

Revised (Slide 10)

Planning & Programming #14
Finance, Budget, and Audit #27
Executive Management #47

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

30/10 Initiative

Progress & Project Acceleration Methods

- **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)

“30/10” Initiative

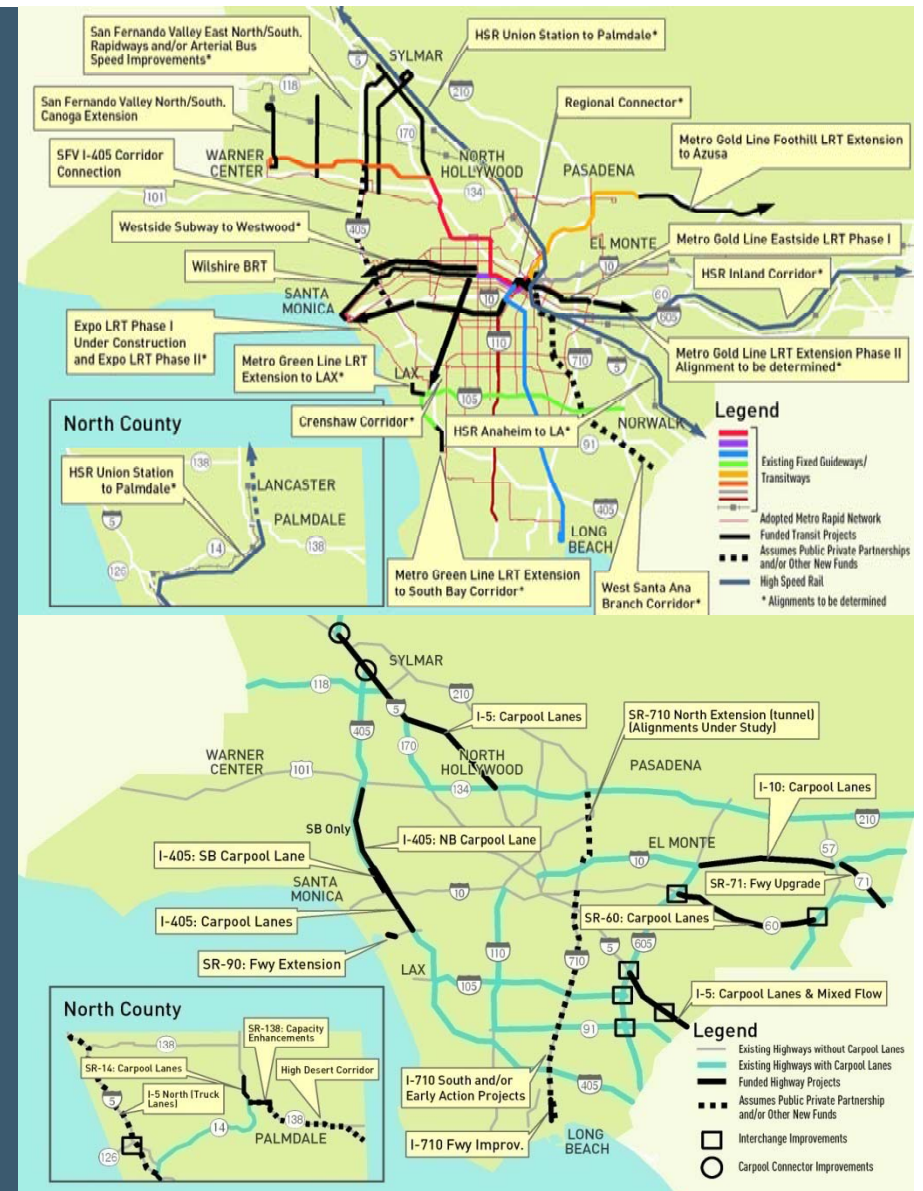
Federal Financing Mechanisms

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

