



Board Report

File #: 2021-0566, **File Type:** Motion / Motion Response

Agenda Number:

**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 15, 2021
CONSTRUCTION COMMITTEE
SEPTEMBER 16, 2021**

SUBJECT: RESPONSE TO MOTION 18.1 BY DIRECTORS HAHN, GARCETTI, MITCHELL, BUTTS, AND DUTRA

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE this report on funding, financing, and limiting the impact to the project delivery schedule while minimizing the use of toll revenue bonds for the I-105 ExpressLanes Project while meeting state grant requirements with the goal of delivering the project ahead of the 2028 Olympic and Paralympic Games in Los Angeles.

ISSUE

On May 19, 2021, the Board passed Motion No. 18.1 (Hahn, Garcetti, Mitchell, Butts, and Dutra, Attachment A) directing the Chief Executive Officer to report back in September 2021 with recommendations to fully fund the I-105 ExpressLanes with funding sources that minimize the use of the corridor's future net toll revenues, in order to maximize available resources from the project for future capital improvements to the Metro C (formerly, Green) Line. This Receive and File Board Report provides an overview of the ExpressLanes financing plan and outlines potential revenue to operate the ExpressLanes, fund eligible transit, active transportation, and other mobility projects in the corridor. A funding plan should be developed by December 2023 to meet state grant requirements and to initiate revenue service prior to the 2028 Olympic and Paralympic Games.

BACKGROUND

Among many issues and constraints surrounding major project delivery is reliable funding dedicated to the project. The capital cost estimate for the Interstate 105 (I-105) ExpressLanes project is \$676 million. The funding profile for this project includes Measure M, state grants, federal funding, and toll backed revenue loans. For the project to meet SB1 Solutions for Congested Corridors Program (SCCP) requirements and begin revenue operations to support the 2028 Olympic and Paralympic Games in Los Angeles. Any debt associated with this project will not need to be drawn down until 2024 and will be repaid exclusively using toll revenue without impacting other Metro projects or

funding commitments. Prior to project completion, Metro staff will continue to pursue all available grant and funding opportunities that can be used for this project.

DISCUSSION

I-105 ExpressLanes

As part of Measure M in 2016, Los Angeles County Voters approved development of ExpressLanes on I-105 allocating \$175 million to the project. In December 2020, the California Transportation Commission (CTC) awarded a SCCP grant in the amount of \$150 million -- the highest amount awarded to any project. To receive this \$150 million grant, a construction award -- notice to proceed - must be issued by December 2023.

The current funding plan allocates \$325 million in Measure M and SCCP funding, leaving a funding gap of \$351 million to complete delivery of the project. To bridge that gap, staff submitted grant applications for two rounds of Infrastructure for Rebuilding America (INFRA) funding grants which were unfortunately unsuccessful in 2017 and 2019. Staff has also evaluated the project's potential to receive Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grants, formerly known as BUILD and TIGER. Metro Grant's staff has determined that other Metro projects (e.g., SR-57/60, I-5 North HOV Truck Climbing Lanes) are better positioned to be awarded future INFRA or RAISE grants and are currently pursuing those opportunities. Staff has also worked with various congressional offices for allocation of project earmarks as part of a potential federal reauthorization with no commitments made to date. Staff will continue to assess grant opportunities as part of the federal reauthorization process in FY22 and in future federal fiscal years.

Staff is working with the LA Olympic Committee on the Games Route Network (GRN) to ensure this project is eligible for funds identified to support the 2028 Olympic and Paralympic games. Staff continues to work with the California Transportation Commission to identify eligible state grants under Climate Action Plan for Transportation Infrastructure (CAPTI) once final guidelines and guidance are issued relative to those programs. While the SCCP funding has been fully committed, staff will continue to evaluate grant opportunities that may arise in future state budget cycles.

Locally, staff has been working with Metro's Strategic Financial Planning group to identify eligible funding in Metro's Short Range Financial Plan model. After a thorough review of the model and Metro's other funding sources, no eligible highway funding was identified. Staff has pursued discussions relative to an inter-corridor borrowing program that would enable borrowing net toll revenues from one corridor to provide funds towards construction of another ExpressLanes project. Any borrowed funds would be returned to the originating corridor inclusive of an agreed-upon interest rate over a period of 30 years. While this method of financing has been utilized on other Metro projects, the local Councils of Government (COGs) and Board offices representing the I-10 and I-110 ExpressLanes expressed reluctance in pursuing this alternative in 2017. In the absence of grant funding or the opportunity to use existing net toll revenues, consideration to accelerate project development is also being given to use debt to finance the remaining \$351 million by using future toll revenues, paid by users of the I-105 ExpressLanes, to finance the project.

