



Board Report

File #: 2015-1763, File Type: Program

Agenda Number: 20.

**REVISED
PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

**SUBJECT: 2009 LONG RANGE TRANSPORTATION PLAN MEASURE R HIGHWAY
REPLACEMENT PROJECT CREDITS**

**ACTION: APPROVE FUNDING CHANGE FOR MEASURE R REPLACEMENT PROJECT
CREDITS**

RECOMMENDATION

APPROVE the inclusion of **\$350.0 million of Proposition C 25% funds (or other eligible funds as necessary)** in the third decade of the Long Range Transportation Plan for the San Fernando Valley, Arroyo Verdugo, and Gateway subregions as replacement project credits for Measure R 20% highway funds now programmed (instead of the originally planned Proposition C 25%) on three projects:

- A. the I-5 North Capacity Enhancement (SR-134 to SR-170);
- B. the I-5 South Capacity Enhancement (I-605 to Orange County Line); and
- C. the I-5 South Carmenita Road Interchange.

ISSUE

Metro staff reported to the Board of Directors in June 2015 that it was in the best interest of Metro to use Measure R 20% Highway Sub-fund resources instead of issuing Proposition C 25% bonds for the I-5 North Capacity Enhancement (SR-134 to SR-170), the I-5 South Capacity Enhancement (I-605 to Orange County Line), and the I-5 South Carmenita Road Interchange projects. In total, \$350.0 million of Measure R 20% Highway Subfund resources are now expected to be used instead of Proposition C 25% funds, which are anticipated to incur interest costs due to the need to borrow for this fund type.

Normally, this would not require an action of the Metro Board of Directors. In this instance, the use of the Measure R funds instead of Proposition C funds will eliminate Measure R required replacement project credits once included in the 2009 LRTP. We are recommending that the Metro Board of Directors instead make these replacement project credits available to the applicable subregions from Proposition C 25% funds. The Measure R credits were not to be made available until late in the 2009 LRTP period and so we propose to include the \$350.0 million from Proposition C 25% in the third decade of the LRTP.

DISCUSSION

Four projects are listed with footnote “j” in the Measure R Expenditure Plan for an allocation of Measure R 20% highway funds:

1. I-5 North Capacity Enhancement from SR-134 to SR-170 (San Fernando Valley and Arroyo Verdugo subregions);
2. I-5 South Capacity Enhancement from I-605 to Orange County Line (Gateway subregion);
3. I-5 South Carmenita Road Interchange (Gateway subregion); and
4. I-5/SR-14 Capacity Enhancement (North County subregion).

Footnote “j” of the Measure R Expenditure Plan states:

“For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).”

These four projects are Measure R highway projects programmed for delivery using other funding sources before the passage of Measure R. The Measure R funding made available due to this prior programming was to be reserved for use by the subregions in which the projects exist. This was a subregional equity protection included in the Measure R authorizing legislation, ordinance, and Expenditure Plan. To track the requirement for the projects, the 2009 Long Range Transportation Plan (LRTP) and the 2014 Short Range Transportation Plan (SRTP) assumed Measure R highway project credits for the San Fernando Valley, Arroyo Verdugo, Gateway, and North County subregions for to-be-determined projects late in the third decade.

Per the legal opinion of County Counsel, Metro staff believes the Measure R Ordinance only governs the use of Measure R funds, not any other funds, including Proposition C 25% funds. In accordance with that legal opinion, Metro staff believes that neither the Measure R Ordinance nor State law requires an equivalent subregional payback of non-Measure R funds. However, the Metro Board can act as it deems appropriate to provide such subregional project credits paid with non-Measure R funds independent of the Measure R Ordinance. We believe it is appropriate to do so given the Measure R footnote “j”.

Table 1 below shows the amount of Measure R 20% Highway Subfunds originally planned to complete the projects with the balance originally assumed for Measure R replacement project credits in the third decade of Measure R for the affected subregions. Due to the availability of Measure R 20% highway cash funds and the cost of bonding for Proposition C 25% funds, Metro staff has reassigned funding within the project budgets to expend Measure R 20% Highway Subfund resources in place of the originally planned Proposition C 25% funds for three of the four projects.

Without further action by the Metro Board of Directors, this funding change would result in the substantial reduction and/or elimination of the replacement Measure R 20% project credits assumed in the 2009 LRTP and the 2014 SRTP.

Table 1

BEFORE STAFF RECOMMENDATION (2014 SRTP)			
(millions)	A	B	C=A-B
Project	Measure R Expenditure Plan	Measure R 20% in SRTP	Measure R 20% Replacement Project Credits
I-5 North Capacity Enhancement	\$271.5	\$18.0	\$253.5
I-5 South Capacity Enhancement	\$264.8	\$70.0	\$194.8*
I-5 South Carmenita Interchange	\$138.0	\$5.0	\$133.0
I-5/SR-14 Capacity Enhancement	\$90.8	\$2.0	\$88.8
Total	\$765.1	\$95.0	\$670.1

*Per the asterisk footnote on the Measure R Expenditure Plan, additional funding for the West Santa Ana Branch project would come from replacement projects credits from the I-5 South project (\$108.4 million is the current estimate).