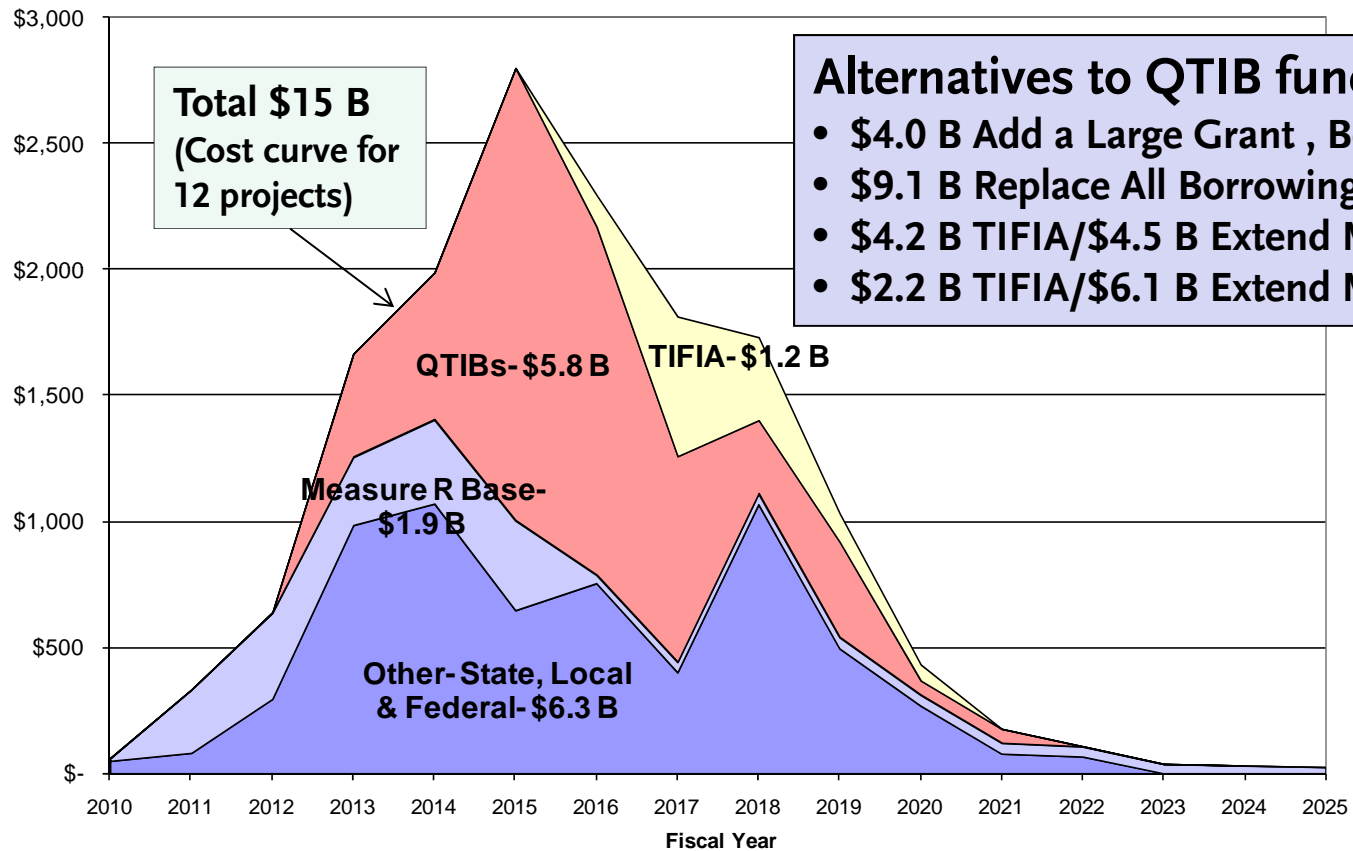
- Complete 12 transit projects in 10 years
 - Create 152,000 jobs (updated)
 - Eliminate 522,000 lbs of carbon emissions every day
 - Reduce vehicle miles traveled by 191 million
 - Increase transit boardings by 77 million
- Seek to accelerate 15 highway projects
 - Create 256,000 jobs (updated)
 - Relieve 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)