Metro uses debt financing for nearly all its major transit and highway capital projects. The anticipated revenue and debt profile for the I-105 ExpressLanes covers all Metro costs and obligations for the

term of the loan and affords an additional \$2.9 billion to other eligible mobility projects, including the Metro C Line. Without timely completion of the I-105 ExpressLanes project no toll revenues will be available for the C Line or for any additional eligible projects along the corridor.

C (Green) Line

Staff will continue to explore various state and federal grant and funding opportunities to address Station Platform Expansion and Traction Power Substations (TPSS). Eligible funding and grant opportunities related to the SCCP and Local Partnership Program (LPP) continue to be developed. Likewise, grant requirements related to the State Transit and Intercity Rail Capital Program (TIRCP) are evaluated along with other new transit programs. To ensure Metro's ongoing commitment to our existing system's State of Good Repair, Metro will advance C Line improvements to receive funding as part of any future state programs.

Federal Funding

As Metro pursues federal funds to ease traffic on the I-105 by instituting ExpressLanes, there are a number of existing grant programs that can be used to help fund the high occupancy toll lanes that will - once constructed - serve to improve travel times. Under current law (FAST Act), there are two prominent grant programs that could serve to fund, in part, our I-105 ExpressLanes project. The RAISE program provides grants in the range of \$25 million for projects, according to the U.S. Department of Transportation that "create high-quality jobs, improve safety, protect our environment, and generate equitable economic opportunity for all Americans." The INFRA grant program provides an opportunity for grants that can be larger than RAISE grants for highway and rail projects of regional and national economic significance. In the past, Metro has pursued an INFRA grant for the I-105 ExpressLanes during prior administration - but that grant request was not favorably considered. Looking to the future, the Senate's bi-partisan infrastructure bill which may be adopted by the House later this month and signed into law by President Biden - includes similar grant programs as embedded in the FAST Act - though funded at higher levels. For example, the Senate bill includes \$8 billion for the Nationally Significant Multimodal Freight and Highway Program (also known as INFRA Grants) and a National Infrastructure Project Assistance Program funded at \$10 billion. If the Senate bi-partisan infrastructure bill were to become law, both of these grant programs could be used to pursue federal funds for the I-105 ExpressLanes project. Staff will continue to keep the Board apprised of our aggressive efforts to seek federal funding for the I-105 ExpressLanes project.

EQUITY PLATFORM

ExpressLanes does not anticipate any impact or burdens to marginalized drivers, riders, or residents tied to the use of debt financing. Existing tolls on the ExpressLanes are based on congestion density and not revenue needs. Given the current congestion on the corridor, no changes to the existing toll policy are anticipated due to using TIFIA or other debt instruments to develop this project.

Debt financing does provide mobility improvements to the corridor sooner than might otherwise be possible. This acceleration provides benefits to ExpressLanes users and allows Metro to advance

additional funding to transit services along the corridor, including the C Line and other active transportation modes through direct payments, and the ExpressLanes Net Toll Revenue Grant program. Additionally, tolls and fees collected from ExpressLanes users can support the current Low-Income Assistance Plan (LIAP) program while providing a reliable funding source should the Board decide to expand the program in the future.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Strategic Goal 1: Provide high quality mobility options that enable people to spend less time traveling. ExpressLanes provides drivers and transit users with the option of a more reliable trip while improving the overall operational efficiency of the freeway network.

ALTERNATIVES CONSIDERED

Delaying the project until additional grant monies are identified was evaluated. This alternative is not recommended because it would jeopardize Metro's \$150 million SB1 SCCP grant award and risk project completion in time for the 2028 Olympic and Paralympic Games. Moreover, any additional project delay is likely to increase project costs as construction awards, and local economic conditions have historically shown that construction costs increase faster than underlying consumer prices (CPI-U). This cost escalation pressure could potentially increase the forecasted project costs by tens of millions of dollars and render the project financially infeasible.