The Measure R 20% Highway Subfunds require no bonding at this time compared to the bonding which would be required for Proposition C 25% funds which are in higher demand and are anticipated to require borrowing in the future. The annual level debt service payment on a \$350.0 million bond at 4% for 30 years would be \$20.2 million per year totaling \$257.2 million of interest. The reassigment of the fund types was intended to avoid some or all of this interest.

Table 2 shows the proposed estimated Measure R 20% and Proposition C 25% replacement project credits late in the third decade of Measure R. Metro staff believes that neither the Measure R Ordinance nor State law requires equivalent replacement project credits from non-Measure R funds; however, the Metro Board can adopt a policy to fund replacement project credits under such circumstances.

Table 2

STAFF RECOMMENDATION - FUNDING OF REPLACEMENT PROJECT CREDITS IN 3RD DECADE			
(millions)	D	E	F=D+E
Project	Proposition C 25% Replacement Project Credits	Measure R 20% Replacement Project Credits	Total Replacement Project Credits
I-5 North Capacity Enhancement	\$223.5	\$30.0	\$253.5
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I-5/SR-14 Capacity Enhancement	\$0	\$88.8	\$88.8
Total	\$350.0	\$320.1	\$670.1

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The estimated fund reassignments for the three projects through FY 2020 were reported to the Metro Board in June 2015 as part of Attachment A of Items 5 and 19, the Fiscal Stability Overview and Funding Commitments Inventory. The associated reduction of the replacement project credits in the later decades of the 2009 LRTP was not separately reported at that time. No other projects were forecasted to be impacted or delayed as a result of this recommendation.

DETERMINATION OF SAFETY IMPACT

The recommended actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

For FYs 2014 and 2015, Measure R 20% Highway Subfunds of \$136.7 million were used instead of issuing Proposition C 25% bonds. For FY 2016 and beyond, \$213.3 million of Measure R 20% Highway Subfunds are currently estimated to be used. Therefore, the estimated total is \$350.0 million of Measure R 20% highway cash funds which will save approximately \$257.2 million in debt interest over 30 years instead of issuing \$350.0 million of Proposition C 25% bonds for use on the projects.

Approval of the recommendation would result in the programming of \$350.0 million of Proposition C 25% funds late in the third decade of Measure R as replacement project credits for the San Fernando Valley, Arroyo Verdugo, and Gateway subregions for Measure R 20% highway funds.

Impact to Budget

The FY 2016 budget includes the reassignment of \$83.0 million of Measure R 20% highway cash funds in place of bonding Proposition C 25% funds, thereby saving on interest costs.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the programming of Proposition C 25% funds late in the third decade of Measure R for the affected subregions. Staff does not recommend this alternative as the recommendation provides for a subregional equity payback in the form of replacement project credits with non-Measure R funds consistent with the spirit of the Measure R Expenditure Plan and its footnote "j".

NEXT STEPS

Subject to Board action on the staff recommendation, Metro staff will work with the San Fernando Valley, Arroyo Verdugo, and Gateway subregions to identify specific projects and years in the 2017 LRTP update for reprogramming the estimated \$350.0 million in Proposition C 25% project credits.

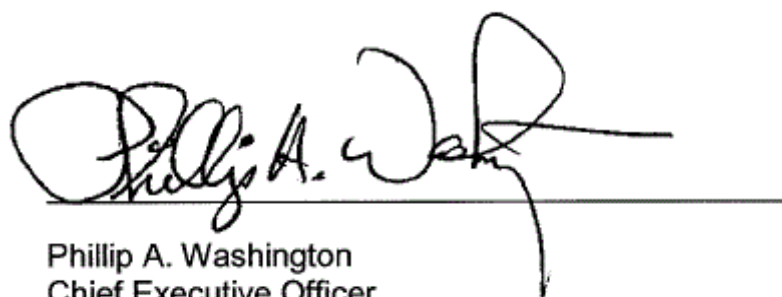
ATTACHMENTS

Attachment A - I-5 North Carpool Lanes (SR-134 to SR-170) Project Funding Comparison - Fiscal Stability Overview and Funding Commitments Inventory, Items 5/19, June 2015

Attachment B - I-5 South (I-605 to Orange County Line) and Carmenita Interchange Project Funding Comparison - Fiscal Stability Overview and Funding Commitments Inventory, Items 5/19, June 2015

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Phillip A. Washington
Chief Executive Officer