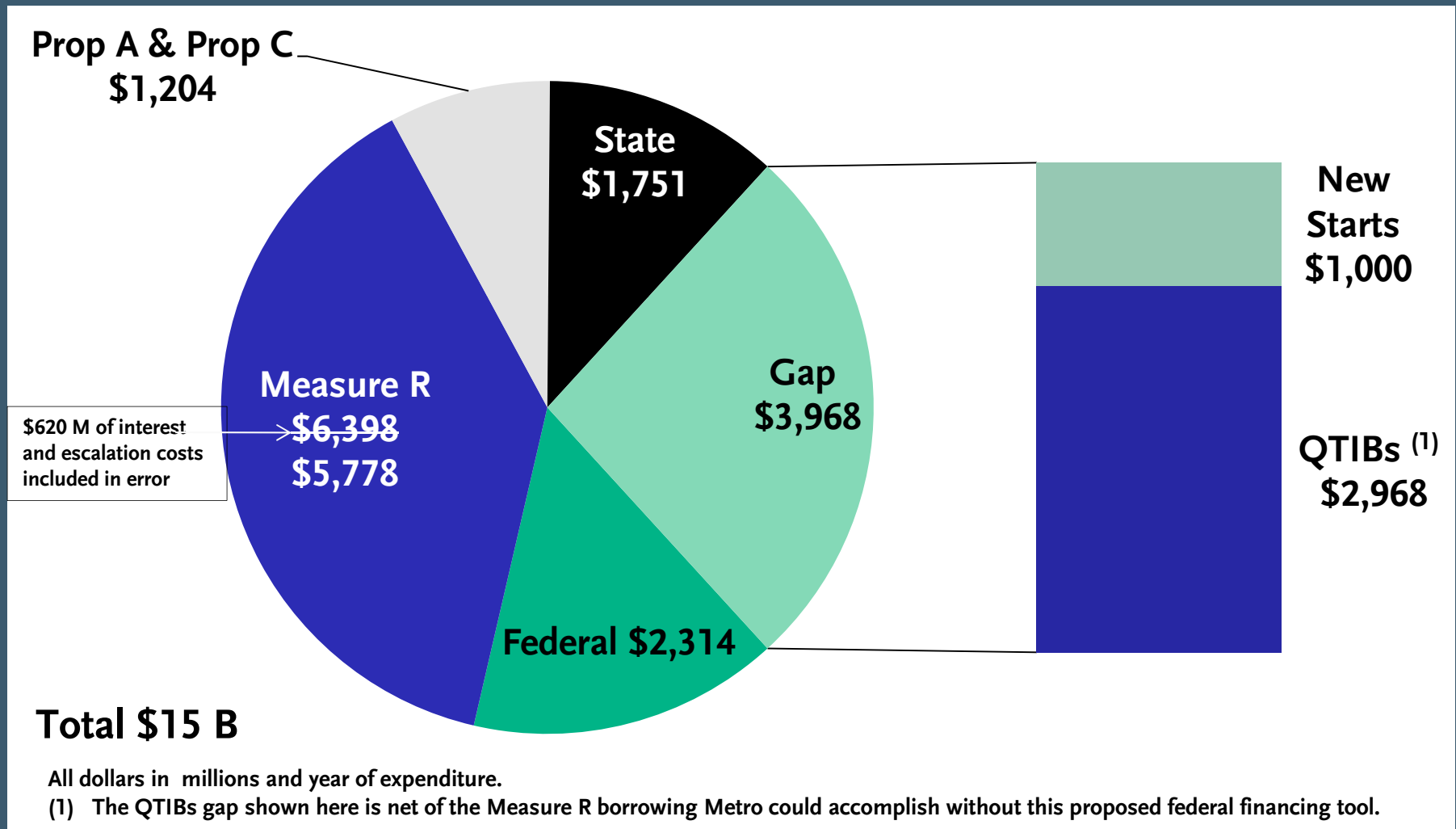
- Alternatives to QTIB funding gap:**
- \$4.0 B Add a Large Grant , Borrow More
 - \$9.1 B Replace All Borrowing w/ 2.17 % Loan
 - \$4.2 B TIFIA/\$4.5 B Extend Measure R
 - \$2.2 B TIFIA/\$6.1 B Extend Measure R

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.