NEXT STEPS

As traffic volumes return to pre-COVID-19 levels and projects funded in prior Net Toll Revenue Grant rounds are completed, Staff anticipates initiating a new round of Net Toll Revenue grants in summer of 2022. Attachment C provides an overview of Net Toll Revenue Grant funding to date. Staff will continue evaluating future funding and grant opportunities to build the I-105 project as outlined in this Board report and must pursue debt financing to finalize the funding plan by December 2023 to meet grant timelines and initiate revenue service prior to the 2028 Olympic and Paralympic Games.

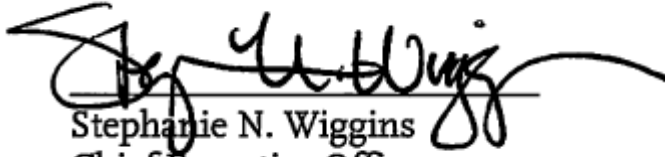
ATTACHMENTS

Attachment A - Board Motion 18.1

Attachment B - Overview of Net Toll Revenue Grants

Prepared by: Mark Linsenmayer, DEO, Congestion Reduction, (213) 922-5569

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Stephanie N. Wiggins
Chief Executive Officer



Metro

Board Report

File #: 2021-0341, **File Type:** Motion / Motion Response

Agenda Number: 18.1.

REVISED
PLANNING AND PROGRAMMING COMMITTEE
MAY 19, 2021

Motion by:

DIRECTORS HAHN, GARCETTI, MITCHELL, BUTTS, AND DUTRA

Related to Item 18: Metro ExpressLanes Program Management Support Contract Modification

The I-105 is the last major freeway constructed in LA County, and the Metro Green Line was included in this project to mitigate its impacts to communities of color in South LA. Any changes to the capacity on this 30-year-old freeway need to also improve the operations of the Metro Green Line, nearby transit services, and first/last-mile connections.

The I-105 freeway is now next in line for ExpressLanes which will add vehicle travel lanes and provide enhanced mobility for those who can pay a toll to avoid traffic congestion.

When Metro first created ExpressLanes on the I-10 and I-110, a key goal was that toll revenues would go to improve mobility for people walking, biking, and taking transit along these corridors. The ExpressLanes Strategic Plan identifies numerous potential funding sources for the program's expansion, of which future net toll revenues is just one.

The Metro Green Line needs major capital improvements to its existing infrastructure, including platform extensions, to be brought up to a state of good repair and to ensure seamless interoperability with the Crenshaw/LAX Line. Additionally, the Green Line needs to address long-standing issues with station platform ambient noise, transit transfer connectivity, and first/last-mile connections.

