



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.

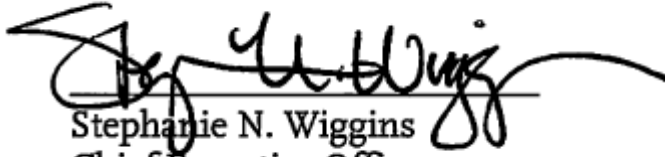
ATTACHMENTS

Attachment A - Board Motion 18.1

Attachment B - Overview of Net Toll Revenue Grants

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