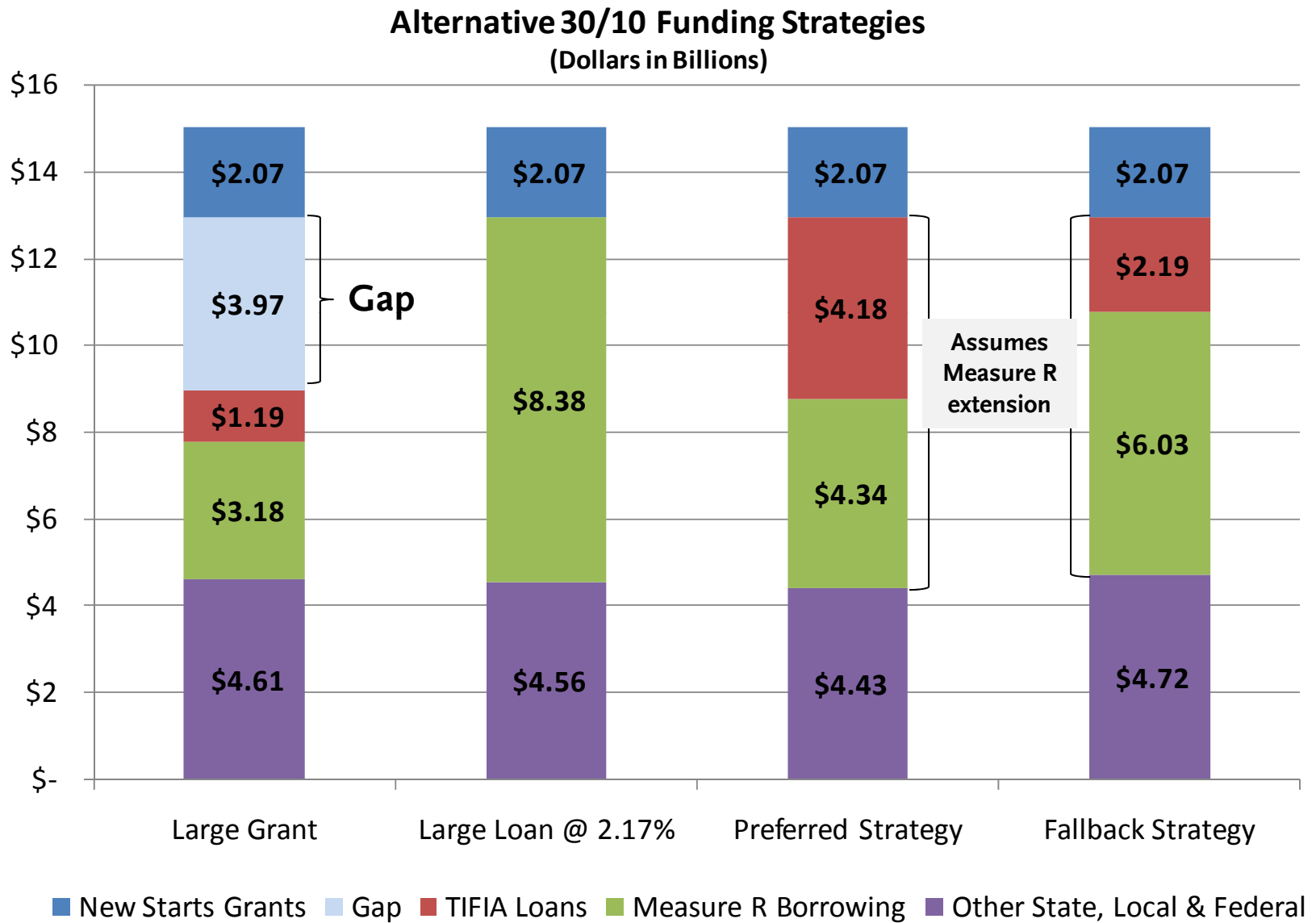
Measure R Transit Program

New Starts/QTIBs Funding Gap

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Measure R Transit Program Alternatives to QTIBs Funding Gap