SUBJECT: I-105 EXPRESSLANES PROJECT

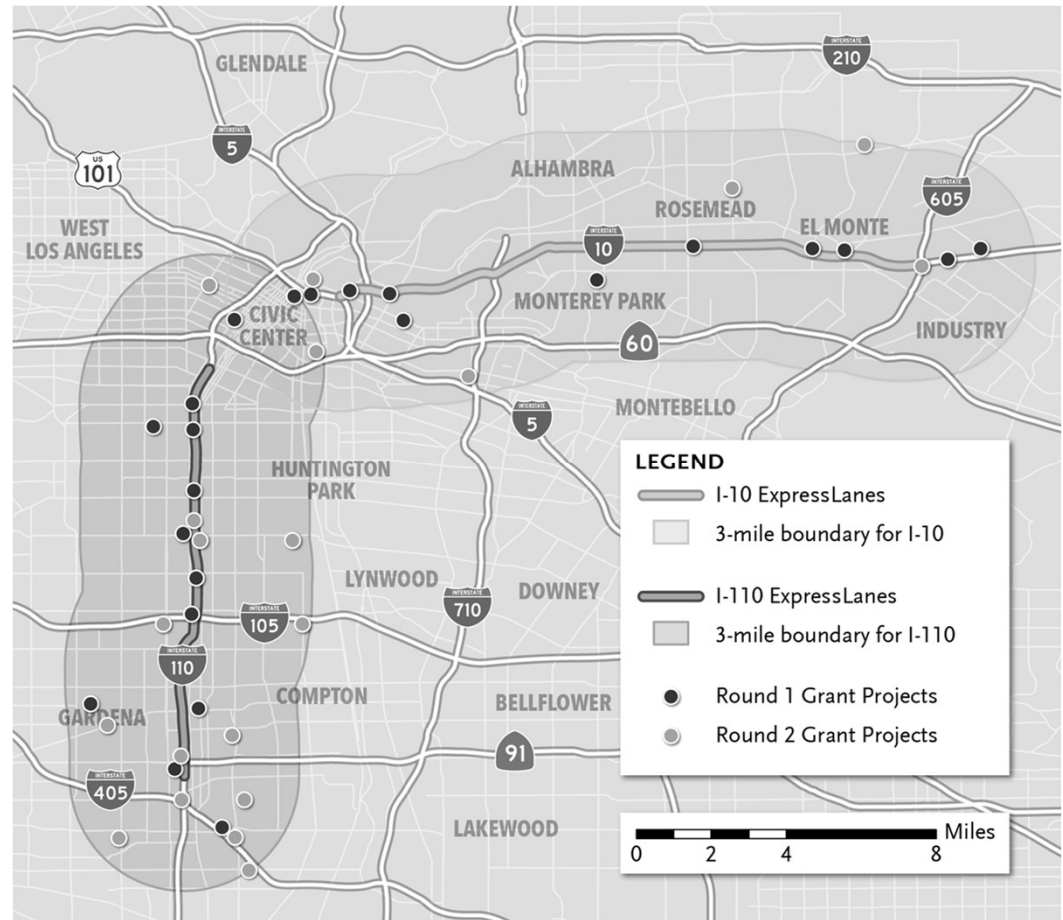
RECOMMENDATION

APPROVE Motion by Directors Hahn, Garcetti, Mitchell, Butts, and Dutra that the Board direct the Chief Executive Officer to report back in September 2021 with recommendations to fully fund the I-105 ExpressLanes with funding sources that minimize the use of the corridor's future net toll revenues, in order to maximize available resources from the project for future capital improvements to the Metro Green Line.

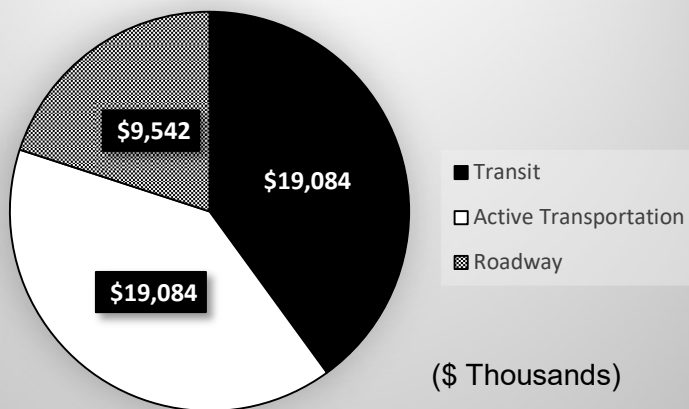
Overview of Net Toll Revenue Grants

Total: **\$47.7 Million Awarded to 41 projects**

- **16 projects completed**
- 25 projects started with **\$26.1 Million remaining**
- Round 1 in 2014 awarded **\$19.76 Million to 20 projects.**
 - 62% spent
- Round 2 in 2016 awarded **\$27.85 Million to 21 projects.**
 - 33% spent










Net Toll Revenue Grant Summary



Where Net Toll Revenue Grants Are Provided

\$7.9 million annual transit funding in addition to the Grants listed below










Transit Funding – Round 1

	Sponsor	Project Name	Funding	Remaining
	Access Services	ExpressLane CNG-Fueled MV-1 Program	\$408,000	<input checked="" type="checkbox"/>
	City of Baldwin Park	Baldwin Park Commuter Connector Express Line	\$700,395	\$671,075
	Access Services	Express-Lane CNG-Fueled MV-1 Program	\$408,000	<input checked="" type="checkbox"/>
	City of Gardena	Line 1X-Expand Transit Bus Service on I-110 Freeway	\$842,482	<input checked="" type="checkbox"/>
	City of Los Angeles	Commuter Express Service Expansion to Alleviate Harbor Fwy Congestion	\$724,000	<input checked="" type="checkbox"/>
	LACMTA	Dodger Stadium Express-Harbor Gateway	\$1.29M	<input checked="" type="checkbox"/>
	Torrance Transit	Torrance Transit Expansion of Line #1 & #4 HOT Lane Service	\$2.23M	\$2.22M

