



Metropolitan
Transportation
Authority

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PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 17, 2003
FINANCE AND BUDGET COMMITTEE
SEPTEMBER 18, 2003

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SUBJECT: FINANCING PROPOSAL FOR DEFERRED LOS ANGELES COUNTY STATE TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS

ACTION: APPROVE TWO-PART FINANCING PROPOSAL

RECOMMENDATIONS

- A. Approve amended programming that utilizes Grant Anticipation Revenue Vehicle (GARVEE) bond proceeds in the amount of \$36.4 million for the Route 14 Carpool Lane from Pearblossom Highway to Avenue P-8.
- B. For the 29 transportation improvement projects shown in Attachments A and B, authorize the Chief Executive Officer (CEO) to propose to the California Transportation Commission (CTC) a \$248.5 million financing plan consisting of the following two parts:
 1. A GARVEE bond of \$207.0 million for up to 16 eligible Los Angeles County right-of-way and construction projects shown in Attachment A (including the new programming in Recommendation A, above); and,
 2. An advance of \$41.5 million in Proposition C 25% funds for up to 13 Los Angeles County State Transportation Improvement Program (STIP) projects shown in Attachment B, which is to be repaid with replacement project(s) in future year(s) through the CTC's AB 3090 process.

ISSUE

The CTC, in response to a cash flow report from Caltrans, forecasts little or no new STIP funding allocations for projects in FY 2004, including many projects denied requested allocations in prior years. It is anticipated that the full complement of deferred allocations will not be made for two or more years. A CTC allocation vote is similar to a "notice to proceed" – without it, STIP construction projects cannot proceed because any expenses incurred will not be eligible for reimbursement. In addition to the allocation problem, it is anticipated that no new programming will occur in the 2004 STIP due to the State Budget crisis. Recommendation A identifies \$36.4 million in amended programming that must be immediately approved to keep the Route 14 Carpool Lanes project as close as possible to the original schedule.

The CTC's no new allocation forecast and the amended programming made necessary by the overall State funding crisis means that \$248.5 million in funding for 29 Los Angeles County transportation construction projects will be deferred, unless alternative funding strategies can be determined. Attachments A and B list those STIP construction projects already deferred or at immediate risk of deferral by April 2004, unless an alternative financial plan is immediately identified.

Attachment C shows \$131.7 million in FY 2004 construction, right-of-way, and design projects that could be at risk of deferral in May 2004 or beyond unless an alternative financing plan is identified by this winter. MTA action on Attachment C is not necessary at this time. Instead, MTA will work with Attachment C project sponsors to redirect matching funds into project design and right-of-way phases wherever possible and then re-evaluate the projects for alternative construction financing this winter. When this work is completed, an alternative financial plan for Attachment C projects will be brought to the MTA Board of Directors for consideration, if the CTC's adopted 2004 STIP Fund Estimate continues to show that these projects could be delayed significantly in the 2004 STIP update.

POLICY IMPLICATIONS

The recommended financing proposal would keep critical transportation construction projects on schedule and benefit the County's mobility, air quality, and economy. However, interest costs would be incurred for the life of the GARVEE and sales tax bonds involved. By pledging up to \$247.6 million of future Los Angeles County STIP allocations for ten years for debt service and by advancing up to \$41.5 million of local sales taxes, the MTA can permit \$248.5 million in needed transportation construction projects to be completed for Los Angeles County that would otherwise be deferred. For example, the proposal would eliminate State funding issues and schedule delays for ready-to-go Call for Project commitments, including the Route 14 Carpool Lane project and the Southbound Route 101 from Los Angeles Street to Center Street project, the latter of which is on the critical path for the Metro Gold Line Eastside Light Rail Extension.

Project benefits would accrue from avoiding project inflation costs that are estimated to exceed \$10 million for the two-year period of delay that would be experienced without this proposal. The \$10 million in inflation costs does not include the substantial costs of delaying the much larger Metro Gold Line Eastside project. In addition to avoiding inflation costs, costs associated with updating shelved plans, specifications, and permits are avoided. Delivering these projects two years faster would net economic, mobility and air quality benefits that also must be considered against the interest costs of this proposal. For these reasons, it is believed the benefits outweigh \$10 million in Los Angeles County interest costs discussed in the financial impact section below.