**Fiscal Stability Overview and Funding Commitments Inventory
Interstate 5 North Carpool Lanes from State Route 170 to State Route 134 Project Funding Comparison**

	2014		2015		2016		2017		2018		2019		2020		2021		Total
	Prior	2014	2015	2016	2017	2018	2019	2020	2021	2020	2021	2020	2021	2020	2021		
(\$ in millions)																	
As of March 2014																	
SRT Mar 2014	43.4	11.3	121.0	72.6													248.3
Proposition C 25%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposition C 10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Measure R 20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Funds	64.7																64.7
Proposition 1B CMIA ⁽⁷⁾	13.1																13.1
Proposition 1B SLPP ⁽⁸⁾	-																-
Proposition 1B Highway-Railroad Crossing Safety	-																-
Traffic Congestion Relief Program	22.0	80.0															102.0
CMAQ & RSTP ⁽⁴⁾	109.4	30.0															139.3
Regional Improvement Program	16.0	25.0															41.0
Other State & Federal ⁽⁵⁾	268.6	146.3	121.0	72.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	608.4
Total																	
As of Mar 2015																	
Mar 2015	50.3																50.3
Proposition C 25%	-																-
Proposition C 10%	-																-
Measure R 20%	33.2	18.5	61.6	53.6	49.8	11.7											228.5
Local Agency Funds	-																-
Proposition 1B CMIA ⁽⁷⁾	33.2	8.8	22.7														64.7
Proposition 1B SLPP ⁽⁸⁾	13.1																13.1
Proposition 1B Highway-Railroad Crossing Safety	-																-
Traffic Congestion Relief Program	20.5	42.0	35.7														98.2
CMAQ & RSTP ⁽⁴⁾	109.7	30.0															139.7
Regional Improvement Program	0.4	18.2	20.9														39.5
Other State & Federal ⁽⁵⁾	260.3	99.0	97.8	61.6	53.6	49.8	11.7										633.9
Total																	
Change⁽⁶⁾																	
Change ⁽⁶⁾	6.9	(11.3)	(121.0)	(72.6)	-	-	-	-	-	-	-	-	-	-	-	-	(198.0)
Proposition C 25%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposition C 10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Measure R 20%	33.2	-	18.5	61.6	53.6	49.8	11.7										228.5
Local Agency Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposition 1B CMIA ⁽⁷⁾	(31.5)	8.8	22.7	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
Proposition 1B SLPP ⁽⁸⁾	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.0)
Proposition 1B Highway-Railroad Crossing Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Traffic Congestion Relief Program	(1.5)	(38.0)	35.7	-	-	-	-	-	-	-	-	-	-	-	-	-	(3.8)
CMAQ & RSTP ⁽⁴⁾	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3
Regional Improvement Program	(15.6)	(6.8)	20.9	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.5)
Other State & Federal ⁽⁵⁾	(8.2)	(47.3)	(23.2)	(11.0)	53.6	49.8	11.7										25.5
Total																	

**Fiscal Stability Overview and Funding Commitments Inventory
Interstate 5 South from Orange County Line to Interstate 605 (includes Carmenita Interchange) Project Funding Comparison**

(\$ in millions)		2014		2015		2016		2017		2018		2019		2020		2021		2022		Total	
		Prior	2015	2016	2017	2018	2019	2020	2021	2022	Prior	2018	2019	2020	2021	2022	Prior	2020	2021		2022
As of March 2014																					
Proposition C 25%																					
Proposition C 10%																					
Measure R 20%																					
Local Agency Funds																					
Proposition 1B CMIA ⁽⁷⁾																					
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Traffic Congestion Relief Program																					
CMAQ & RSTP ⁽⁴⁾																					
Regional Improvement Program																					
Other State & Federal ⁽⁵⁾																					
Total																					
S RTP Mar 2014		52.8	13.7	103.1	160.9	154.6	54.8	52.5													592.5
		0.5																			-
		89.3	165.9	59.8																	0.5
		14.9																			315.0
		156.3	19.8	19.8																	14.9
		106.7	10.4	78.9																	-
		334.7	46.4	54.1																	196.0
		87.3	7.0				50.0														196.0
		842.6	263.3	261.6	215.0	154.6	104.8	52.5	0.0	0.0											435.2
																					144.3
																					1,894.3

As of Mar 2015																					
Proposition C 25%																					
Proposition C 10%																					
Measure R 20%																					
Local Agency Funds																					
Proposition 1B CMIA ⁽⁷⁾																					
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Traffic Congestion Relief Program																					
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Regional Improvement Program																					
Other State & Federal ⁽⁵⁾																					
Total																					
Mar 2015		42.8	40.2	120.0	23.4	65.0	50.2	30.8	6.0												218.1
		49.7																			-
		0.5																			209.9
		67.9	45.0	113.9	88.3																0.5
		14.9		0.0																	315.1
		156.3	10.2	9.6	19.8																14.9
		148.5		77.3	35.7	34.5															196.0
		394.5	150.8	0.2																	296.0
		20.3	39.0	35.0			50.0														545.5
		895.4	285.3	356.0	167.2	99.5	100.2	30.8	6.0	0.0											144.3
																					1,940.3