= Complete

Where Net Toll Revenue Grants Are Provided






Bicycle & Pedestrian Funding -- Round 1

	Sponsor	Project Name	Funding	Remaining
	City of Baldwin Park	Frazier Street Pedestrian and Bicycle Safety Improvements	\$895,288	\$839,382
	City of El Monte	Santa Anita Ave Active Transportation for El Monte Station	\$ 633,782	\$631,784
	City of Los Angeles	My Figueroa Marketing and Safety	\$ 150,000	\$13,281
	City of Monterey Park	Monterey Park Bike Corridor Project	\$ 233,034	\$51,639
	City of El Monte	I-10 Active Commute, Healthy Communities Project	\$440,000	\$76,193
	City of Los Angeles	Cesar Chavez Great Street	\$435,000	\$334,200
	City of Carson	Dominguez Channel Bike-Ped Path	\$1.26M	\$1.22M
	City of Los Angeles	Active Streets LA Budlong Avenue	\$1.18M	\$1.08M
	LACMTA	Bikeshare-Downtown Los Angeles	\$3.80M	<input checked="" type="checkbox"/>
	LACMTA	Union Station Metro Bike Hub	\$700,000	<input checked="" type="checkbox"/>

= Complete

Where Net Toll Revenue Grants Are Provided












Roadway and Arterial Performance -- Round 1

	Sponsor	Project Name	Funding	Remaining
	Caltrans	Express Lanes Corridors Incident Management Improvements Project	\$480,000	\$306,106
	City of Los Angeles	Cesar Chavez Great Street	\$435,000	\$ 334,200
	Caltrans	I-110 HOT/Express Lanes Improvements	\$1.02M	<input checked="" type="checkbox"/>
	City of Los Angeles	ATSAC Infrastructure Communication Systems Enhancement along I-110 Freeway	\$1.43M	<input checked="" type="checkbox"/>
	County of Los Angeles	South Bay Arterial Performance Measurement Project	\$504,000	<input checked="" type="checkbox"/>

= Complete

Where Net Toll Revenue Grants Are Provided

Transit Funding – Round 2

	Sponsor	Project Name	Funding	Remaining
	Long Beach Transit	LA Galaxy Express Shuttle Bus	\$600,000	\$298,752
	City of Carson	Carson Rapid Bus Priority System	\$584,150	\$584,150
	Torrance Transit	Torrance Transit Express & Vehicles	\$960,000	\$960,000
	City of Los Angeles	DASH Improve. with Harbor Freeway	\$1.77M	<input checked="" type="checkbox"/>
	Gardena Transit	Gardena Transit Innovative ITS Rollout	\$1.38M	\$1.16M
	LACMTA	BRT Freeway Station Enclosure	\$1.83M	<input checked="" type="checkbox"/>
	County of LA	Vermont Green Line Intersection Improvement Project	\$1.63M	\$1.19M
	Foothill Transit	Two Electric Double Decker Buses	\$1,458,00	\$1.08M
	Access Services	CNG-Fueled Vehicles for Access Services	\$1.13M	<input checked="" type="checkbox"/>
	City of LA	On Demand Mobility Center	\$992,000	<input checked="" type="checkbox"/>
	County of LA	Whittier Blvd Transit Priority Project	\$516,600	\$476,684

= Complete

Where Net Toll Revenue Grants Are Provided






Bicycle & Pedestrian Funding -- Round 2

	Sponsor	Project Name	Funding	Remaining
	County of LA	Firestone Blue Line Station Intersection and Bikeway Improvements Project	\$1.86M	\$1.27M
	City of Carson	Dominguez Channel Bike Path Improvements	\$1.3M	\$1.3M
	City of Los Angeles	Downtown LA on Demand Mobility Connectivity Center	\$992,000	<input checked="" type="checkbox"/>
	City of Arcadia	City of Arcadia Transit & Pedestrian Mobility Enhancement Project	\$470,000	<input checked="" type="checkbox"/>
	LACMTA	Willowbrook/Rosa Parks Station	\$2.00M	\$2.00M
	County of Los Angeles	Eaton Wash Bike Path - Phase 1	\$3.10M	\$1.81M