Measure R Transit Program Funding Gap Alternatives

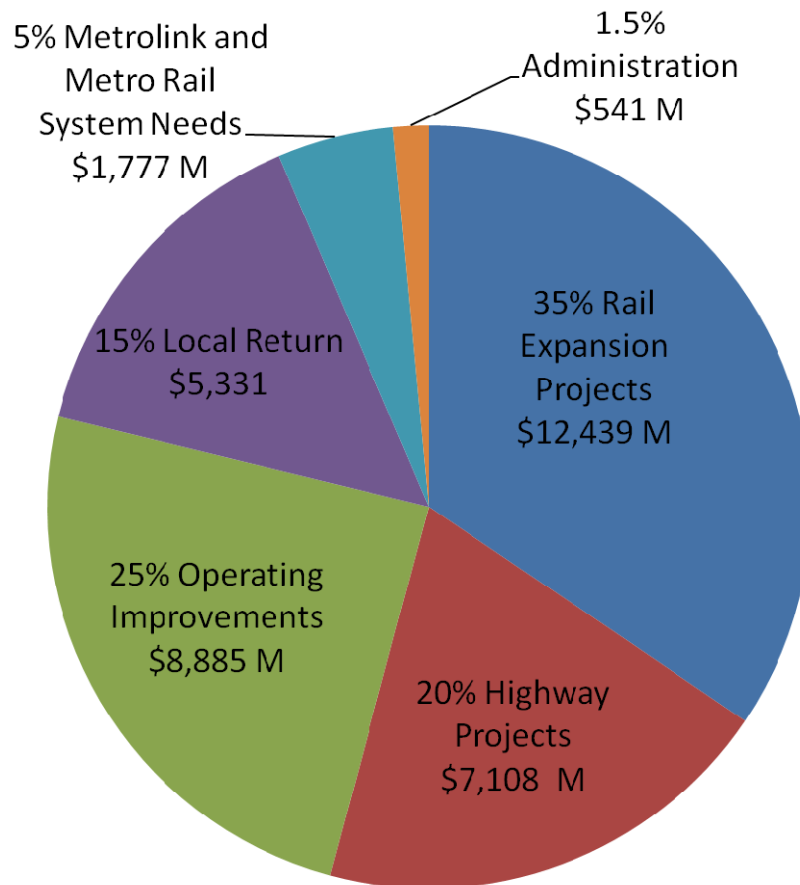
Alternatives	Selected Variable Assumptions				Conclusion
	New Starts Grants	TIFIA Loans	Measure R Borrowing	Transit Projects Optimized	
Large Grant	\$2.07 B +\$3.97 B	\$1.19 B	\$3.18 B	12 Optimal	Not Available
Large Loan @ 2.17%	\$2.07 B	--	\$8.38 B	12 Optimal	Not Available
Extend Meas. R & More TIFIA	\$2.07 B	\$4.18 B	\$4.34 B	12 Optimal	Preferred
Extend Meas. R & Some TIFIA	\$2.07 B	\$2.19 B	\$6.03 B	11 Optimal/ 1 in 2025	Fallback