Change⁽⁶⁾																					
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Measure R 20%																					
Local Agency Funds																					
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Traffic Congestion Relief Program																					
CMAQ & RSTP ⁽⁴⁾																					
Regional Improvement Program																					
Other State & Federal ⁽⁵⁾																					
Total																					
Change		(10.1)	(13.7)	(103.1)	(137.5)	(89.6)	(4.6)	(21.7)	6.0	-											(374.3)
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		49.7	40.2	120.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	209.9
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(21.5)	(120.9)	54.1	88.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
		-	(9.6)	(10.2)	19.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		41.8	(10.4)	(1.6)	35.7	34.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.0
		59.8	104.4	0.2	(54.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	110.3
		(67.0)	32.0	35.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0
		52.8	22.0	94.3	(47.8)	(55.1)	(4.6)	(21.7)	6.0	-											46.0



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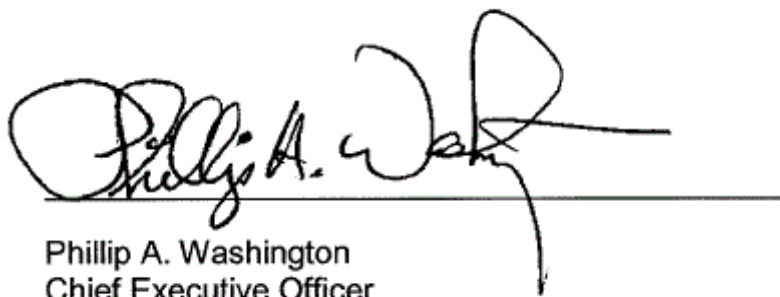
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Prepared by: Gloria Anderson, Director, (213) 922-2457
Wil Ridder, Executive Officer, (213) 922-2887
David Yale, Managing Executive Officer, (213) 922-2469

Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319



Phillip A. Washington
Chief Executive Officer



File #: 2015-1763, File Type: Program

Agenda Number: 20.

**REVISED
PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

**SUBJECT: 2009 LONG RANGE TRANSPORTATION PLAN MEASURE R HIGHWAY
REPLACEMENT PROJECT CREDITS**

**ACTION: APPROVE FUNDING CHANGE FOR MEASURE R REPLACEMENT PROJECT
CREDITS**

RECOMMENDATION

APPROVE the inclusion of **\$350.0 million of Proposition C 25% funds (or other eligible funds as necessary)** in the third decade of the Long Range Transportation Plan for the San Fernando Valley, Arroyo Verdugo, and Gateway subregions as replacement project credits for Measure R 20% highway funds now programmed (instead of the originally planned Proposition C 25%) on three projects:

- A. the I-5 North Capacity Enhancement (SR-134 to SR-170);
- B. the I-5 South Capacity Enhancement (I-605 to Orange County Line); and
- C. the I-5 South Carmenita Road Interchange.

ISSUE

Metro staff reported to the Board of Directors in June 2015 that it was in the best interest of Metro to use Measure R 20% Highway Sub-fund resources instead of issuing Proposition C 25% bonds for the I-5 North Capacity Enhancement (SR-134 to SR-170), the I-5 South Capacity Enhancement (I-605 to Orange County Line), and the I-5 South Carmenita Road Interchange projects. In total, \$350.0 million of Measure R 20% Highway Subfund resources are now expected to be used instead of Proposition C 25% funds, which are anticipated to incur interest costs due to the need to borrow for this fund type.

Normally, this would not require an action of the Metro Board of Directors. In this instance, the use of the Measure R funds instead of Proposition C funds will eliminate Measure R required replacement project credits once included in the 2009 LRTP. We are recommending that the Metro Board of Directors instead make these replacement project credits available to the applicable subregions from Proposition C 25% funds. The Measure R credits were not to be made available until late in the 2009 LRTP period and so we propose to include the \$350.0 million from Proposition C 25% in the third decade of the LRTP.

DISCUSSION

Four projects are listed with footnote “j” in the Measure R Expenditure Plan for an allocation of Measure R 20% highway funds:

1. I-5 North Capacity Enhancement from SR-134 to SR-170 (San Fernando Valley and Arroyo Verdugo subregions);
2. I-5 South Capacity Enhancement from I-605 to Orange County Line (Gateway subregion);
3. I-5 South Carmenita Road Interchange (Gateway subregion); and
4. I-5/SR-14 Capacity Enhancement (North County subregion).

Footnote “j” of the Measure R Expenditure Plan states:

“For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).”