= Complete

Where Net Toll Revenue Grants Are Provided

Roadway and Arterial Performance -- Round 2

	Sponsor	Project Name	Funding	Remaining
	City of Carson	I-110 Freeway Arterial Improvements	\$1.76M	\$1.76M
	County of Los Angeles	South Bay Arterial ITS Congestion Relief Project	\$717,360	\$509,317
	City of Los Angeles	I-110 Corridor Revitalization - Grand Avenue/Flower Avenue	\$1.23M	\$1.08M
	City of Los Angeles	Vision Zero I-10 Corridor Area Traffic Signal Improvements	\$776,000	\$239,283
	City of Los Angeles	Sixth Street Viaduct Mission/Myers Roundabout Project	\$1.80M	\$1.17M

= Complete

Item 18.1 – Response to May 2021 Board Motion

PLANNING AND PROGRAMMING COMMITTEE

SEPTEMBER 15, 2021

CONSTRUCTION COMMITTEE

SEPTEMBER 16, 2021

Related to Item 18: Metro ExpressLanes Program Management Support Contract Modification

Interstate 105 Funding and Financing -- Grant and Funding Alternatives

CEO to report back in September 2021 with recommendations to fully fund the I-105 ExpressLanes with funding sources that minimize the use of the corridor's future net toll revenues, in order to maximize available resources from the project for future capital improvements to the Metro Green Line.



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Grants Background

- **What we have done to date**
 - Voters Approved Measure M to build ExpressLanes on the 105 (\$175 million, 2016)
 - Pursued Interfund loans in 2017/2018; denied by COGs
 - Pursued INFRA grants in 2017 & 2019 without an award
 - RAISE/TIGER/BUILD denied (other Metro projects advanced)
 - Pursued State SCCP Funding (Awarded \$150 million, 2020)
 - Federal Legislative Earmarks, none anticipated
 - **Future Funding Pursuits**
 - Climate Action Plan for Transportation Infrastructure (CAPTI)
 - State LA Olympics funding pending State budget process
- Senate Infrastructure Investment and Jobs Act of 2021:**
- Federal Congestion Relief Program; National Infrastructure Project Assistance; and future INFRA and RAISE rounds



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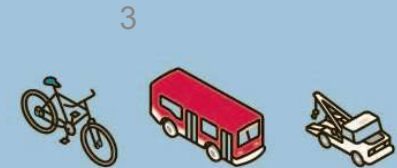