ALTERNATIVES CONSIDERED

The MTA Board of Directors could choose not to proceed with all or part of the financing proposal or it could add some or all of the projects from Attachment C and proceed with a larger financing proposal. Should the MTA Board of Directors choose not to proceed with using

GARVEE bonds and/or advancing Proposition C 25% funds as recommended, interest expenses would be avoided, but ready-to-go STIP construction projects needed to address mobility, air quality, economic vitality, and other goals would be deferred by two years or more. We do not recommend that the MTA Board choose the alternative of not proceeding with all or part of the financing proposal.

Alternatively, the MTA Board could add projects from Attachment C to the financing proposal. At this time, we do not recommend adding any of the GARVEE bond-eligible or AB 3090 projects shown on Attachment C. Unlike the projects in Attachment A, the \$118.7 million in GARVEE bond eligible projects on the top half of Attachment C are not ready-to-go until May 2004 or later. In December 2003, the CTC is expected to adopt the 2004 STIP Fund Estimate. That five-year forecast of State Highway Account funds will give the MTA a clearer indication of the funding related project delays that can be expected.

The \$13.0 million in AB 3090 eligible projects on the bottom half of Attachment C involve right-of-way only funding, design-only funding, or design and construction. Because none of these projects is solely for construction, they do not appear to be ready-to-go at this time. These projects need to be studied further with the 2004 STIP Fund Estimate before making a financing proposal. Once the 2004 STIP Fund Estimate information is known, we will present another financing plan recommendation to the MTA Board for consideration.

FINANCIAL IMPACT

The GARVEE financing proposal would require issuance costs of about \$2.1 million and annual debt service payments by the State of California of about \$25.8 million. The annual debt service payments by the State would reduce Los Angeles County's STIP/Regional Improvement program allocation by \$20.4 million with the remaining \$5.4 million coming from Caltrans STIP/Interregional Improvement Program allocation. Included in the annual debt service payments are total interest costs of \$48.7 million over the ten-year period with \$38.5 million coming from Los Angeles County's STIP/Regional Improvement program allocation and the remaining amount coming from Caltrans STIP/Interregional Improvement Program allocation. The following is assumed in determining the costs associated for the GARVEE financing proposed:

- Principal of \$207.0 million available sooner for project expenditures;
- 4.0% interest rate;
- Ten-year term; and,
- Optional Proposition C secondary guarantee for GARVEE bonds to achieve a lower interest rate on the bonds. (Since such a guarantee would reduce MTA's direct borrowing capacity, this guarantee requires separate MTA Board approval later this year when final details of the proposal are known and CTC approval has been obtained.)

Because the proceeds of the GARVEE bonds would flow directly from the State to project sponsors and the debt service payments are simply reductions of future Los Angeles County STIP

funds to be programmed by the MTA in later STIP cycles, this portion of the financing plan will not impact the MTA budget.

For the other part of the recommended financing proposal, \$41.5 million of local sales tax funding would be needed to secure AB 3090 authorizations from the CTC. The following assumptions were used for the AB 3090 part of the recommendation:

- Source of funds will be Proposition C 25% (from deobligated and deferred projects);
- Guarantee that Los Angeles County will be paid back with substitute STIP-funded projects in the future; and,
- Projects will be able to proceed without further delays.

DISCUSSION

GARVEE Bond Component of Proposed Financing Plan

GARVEE bonds are tax-exempt debt financing mechanisms issued by the State and backed by annual federal appropriations for federal-aid transportation projects. In authorizing the use of GARVEE financing in California, the State Legislature intended to accelerate the funding and construction of critical transportation infrastructure projects and provide congestion relief benefits to the public significantly sooner than would be possible using traditional funding mechanisms. Proceeds of the financing can be used for the costs of rights-of-way and/or construction of highway or other transportation projects that are eligible under Title 23 of the United States Code and that meet all federal requirements. It should be noted that design costs are not eligible for GARVEE financing.

Projects selected for bonding must have environmental clearance and project design completed, be designated for GARVEE financing by the CTC, and be eligible for advance construction using GARVEE financing through the Federal Highway Administration. GARVEE financing relies on future federal-aid funding for debt repayment.

We have determined that up to \$207.0 million for 16 potentially federally eligible construction projects (Attachment A) can utilize the GARVEE bond feature of the MTA financing proposal pursuant to the CTC adopted guidelines. Once issued, the bonds would be repaid from future year Los Angeles County STIP allocations for a ten-year term. The State's STIP/ Interregional Improvement Program portion of the \$207.0 million would be \$43.5 million (21%) and Los Angeles County's STIP/Regional Improvement Program portion would be \$163.5 million (79%).