These four projects are Measure R highway projects programmed for delivery using other funding sources before the passage of Measure R. The Measure R funding made available due to this prior programming was to be reserved for use by the subregions in which the projects exist. This was a subregional equity protection included in the Measure R authorizing legislation, ordinance, and Expenditure Plan. To track the requirement for the projects, the 2009 Long Range Transportation Plan (LRTP) and the 2014 Short Range Transportation Plan (SRTP) assumed Measure R highway project credits for the San Fernando Valley, Arroyo Verdugo, Gateway, and North County subregions for to-be-determined projects late in the third decade.

Per the legal opinion of County Counsel, Metro staff believes the Measure R Ordinance only governs the use of Measure R funds, not any other funds, including Proposition C 25% funds. In accordance with that legal opinion, Metro staff believes that neither the Measure R Ordinance nor State law requires an equivalent subregional payback of non-Measure R funds. However, the Metro Board can act as it deems appropriate to provide such subregional project credits paid with non-Measure R funds independent of the Measure R Ordinance. We believe it is appropriate to do so given the Measure R footnote “j”.

Table 1 below shows the amount of Measure R 20% Highway Subfunds originally planned to complete the projects with the balance originally assumed for Measure R replacement project credits in the third decade of Measure R for the affected subregions. Due to the availability of Measure R 20% highway cash funds and the cost of bonding for Proposition C 25% funds, Metro staff has reassigned funding within the project budgets to expend Measure R 20% Highway Subfund resources in place of the originally planned Proposition C 25% funds for three of the four projects.

Without further action by the Metro Board of Directors, this funding change would result in the substantial reduction and/or elimination of the replacement Measure R 20% project credits assumed in the 2009 LRTP and the 2014 SRTP.

Table 1

BEFORE STAFF RECOMMENDATION (2014 SRTP)			
(millions)	A	B	C=A-B
Project	Measure R Expenditure Plan	Measure R 20% in SRTP	Measure R 20% Replacement Project Credits
I-5 North Capacity Enhancement	\$271.5	\$18.0	\$253.5
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I-5/SR-14 Capacity Enhancement	\$90.8	\$2.0	\$88.8
Total	\$765.1	\$95.0	\$670.1

*Per the asterisk footnote on the Measure R Expenditure Plan, additional funding for the West Santa Ana Branch project would come from replacement projects credits from the I-5 South project (\$108.4 million is the current estimate).

The Measure R 20% Highway Subfunds require no bonding at this time compared to the bonding which would be required for Proposition C 25% funds which are in higher demand and are anticipated to require borrowing in the future. The annual level debt service payment on a \$350.0 million bond at 4% for 30 years would be \$20.2 million per year totaling \$257.2 million of interest. The reassigment of the fund types was intended to avoid some or all of this interest.

Table 2 shows the proposed estimated Measure R 20% and Proposition C 25% replacement project credits late in the third decade of Measure R. Metro staff believes that neither the Measure R Ordinance nor State law requires equivalent replacement project credits from non-Measure R funds; however, the Metro Board can adopt a policy to fund replacement project credits under such circumstances.

Table 2

STAFF RECOMMENDATION - FUNDING OF REPLACEMENT PROJECT CREDITS IN 3RD DECADE			
(millions)	D	E	F=D+E
Project	Proposition C 25% Replacement Project Credits	Measure R 20% Replacement Project Credits	Total Replacement Project Credits
I-5 North Capacity Enhancement	\$223.5	\$30.0	\$253.5
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The estimated fund reassignments for the three projects through FY 2020 were reported to the Metro Board in June 2015 as part of Attachment A of Items 5 and 19, the Fiscal Stability Overview and Funding Commitments Inventory. The associated reduction of the replacement project credits in the later decades of the 2009 LRTP was not separately reported at that time. No other projects were forecasted to be impacted or delayed as a result of this recommendation.

DETERMINATION OF SAFETY IMPACT

The recommended actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

For FYs 2014 and 2015, Measure R 20% Highway Subfunds of \$136.7 million were used instead of issuing Proposition C 25% bonds. For FY 2016 and beyond, \$213.3 million of Measure R 20% Highway Subfunds are currently estimated to be used. Therefore, the estimated total is \$350.0 million of Measure R 20% highway cash funds which will save approximately \$257.2 million in debt interest over 30 years instead of issuing \$350.0 million of Proposition C 25% bonds for use on the projects.

Approval of the recommendation would result in the programming of \$350.0 million of Proposition C 25% funds late in the third decade of Measure R as replacement project credits for the San Fernando Valley, Arroyo Verdugo, and Gateway subregions for Measure R 20% highway funds.

Impact to Budget

The FY 2016 budget includes the reassignment of \$83.0 million of Measure R 20% highway cash funds in place of bonding Proposition C 25% funds, thereby saving on interest costs.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the programming of Proposition C 25% funds late in the third decade of Measure R for the affected subregions. Staff does not recommend this alternative as the recommendation provides for a subregional equity payback in the form of replacement project credits with non-Measure R funds consistent with the spirit of the Measure R Expenditure Plan and its footnote "j".