Grant Alternatives for Metro C (Green) Line

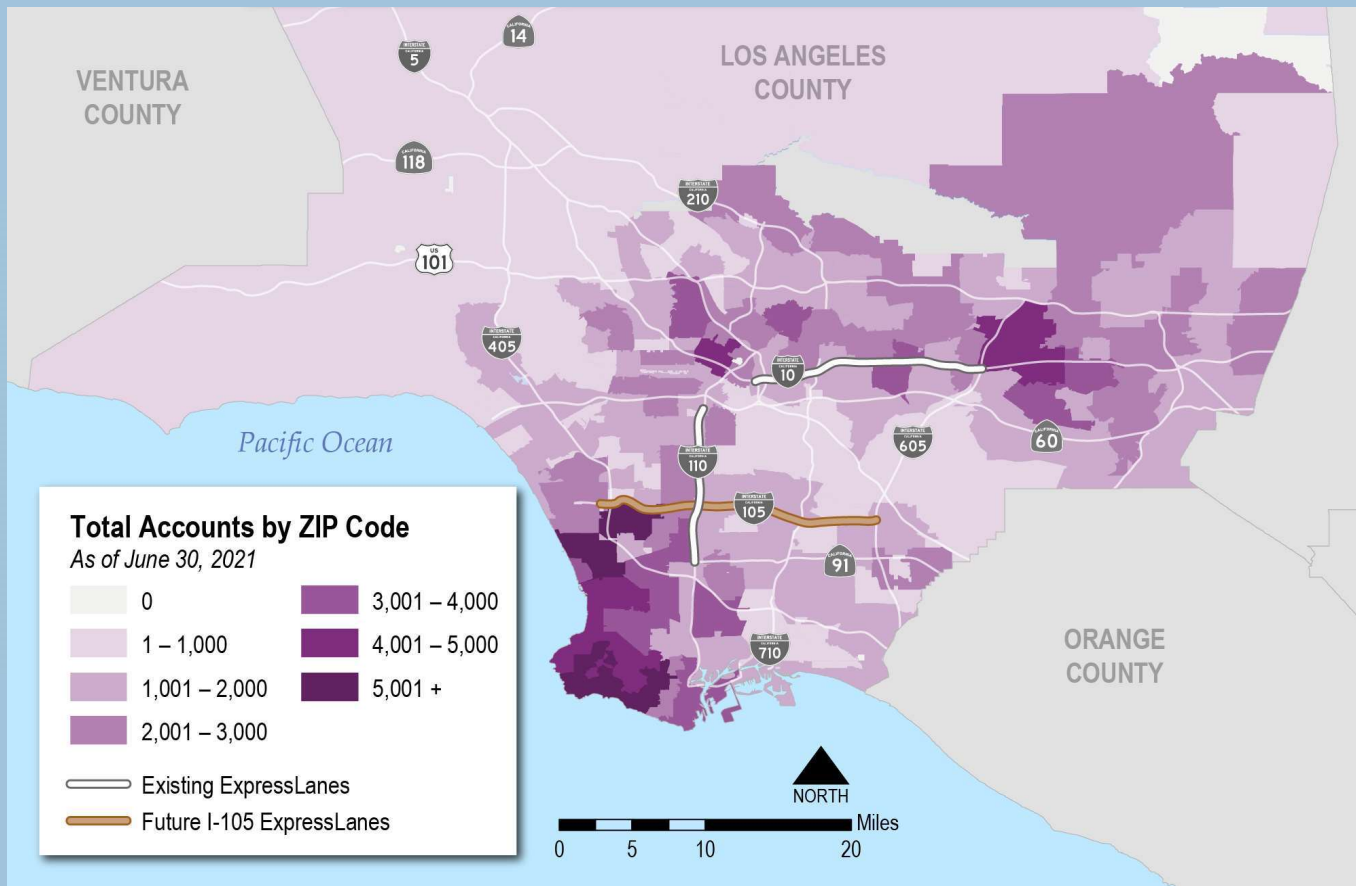
- **Station Platform Expansion and Traction Power Substation (TPSS):**
 - State SB1 Solutions for Congested Corridors Program (SCCP) and Local Partnership Program (LPP)
 - State Transit and Intercity Rail Capital Program (TIRCP)
 - LA Olympics funding pending State Budget process
 - Federal RAISE and other new transit programs
- **State of Good Repair:**
 - Federal Core Capacity Program



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Where ExpressLanes Customers Live



77%
of Metro ExpressLanes
accountholders
are LA County residents

20.5%
of Metro LA County
ExpressLanes
live within 3 miles of I-105

11%
Reduction in GHG
emissions. Decreases in
CO and NOx as well.



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I-105 Risk – Phase 1 Completion

- Phase 1 – section from 405 to 110 can be built using SCCP funds -- \$150 million
- Phase 2/3 -110 to 605 can be built with Measure M, TIFIA (toll revenues) – Funding Plan Needed by **Dec. 2023**



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Continue to Pursue Grants

1. First Approach: Continue to Pursue Grants Through December 2023

- Federal Grants
- State Grants
- Funding opportunities around LA Olympics

2. Fall back: Any remaining funding gap identified by December 2023 can be funded by debt financing using TIFIA and other capital market financing

(Conversations with TIFIA and USDOT will continue as grant opportunities are identified.)



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TIFIA is Well Suited for Express Lanes

- Nearly all Express Lane projects built in the US have used TIFIA for financing, including:
 - I-405 (OCTA) -- SR-91 (RCTC)
 - I-15 (RCTC) -- I-10 (SBCTC)
 - Also Toll Roads in Colorado, Texas, North Carolina, Florida, et al.
- TIFIA provides flexible loan terms with a low cost of capital, up to 33% of project cost or \$227 million
- Allows user fees to fund the project
- Debt to be repaid through future toll revenues
- Excess Revenue can be used to fund C Line



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I-105 Funding Proposal

Project Costs by Phase and Funding

Source	(\$000s)
COST BY PHASE	
TOTAL	
PAED	\$13,121
PS&E	\$46,883
ROW	\$3,081
CON	\$626,036
TOTAL	\$689,121
FUNDING BY SOURCE	
TOTAL	
Federal	
CMAQ	\$2,607
State	
SB1 - SCCP	\$150,000
Local	
Funding Gap	\$361,514
Measure M - Preconstruction	\$60,478
Measure M - Construction	\$114,522
TOTAL	\$689,121

