8-\$3.1</b>	<b>\$15.4</b>

<sup>1</sup> Estimated federal outlays and tax expenditures over the 10-year budget window / construction period (2010-2019).

<sup>2</sup> Estimated expenditures of non-federal funds to cover capital costs and debt service over 2010-2039; 35% of Measure R revenues over this period, about \$12.7 billion, are dedicated to 30/10.

mega program of related projects, like 30/10, that satisfies national infrastructure investment goals. The program must demonstrate that a majority of the non-federal funding is committed and sufficient to repay the federal credit assistance. In addition, Congress would need to appropriate additional subsidy funding for the TIFIA credit program. The 30/10 Initiative likely will require about \$200 million to fund the subsidy cost (capital reserve) of the \$2.3 billion federal loan.

## Metro is seeking to enter into an Early Systems Work Agreement (ESWA) with USDOT to build two exceptional transit projects in Los Angeles County – the Regional Connector and the Westside Subway Extension.

These projects, upon completion, will accommodate well over 100,000 boardings daily and will provide for a dramatic expansion of our region’s mass transit footprint, which in turn will significantly improve air quality. The ESWA for each of these projects will be a prelude to a Full Funding Grant Agreement (FFGA). Funding under the FFGA would be provided over a multi-year period by the Federal Transit Administration through its Section 5309 New Starts grant program.

**Action Item:** Secure language in the President’s Federal Fiscal Year (FFY) 2012 Budget, and Congress’ FFY 2012 appropriations, providing for ESWA valued at no less than

\$400 million for FY 2012 for the Regional Connector and the Westside Subway Extension projects. The total value of the FFGA would be no less than \$1.7 billion with the anticipation of additional federal grants.

## Metro is seeking Federal Grants to support the 30/10 Initiative.

The USDOT funds billions of dollars in grants and cooperative agreements annually. Guidance for departmental formula and discretionary grant programs is contained in their authorizing legislation, program regulations or departmental regulations. This guidance generally includes general project management requirements and the limitations, if any, on spending authority. Departmental grants are generally made to state and local governments and these grants are normally used to assist these entities in the planning, design and construction of transportation improvements (e.g., highway and transit). A limited amount of funding is available for research and development projects.

**Action Item:** Metro will aggressively seek USDOT grants to support our 30/10 Initiative. These grants include, but are not limited to, Transportation Investment Generating Economic Recovery grants, Transit Investments for Greenhouse Gas and Energy Reduction grants, Clean Fuels grants, New Starts grants and Bus and Bus Facilities grants.

# 30/10 Initiative Map



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