NEXT STEPS

Subject to Board action on the staff recommendation, Metro staff will work with the San Fernando Valley, Arroyo Verdugo, and Gateway subregions to identify specific projects and years in the 2017 LRTP update for reprogramming the estimated \$350.0 million in Proposition C 25% project credits.

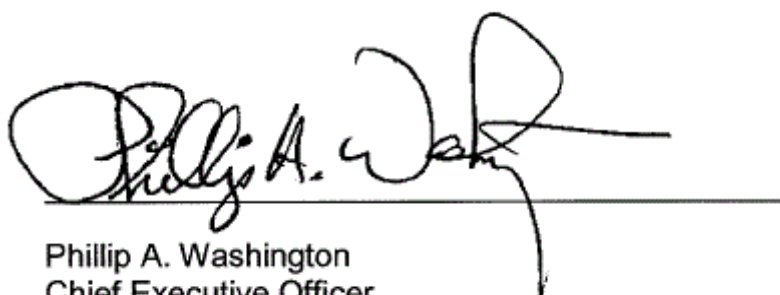
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Chief Executive Officer



Board Report

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PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

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RECOMMENDATION

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DETERMINATION OF SAFETY IMPACT

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FINANCIAL IMPACT

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Impact to Budget

The FY 2016 budget includes the reassignment of \$83.0 million of Measure R 20% highway cash funds in place of bonding Proposition C 25% funds, thereby saving on interest costs.

ALTERNATIVES CONSIDERED

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NEXT STEPS

Subject to Board action on the staff recommendation, Metro staff will work with the San Fernando Valley, Arroyo Verdugo, and Gateway subregions to identify specific projects and years in the 2017 LRTP update for reprogramming the estimated \$350.0 million in Proposition C 25% project credits.

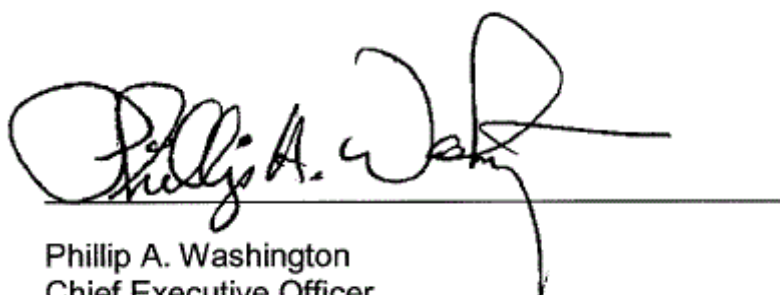
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Board Report

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**REVISED
PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

**SUBJECT: 2009 LONG RANGE TRANSPORTATION PLAN MEASURE R HIGHWAY
REPLACEMENT PROJECT CREDITS**

**ACTION: APPROVE FUNDING CHANGE FOR MEASURE R REPLACEMENT PROJECT
CREDITS**

RECOMMENDATION

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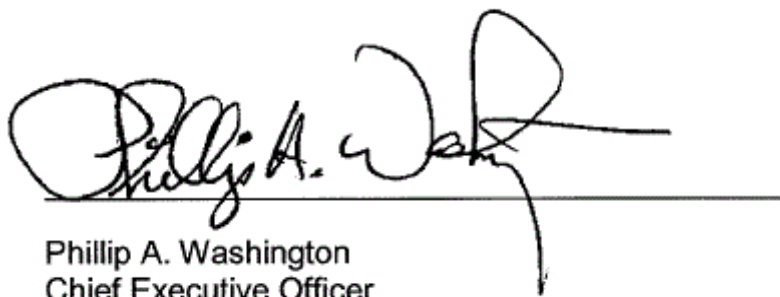
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- A. the I-5 North Capacity Enhancement (SR-134 to SR-170);
- B. the I-5 South Capacity Enhancement (I-605 to Orange County Line); and
- C. the I-5 South Carmenita Road Interchange.

ISSUE

Metro staff reported to the Board of Directors in June 2015 that it was in the best interest of Metro to use Measure R 20% Highway Sub-fund resources instead of issuing Proposition C 25% bonds for the I-5 North Capacity Enhancement (SR-134 to SR-170), the I-5 South Capacity Enhancement (I-605 to Orange County Line), and the I-5 South Carmenita Road Interchange projects. In total, \$350.0 million of Measure R 20% Highway Subfund resources are now expected to be used instead of Proposition C 25% funds, which are anticipated to incur interest costs due to the need to borrow for this fund type.