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



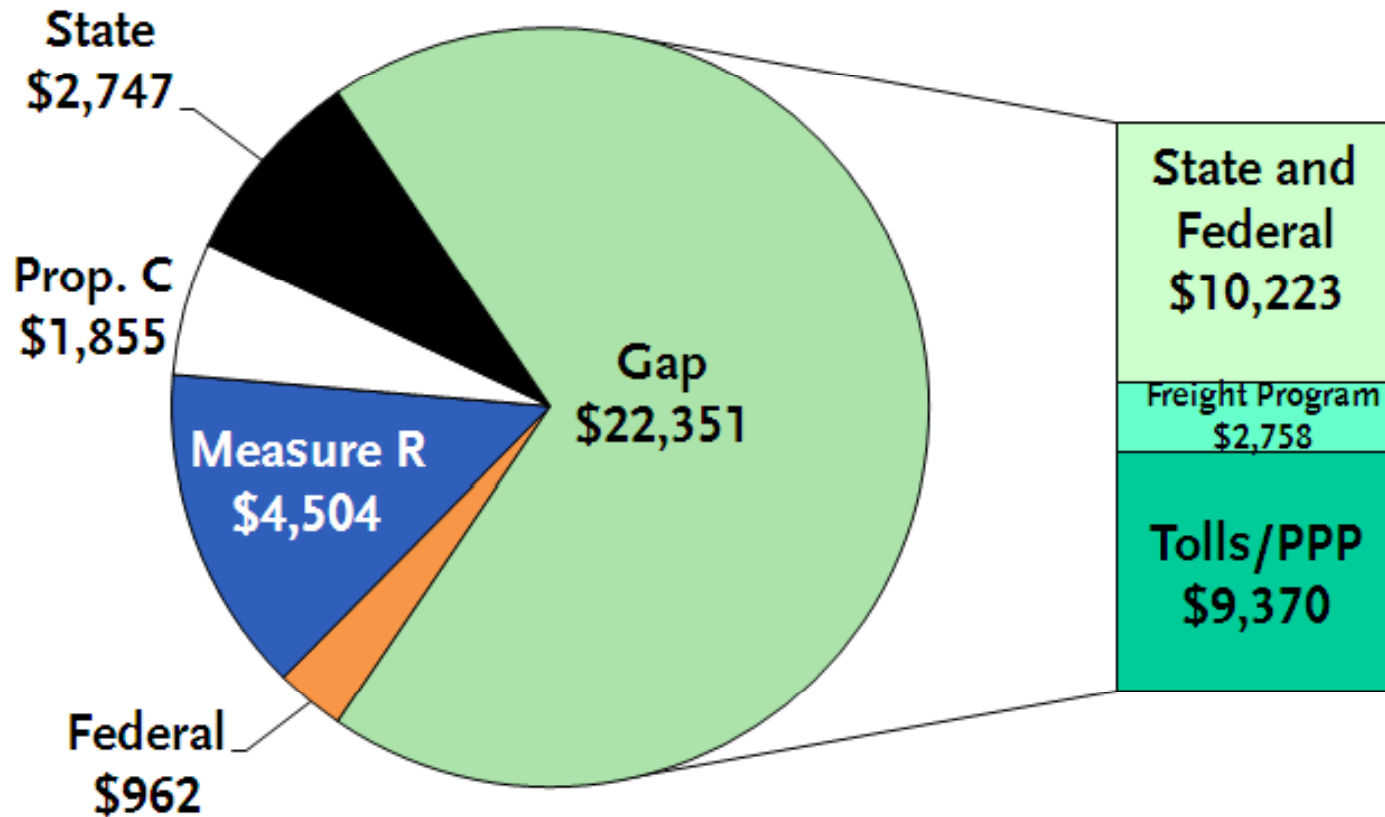
- Enables 30/10 for transit
- Aids highway funding gap
- Local Return continues
- Operating funds extended
- Metrolink /Metro Rail funds continued