- SCCP Funds predicated on December 2023 construction start
- Measure M construction funding available beginning in FY27
- Need commitment by Dec 2023
- TIFIA draws can be designed to match anticipated construction schedule beginning in FY24

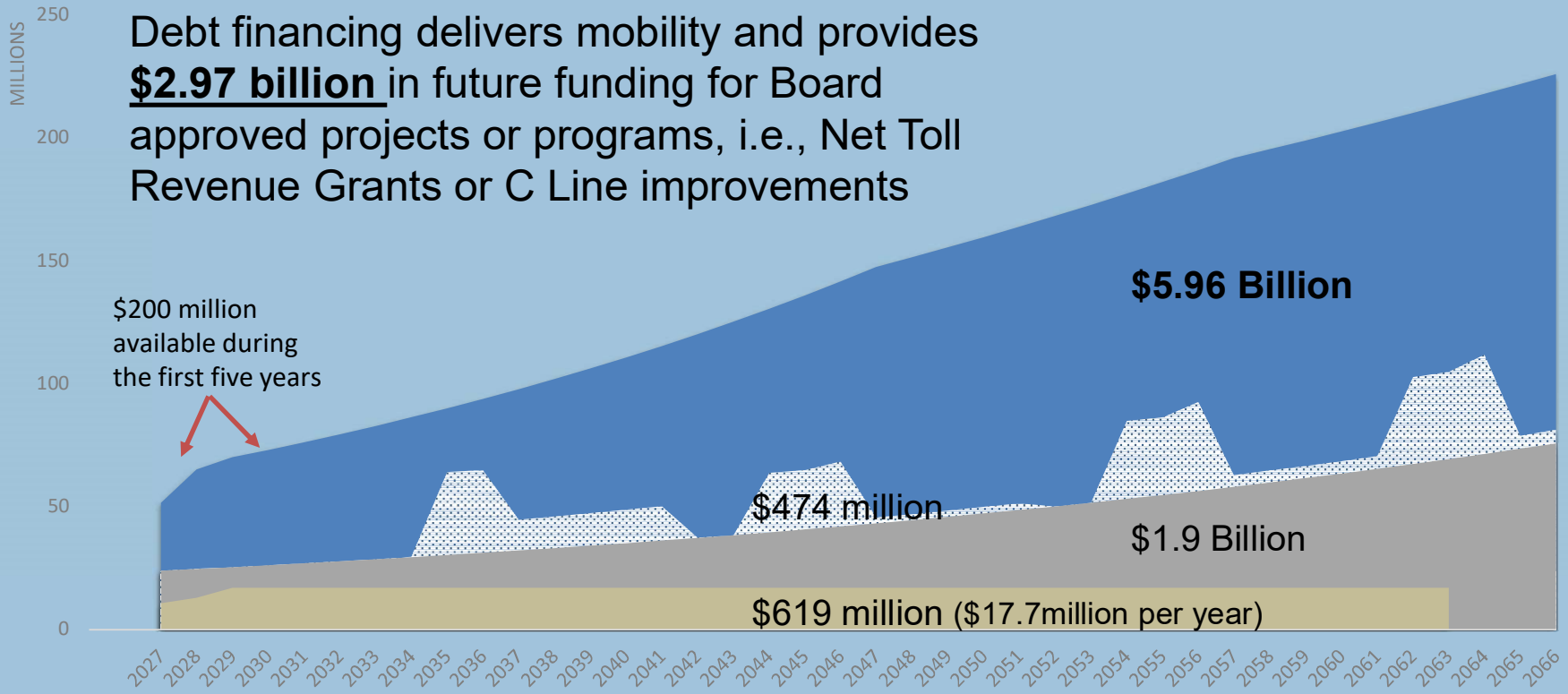


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I-105 Revenue Forecast with Debt Service

I-105 Revenue and Expense Forecast - Including Roadway O&M
(40 Years)



■ Gross Revenue ▨ Major O&M ■ Routine O&M ■ Debt Financing

	millions
Revenue	\$5,960
Major Maintenance	\$474
Annual O&M	\$1,900
Debt Service	\$619
Remaining Cashflow	\$2,967