Normally, this would not require an action of the Metro Board of Directors. In this instance, the use of the Measure R funds instead of Proposition C funds will eliminate Measure R required replacement project credits once included in the 2009 LRTP. We are recommending that the Metro Board of Directors instead make these replacement project credits available to the applicable subregions from Proposition C 25% funds. The Measure R credits were not to be made available until late in the 2009 LRTP period and so we propose to include the \$350.0 million from Proposition C 25% in the third decade of the LRTP.

DISCUSSION

Four projects are listed with footnote “j” in the Measure R Expenditure Plan for an allocation of Measure R 20% highway funds:

1. I-5 North Capacity Enhancement from SR-134 to SR-170 (San Fernando Valley and Arroyo Verdugo subregions);
2. I-5 South Capacity Enhancement from I-605 to Orange County Line (Gateway subregion);
3. I-5 South Carmenita Road Interchange (Gateway subregion); and
4. I-5/SR-14 Capacity Enhancement (North County subregion).

Footnote “j” of the Measure R Expenditure Plan states:

“For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).”

These four projects are Measure R highway projects programmed for delivery using other funding sources before the passage of Measure R. The Measure R funding made available due to this prior programming was to be reserved for use by the subregions in which the projects exist. This was a subregional equity protection included in the Measure R authorizing legislation, ordinance, and Expenditure Plan. To track the requirement for the projects, the 2009 Long Range Transportation Plan (LRTP) and the 2014 Short Range Transportation Plan (SRTP) assumed Measure R highway project credits for the San Fernando Valley, Arroyo Verdugo, Gateway, and North County subregions for to-be-determined projects late in the third decade.

Per the legal opinion of County Counsel, Metro staff believes the Measure R Ordinance only governs the use of Measure R funds, not any other funds, including Proposition C 25% funds. In accordance with that legal opinion, Metro staff believes that neither the Measure R Ordinance nor State law requires an equivalent subregional payback of non-Measure R funds. However, the Metro Board can act as it deems appropriate to provide such subregional project credits paid with non-Measure R funds independent of the Measure R Ordinance. We believe it is appropriate to do so given the Measure R footnote “j”.

Table 1 below shows the amount of Measure R 20% Highway Subfunds originally planned to complete the projects with the balance originally assumed for Measure R replacement project credits in the third decade of Measure R for the affected subregions. Due to the availability of Measure R 20% highway cash funds and the cost of bonding for Proposition C 25% funds, Metro staff has reassigned funding within the project budgets to expend Measure R 20% Highway Subfund resources in place of the originally planned Proposition C 25% funds for three of the four projects.

Without further action by the Metro Board of Directors, this funding change would result in the substantial reduction and/or elimination of the replacement Measure R 20% project credits assumed in the 2009 LRTP and the 2014 SRTP.

Table 1

BEFORE STAFF RECOMMENDATION (2014 SRTP)			
(millions)	A	B	C=A-B
Project	Measure R Expenditure Plan	Measure R 20% in SRTP	Measure R 20% Replacement Project Credits
I-5 North Capacity Enhancement	\$271.5	\$18.0	\$253.5
I-5 South Capacity Enhancement	\$264.8	\$70.0	\$194.8*
I-5 South Carmenita Interchange	\$138.0	\$5.0	\$133.0
I-5/SR-14 Capacity Enhancement	\$90.8	\$2.0	\$88.8
Total	\$765.1	\$95.0	\$670.1

*Per the asterisk footnote on the Measure R Expenditure Plan, additional funding for the West Santa Ana Branch project would come from replacement projects credits from the I-5 South project (\$108.4 million is the current estimate).

The Measure R 20% Highway Subfunds require no bonding at this time compared to the bonding which would be required for Proposition C 25% funds which are in higher demand and are anticipated to require borrowing in the future. The annual level debt service payment on a \$350.0 million bond at 4% for 30 years would be \$20.2 million per year totaling \$257.2 million of interest. The reassigment of the fund types was intended to avoid some or all of this interest.

Table 2 shows the proposed estimated Measure R 20% and Proposition C 25% replacement project credits late in the third decade of Measure R. Metro staff believes that neither the Measure R Ordinance nor State law requires equivalent replacement project credits from non-Measure R funds; however, the Metro Board can adopt a policy to fund replacement project credits under such circumstances.

Table 2

STAFF RECOMMENDATION - FUNDING OF REPLACEMENT PROJECT CREDITS IN 3RD DECADE			
(millions)	D	E	F=D+E
Project	Proposition C 25% Replacement Project Credits	Measure R 20% Replacement Project Credits	Total Replacement Project Credits
I-5 North Capacity Enhancement	\$223.5	\$30.0	\$253.5
I-5 South Capacity Enhancement	\$86.4	\$108.4*	\$194.8
I-5 South Carmenita Interchange	\$40.1	\$92.9	\$133
I-5/SR-14 Capacity Enhancement	\$0	\$88.8	\$88.8
Total	\$350.0	\$320.1	\$670.1

*Per the asterisk footnote on the Measure R Expenditure Plan, additional funding for the West Santa Ana Branch project would come from replacement projects credits from the I-5 South project (\$108.4 million is the current estimate).