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

Measure R Acceleration Preferred Option – New Highway Funding Capacity

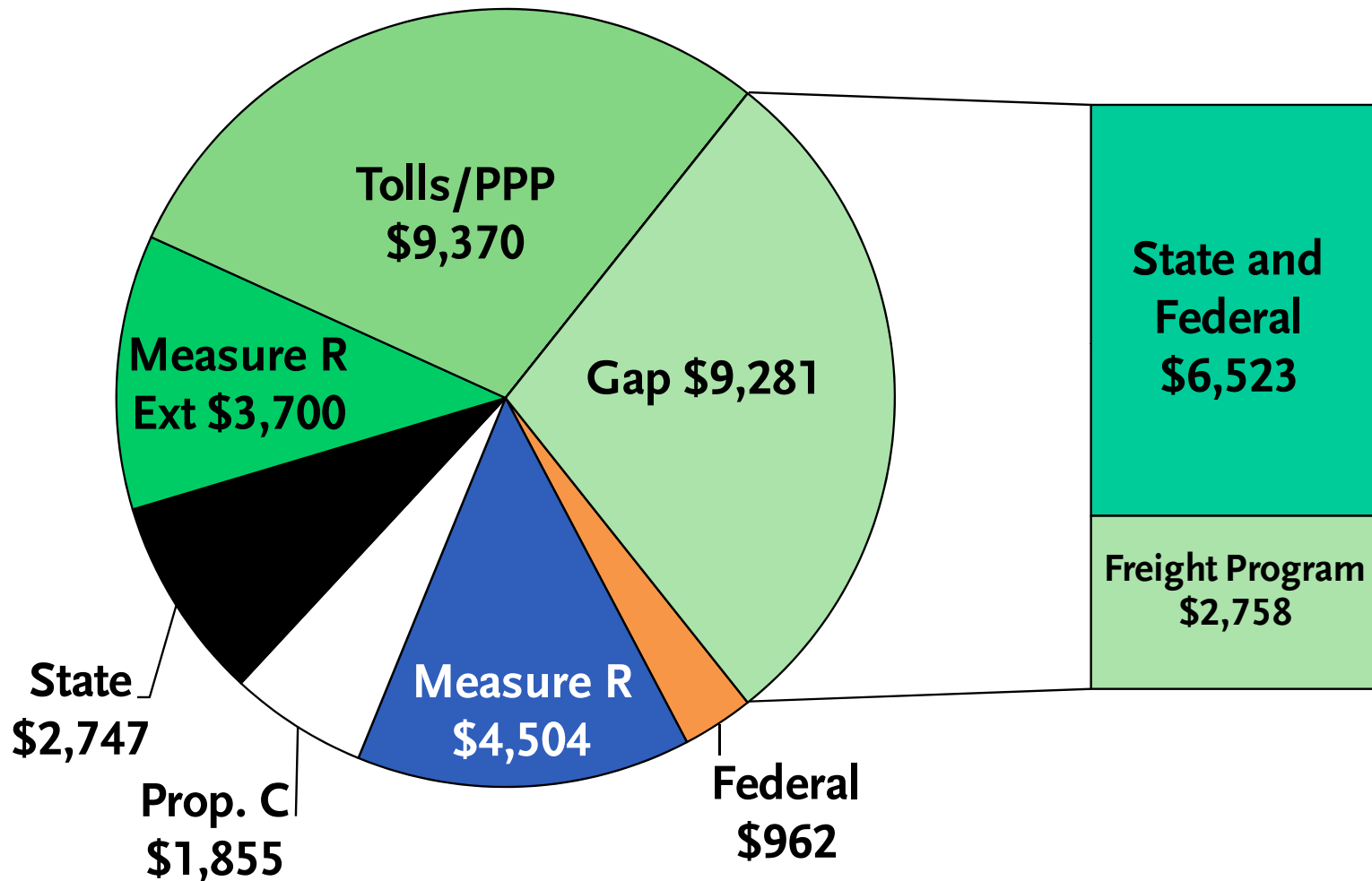
- **Highway funding capacity expands by \$3.7 B**
 - \$2.3 B in MAP-21 TIFIA loans
 - \$1.4 B in new Measure R borrowing
- **Suggested framework for allocation includes**
 - Use original Measure R process for guidance
 - Some sub-regions received more highway funds
 - Population equity by sub-region
 - 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



Note: Long Range Transportation Plan for the highway program is \$32.4 billion.