The total GARVEE bond debt service would be approximately \$25.8 million per year for ten years, of which \$20.4 million per year is Los Angeles County's Regional STIP portion. The \$20.4 million represents approximately 10% of Los Angeles County's share of future estimated STIPs. Los Angeles County typically receives more than \$200 million in annualized STIP county shares. The remaining \$5.4 million in annual debt service would be paid from the State's Interregional STIP portion.

AB 3090 Component of Proposed Financing Plan

Advance local funding of STIP projects is permitted under the CTC's AB 3090 program. Utilizing this program, the MTA could advance up to \$41.5 million of local sales taxes for those transportation projects that are not eligible for GARVEE bond proceeds (Attachment B). Once the CTC grants AB 3090 authorization, the MTA can expect that the State will repay Los Angeles County with substitute STIP-funded project(s) at a later date. Proposition C 25% funds are proposed for this advance -- \$2.8 million from deobligated projects and \$38.7 million from the Priority 4, 5 and 6 projects that the MTA Board deferred at its April 24, 2003 (#42) meeting. This action would not negatively affect Priority 1, 2 and 3 projects. Rather, this financing would allow construction projects whose funding was deferred to instead move forward.

NEXT STEPS

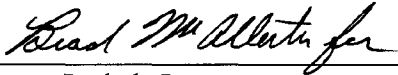
With Board authorization, the financing proposal described herein would be implemented based on the following schedule:

MTA to Work with Attachment C Project Sponsors to Utilize	
Local Matches to Make Projects Ready for Construction	October – December 2003
CTC STIP Amendment Notice and Hearing	October 30, 2003
CTC STIP Amendment Approval	December 11, 2003
CTC Adopts 2004 STIP Fund Estimate	December 11, 2003
MTA AB 3090 Advances Available (earliest date)	December 12, 2003
MTA Board Action on Attachment C Projects	January 2004
CTC Allocation Approval for GARVEE Projects	March 2004
State Treasurer Issues GARVEE Bonds	Spring 2004

ATTACHMENTS

- A. Los Angeles County Summary of STIP Projects Programmed for Allocation in FY 03-04 (GARVEE Bond)
- B. Los Angeles County Summary of STIP Projects Programmed for Allocation in FY 03-04 (AB 3090)
- C. Los Angeles County Summary of STIP Projects Programmed for Allocation in FY 03-04 (GARVEE and AB 3090, Next in Line)

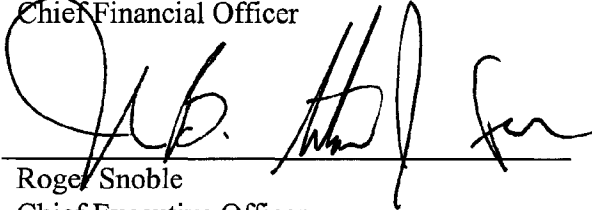
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ATTACHMENT A

**GARVEE BOND ELIGIBLE LOS ANGELES COUNTY STATE TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS
PROGRAMMED FOR ALLOCATION IN FY 03 - 04 (1)**

(000)