The estimated fund reassignments for the three projects through FY 2020 were reported to the Metro Board in June 2015 as part of Attachment A of Items 5 and 19, the Fiscal Stability Overview and Funding Commitments Inventory. The associated reduction of the replacement project credits in the later decades of the 2009 LRTP was not separately reported at that time. No other projects were forecasted to be impacted or delayed as a result of this recommendation.

DETERMINATION OF SAFETY IMPACT

The recommended actions will have no impact on the safety of our customers or employees.

FINANCIAL IMPACT

For FYs 2014 and 2015, Measure R 20% Highway Subfunds of \$136.7 million were used instead of issuing Proposition C 25% bonds. For FY 2016 and beyond, \$213.3 million of Measure R 20% Highway Subfunds are currently estimated to be used. Therefore, the estimated total is \$350.0 million of Measure R 20% highway cash funds which will save approximately \$257.2 million in debt interest over 30 years instead of issuing \$350.0 million of Proposition C 25% bonds for use on the projects.

Approval of the recommendation would result in the programming of \$350.0 million of Proposition C 25% funds late in the third decade of Measure R as replacement project credits for the San Fernando Valley, Arroyo Verdugo, and Gateway subregions for Measure R 20% highway funds.

Impact to Budget

The FY 2016 budget includes the reassignment of \$83.0 million of Measure R 20% highway cash funds in place of bonding Proposition C 25% funds, thereby saving on interest costs.

ALTERNATIVES CONSIDERED

The Board could choose not to approve the programming of Proposition C 25% funds late in the third decade of Measure R for the affected subregions. Staff does not recommend this alternative as the recommendation provides for a subregional equity payback in the form of replacement project credits with non-Measure R funds consistent with the spirit of the Measure R Expenditure Plan and its footnote "j".

NEXT STEPS

Subject to Board action on the staff recommendation, Metro staff will work with the San Fernando Valley, Arroyo Verdugo, and Gateway subregions to identify specific projects and years in the 2017 LRTP update for reprogramming the estimated \$350.0 million in Proposition C 25% project credits.

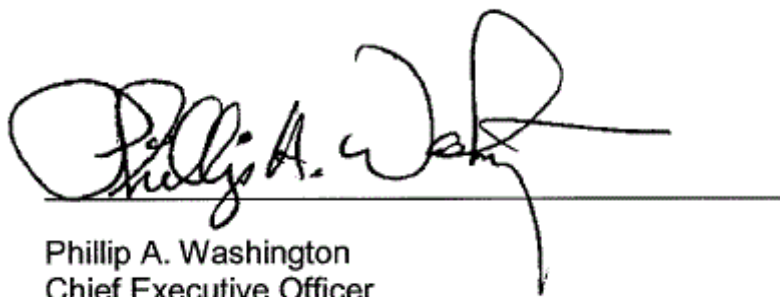
ATTACHMENTS

Attachment A - I-5 North Carpool Lanes (SR-134 to SR-170) Project Funding Comparison - Fiscal Stability Overview and Funding Commitments Inventory, Items 5/19, June 2015

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Prepared by: Gloria Anderson, Director, (213) 922-2457
Wil Ridder, Executive Officer, (213) 922-2887
David Yale, Managing Executive Officer, (213) 922-2469

Reviewed by: Calvin E. Hollis, Interim Chief Planning Officer, (213) 922-7319



Phillip A. Washington
Chief Executive Officer



Board Report

File #: 2015-1763, File Type: Program

Agenda Number: 20.

**REVISED
PLANNING AND PROGRAMMING COMMITTEE
JANUARY 20, 2016**

**SUBJECT: 2009 LONG RANGE TRANSPORTATION PLAN MEASURE R HIGHWAY
REPLACEMENT PROJECT CREDITS**

**ACTION: APPROVE FUNDING CHANGE FOR MEASURE R REPLACEMENT PROJECT
CREDITS**

RECOMMENDATION

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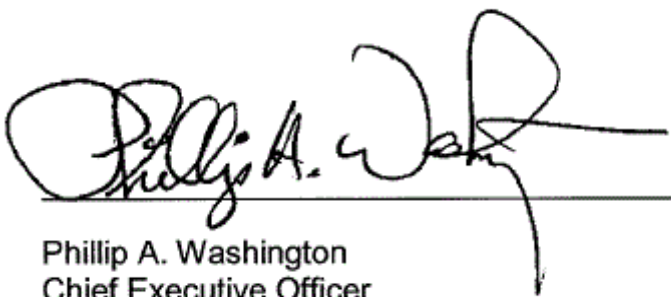
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