Fallback Strategy

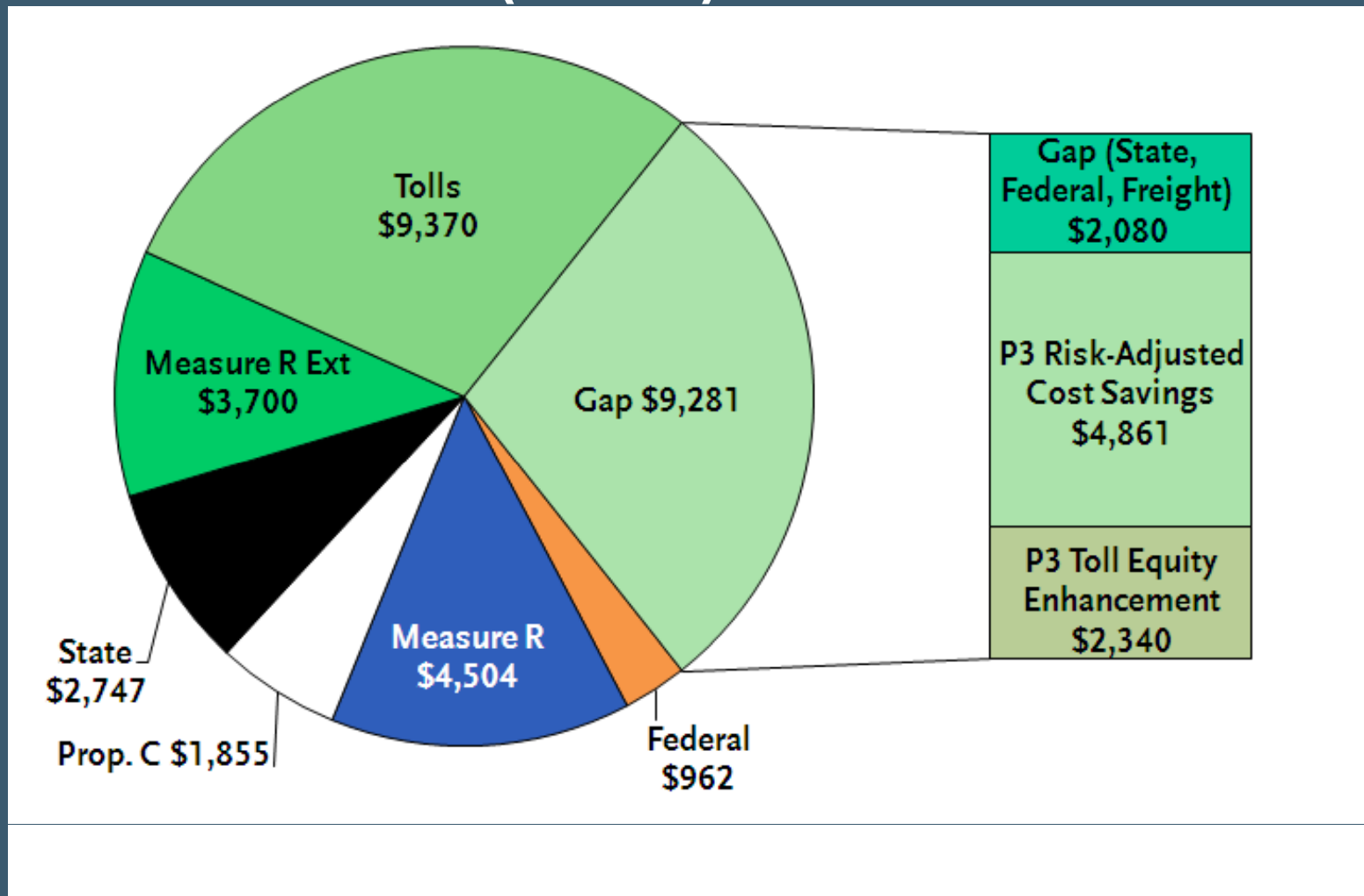
New Highway Funding Capacity

- **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

L RTP + 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

P3 Program

Potential Tolling & P3 Program Next Steps

- **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