Yr	Prog	Agency	Rte	PPNO	Project	Ready to Bid Date	Total	Prog Amount		Component	
								Prior	FY 04	R/W	Con
02	RIP	Caltrans	1	27J	Hughes Terrace-Fiji Way, widen (ext 6-02)	Jan-04	8,063		8,063		8,063
02	RIP	Caltrans	1	27K	Hughes Terrace-Sepulveda, widen (ext 6-02)	Jan-04	3,866		3,866		3,866
04	RIP	Caltrans	5	162P	HOV lanes, Rt 118-Rt 14 (02S-67)	Mar-03	10,433		10,433		10,433
04	RIP	Caltrans	10	2969	HOV lane, fibre-optic reloc (00S-20)	Jun-01	175		175		175
05	RIP	Caltrans (e)	14	391A	HOV Lanes, Pearblossom Hwy - Av P-8	Jan-04	36,635		36,635		36,635
02	RIP	Caltrans	90	2012A	Playa Vista access, Rt 90 (ext 6-02)	Jan-04	13,618	708	12,910	708	12,910
04	IIP	Caltrans	105	2119	Widen NB Sepulveda BI off-ramp (02 STIP)	Dec-03	9,702	3,000	6,702	3,000	6,702
04	RIP	Caltrans	138	3329	Widen, Longview Rd-146th St E (RIP)(02S-93), grf	Dec-03	5,755		5,755		5,755
04	RIP	Caltrans	210	422Y	Mitigation /#422 (02 STIP)	Oct-03	1,715		1,715		1,715
04	RIP	Caltrans	210	2022Y	San Dimas Cyn-Towne Av, landscape (02 STIP)	Oct-03	1,639		1,639		1,639
04	RIP & IIP	Caltrans	405	2333	Auxiliary lane, Rt 10-Waterford (IIP)(TCR #52)	Dec-03	51,971	7,384	44,587	7,384	44,587
04	RIP & IIP	Caltrans	405	2336	Rt 405/101 conn, gap closure, (02 STIP)(ITIP)(TCR #51)	Jun-03	34,911	4,200	30,711	4,200	30,711
02	IIP	Glendale	gsep	9814	Route 134 grade separation (98S-154)(ext 6-02)	Oct-03	16,375	0	16,375	0	16,375
02	RIP	Los Angeles	loc	2374	Centimela Av, widen (98S-75)(ext 6-02)	Oct-03	2,607		2,607		2,607
04	RIP	SCRRA	rail	3201	Rolling stock mtnc facility, San Bernardino (02S-11)	Feb-04	7,104	2,024	5,080	2,024	5,080
02	RIP	Vernon	loc	4300	Atlantic/Bandini intersec improves (ext 5-01)	Jan-03	2,437		2,437		2,437
					TOTAL		207,006	17,316	189,690	17,316	189,690
(1)	Including FY 02 - 03 Projects not yet Allocated										
(2)	The Route 14 project is proposed to be included in this package because it is ready to go, has no other source of funding available, and is the subject of consideration for financing in the MTA's Short Range Transportation Plan.										

ATTACHMENT B

PROPOSED AB 3090 LOS ANGELES COUNTY STATE TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS
PROGRAMMED FOR ALLOCATION IN FY 03 - 04 (1)

(000)

Con Yr	Prog Agency	Rte	PPNO	Project	Ready to Bid Date	Total	Program Year		Component	
							Prior	FY 04	R/W	Const
03	RIP Agoura Hills	loc	2875	Central traffic signal system	Jan-04	724	724	0	0	724
04	RIP Caltrans	101	567P	LA St-Center St, SB improvements (02 STIP)	Dec-03	21,399	9,048	12,351	0	21,399
03	RIP Downey	loc	2870	Lakewood Bl signal interconnect (ext 6-01)	Sep-03	1,147	1,147	0	0	1,147
02	RIP LA County	loc	2381	Gateway Cities intersecs (98S-75)(ext 6-02)	Jan-04	825	825	0	0	825
04	RIP Los Angeles	loc	3096	Commercial St, Alameda-Center, widen	Dec-03	1,200	0	1,200	0	1,200
02	RIP Los Angeles	loc	2861	LA St realignment at Alameda St (ext 6-01)	Sep-03	1,369	1,369	0	0	1,369
04	RIP Redondo Beach	loc	3126	PCH/Catalina Av intersection improvements (02S-11)	Dec-03	1,047	0	1,047	0	1,047
02	RIP Santa Clarita	rail	2901	Newhall Metrolink, expand parking (ext 6-02)	Sep-03	100	100	0	0	100
02	RIP Santa Clarita	loc	2379	Rehab, Replace and Widening RR bridges (ext 5-02)	May-04	1,999	1,999	0	0	1,999
04	RIP SGVCOG	gsep	2318	Alameda Corr East grade seps (SO)(TCR #54.1)	Oct-03	11,074	1,766	9,308	1,766	9,308
02	RIP South Gate	loc	2362	Firestone Bl improvements (ext 5-02)	Jan-04	664	664	0	0	664
TOTAL						41,548	17,642	23,906	1,766	39,782
(1) Including FY 02-03 projects not yet allocated										

**LOS ANGELES COUNTY STATE TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS
PROJECTS NEXT IN LINE FOR AB 3090 AND GARVEE BOND
PROGRAMMED FOR ALLOCATION IN FY 03 - 04 (1)**

Con Yr	Prog	Agency	Rte	PPNO	Project	Ready to Bid Date	Total	Program Year		Component				
								Prior	FY 04	R/W	Const	PS&E		
06	RIP	Caltrans	5	2808A	Route 5 /Carmenita Road Interchange Right of Way	Sep-06	43,280		43,280	43,280	0	0		
03	RIP & IIP	Caltrans	5	2120	Western Av interch, Glendale (IIP)	Jun-04	12,462	4,300	8,162	4,300	8,162	0		
03	RIP & IIP	Caltrans	134	2223	Hollywood Way interch, Burbank (02 STIP)	Jun-04	33,840	3,500	30,340	3,500	30,340	0		
04	RIP	Caltrans	405	2788	NB HOV Lane, Ventura Bl - Burbank Bl	Aug-04	456	456	0	456	0	0		
02	RIP	LA County	loc	2271	Hasley Cyn Rd interch, reconfig (ext 5-02)	Aug-04	6,322		6,322	6,322	6,322	0		
02	RIP	Los Angeles	loc	2366	Arbor Vitae, widen (98S-75)(ext 6-02)	Jun-04	1,688		1,688	1,688	1,688	0		
02	RIP	Los Angeles	loc	2858	Eagle Rock AT&SAC (ext 5-02)	Mar-05	4,753	1,050	3,703	4,753	4,753	0		
02	RIP	Los Angeles	tea	2868	San Fernando Rd bike path (ext 6-01)	Jul-04	2,302		2,302	2,302	2,302	0		
04	RIP	Los Angeles	loc	3093	Soto St bridge over Mission/Huntington, repl, widen	Jun-04	3,582	1,341	2,241	540	3,042	0		
02	RIP	Los Angeles	loc	2375	Connect 2nd & Grand Av (98S-75)(ext 5-02)	Dec-04	2,022		2,022	2,022	2,022	0		
04	RIP	Montebello	loc	2367	Beverly Bl, widen (02 STIP)	Dec-04	3,702	660	3,042	660	3,042	0		
04	RIP	Torrance	loc	2371	Del Amo Bl, grade sep, widen (00S-40)	Nov-04	4,308		4,308	4,308	4,308	0		
					TOTAL GARVEE BOND PROJECTS		118,717	11,307	107,410	52,736	65,981	0		
03	RIP	LA County	loc	2873	Gateway cities intersec improv (ext 6-02)	TBD	1,006	1,006	0	0	0	1,006		
03	RIP	LA County	loc	2845	Carson St signal synch, LB Bl-Bloomfield	TBD	1,427	0	0	1,427	0	0		
04	RIP	Los Angeles	loc	3090	Widen Tampa Av bridge, LA River	TBD	1,374	243	1,131	0	1,131	243		
03	RIP	Los Angeles	rail	3227	Bicycle parking at 5 Pasadena Blue Line stations (SO)	TBD	85	0	0	85	0	0		
06	RIP	Los Angeles	loc	3092	Hyperion Av, widen, replace Waverly Dr Bridge (02S-11)	TBD	1,324	0	1,324	0	1,324	0		
04	RIP	Los Angeles	loc	3094	Laurel Cyn Rd bridge over Tujunga Wash, widen	TBD	270	49	221	0	221	49		
04	RIP	Los Angeles	loc	3095	Vanowen St bridge, LA River, widen, rehab	TBD	1,901	339	1,562	0	1,562	339		
04	RIP	Los Angeles	loc	3108	Winnetka Av bridge, LA River, widen, rehab	TBD	1,254	223	1,031	0	1,031	223		
04	RIP	Montebello	loc	2367	Beverly Bl, widen (ext 5-02)	TBD	183	183	0	0	0	183		
02	RIP	Monterey Park	loc	2915	Atlantic Bl, Newmark-Hellman, APD (ext 6-02)	TBD	168	168	0	0	0	168		
03	RIP	Pasadena	tea	2912	Pasadena Blue Line ped enhancements	TBD	399	399	0	0	356	43		
02	RIP	Pomona	loc	2232	Rt 71 Mission Bl interchange (Pomona)02S-52)	TBD	2,329	2,329	0	1,710	0	619		
02	RIP	Santa Clarita	loc	2885	Newhall Ranch, Rt 5-Copper Hill, APD (ext 6-02)	TBD	252	252	0	0	0	252		
02	IIP	SGVCOG	gsep	2318	Alameda Corridor East grade sep, Sunset Bl	TBD	486	486	0	486	0	0		
02	IIP	SGVCOG	gsep	2318	Alameda Corridor East grade sep, Brea Canyon Rd	TBD	485	485	0	485	0	0		
02	IIP	SGVCOG	gsep	2318	Alameda Corr East grade seps, East End(TCR #54.1)	TBD	71	71	0	0	0	71		
					TOTAL AB 3090 PROJECTS		13,014	6,233	5,269	4,193	4,301	4,520		
					GRAND TOTAL		131,731	17,540	112,679	56,929	70,282	4,520		
	(1)				Including FY 02-03 projects not yet allocated									

