



Board Report

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REVISED
REGULAR BOARD MEETING
MARCH 24, 2016

**SUBJECT: LONG RANGE TRANSPORTATION PLAN - DRAFT POTENTIAL BALLOT
MEASURE EXPENDITURE PLAN**

ACTION: RELEASE EXPENDITURE PLAN DRAFT FOR PUBLIC REVIEW

RECOMMENDATION

CONSIDER:

- A. RECEIVING AND FILING the **Draft Potential Ballot Measure Expenditure Plan** (Attachment A); and
- B. AUTHORIZING the CEO to release the Draft Potential Ballot Measure Expenditure Plan, including a 45-year and 50-year plan option, for public review.

ISSUE

Los Angeles County is expected to grow by 2.4 million people by 2057. Metro is updating its Long Range Transportation Plan (LRTP) to enhance mobility and quality of life for LA County to position the region for future growth and meet transportation needs.

The foundation for the updated LRTP is a draft Expenditure Plan which provides a vision, through nine categories of funding, for the variety of transit related infrastructure and programs needed to build and operate a balanced multi-modal transportation system.

Specifically, the draft Expenditure Plan identifies major highway and transit projects evaluated and sequenced based on performance metrics approved by the Metro Board of Directors at its December 2015 meeting. The draft Expenditure Plan also includes projects identified by staff that are necessary to improve and enhance system connectivity; promote bicycling and walking; support Americans with Disabilities Act (ADA)/paratransit services for the disabled; discounts for students and seniors; investments to fund bus and rail operations; ongoing system maintenance and repair, including repair of bridges and tunnels; and funds for repair and enhancement of local streets and roads. To fund these projects and programs, Metro is considering a ballot measure for November 2016 that would augment the Measure R with a new half-cent sales tax, and extend the current Measure R tax rate to 2057.

Metro has approached the LRTP planning process through a collaborative, bottoms-up approach. After modeling major highway and transit projects identified by key stakeholders in the county's sub-regions, and working with other regional transportation partners to identify other necessary programs to enhance mobility, staff is now prepared to release a draft Expenditure Plan for public review.

Upon release by the Metro Board, staff will conduct an extensive public input process on the draft plan and report the summarized feedback to the Board. The process will include a round of community meetings, a series of telephone town hall meetings, presentations across the county, and opportunities to submit comments through Metro's website and social media channels.

BACKGROUND

The pie chart on page one of Attachment A summarizes the draft Expenditure Plan.

The draft Plan anticipates approximately \$120+ billion (year of expenditure (YOE)) over a 40+-year period. It relies on the following funding assumptions: a ½ cent sales tax augmentation to begin in FY18; an extension of an existing ½ cent sales tax rate beyond the current expiration of Measure R in 2039; with a combined 1 cent sales tax sunset in the year 2057 and a partial extension for on-going repairs, operations, and debt service. Assumptions for project cost inflation, tax revenue growth, sub-regional revenue targets, and population and employment data are described in Attachment B, the Working Assumptions Framework.

A 45-year plan, through 2062, and a 50-year plan, through 2067, is also recommended for consideration, which would allow for the expediting of major transit projects in order to address the region's most critical infrastructure in a more timely manner.

If the Metro Board of Directors and/or the voters ultimately do not support the augmenting and extension of taxes at this time, the 2009 LRTP will be updated consistent with that decision. Metro's new 2017 LRTP process is scheduled to conclude in the fall of 2017, well after the potential vote in November 2016, to permit either eventuality.

Authorizing Legislation and Expenditure Plan Requirements

The State Legislature passed SB 767 (de León) on September 15, 2015, which authorizes Metro to place a transportation measure on the ballot for voters consideration. The Governor announced his approval on October 7, 2015 making it effective January 1, 2016. This authorizing legislation requires that an Expenditure Plan be developed using a transparent process.

In addition, SB 767 (de León) requires that the Expenditure Plan include the following elements: the most recent cost estimates for each project and program; the identification of the accelerated cost, if applicable, for each project and program; the approximate schedule during which Metro anticipates funds will be available for each project and program; and, the expected completion dates for each project and program within a three-year range. Metro's process to date, included coordination with the Council of Governments (COGs) for each region, who submitted funding requests for major transit and highway priority projects in their subregion. In order to assist the COGs, staff provided high and low cost estimates to aid in making their priority setting decisions.

In our continuing effort to conduct a transparent process, staff has now refined project cost estimates and analyzed major projects using the Board approved performance metrics.

Geographic Equity Measures and Process

The Potential Ballot Measure Funding Targets examined current (2017) and projected (2047) population and employment figures, which were given to each subregion to inform their ultimate funding target. As discussed in detail in Attachment B, if current population was the highest percentage figure for a specific subregion, that figure was used to develop that subregion's target. If another subregional percentage figure was higher, such as future employment, that figure was used instead. This funding allocation formula was deemed feasible because Metro staff anticipates that a portion of existing funding resources will be available beyond the year 2039. For example, Proposition A and Proposition C do not sunset, and no planning has yet occurred for the year 2040 and beyond for these taxes. Since the working assumption is a 40-year tax measure ending in 2057, there will be about 18 years of Proposition A and Proposition C resources potentially available that have been incorporated in the draft Expenditure Plan for planning purposes.

After establishing a consensus with all the subregional representatives on the Potential Ballot Measure Funding Targets in Spring 2015, staff initiated the next steps in the process by requesting subregional priorities that were constrained to the Framework Funding Targets.

Performance-Based Planning Improves System-wide Results

In order to honor the "bottoms-up" process established by the Board, staff initiated the performance analysis process by reviewing the projects identified by the subregional agencies. The Metro Travel Demand Model was then used to evaluate major transportation projects from the Mobility Matrix and the 2009 LRTP Strategic (unfunded Plan), including major transit projects (bus rapid transit, light rail, or heavy rail transit corridor projects) and major highway projects (carpool lanes, managed lanes, or mixed flow lanes).

Major highway and transit projects were evaluated based on the evaluation criteria adopted by the Board in December 2015 (Attachment C). The Board identified five performance themes: Mobility, Economy, Accessibility, Safety, and Sustainability & Quality of Life. Performance weights were adopted for each theme to guide the scoring of performance measures within each theme. Performance measure analysis was conducted based on a combination of qualitative and quantitative data. Highway and transit projects (including projects provided by the COGs in Attachment D) were evaluated separately and the project scores provide a relative ranking for each mode. Attachment E reflects the adjustments made by staff (reflected in the draft Expenditure Plan) and a side-by-side comparison with all the Sub-Regional planning area project lists submitted by the COGs.

Staff also conducted travel demand model analysis of funded 2009 LRTP major highway and major transit projects not yet under construction, to assess opportunities to accelerate LRTP projects based on performance, while not impacting the 2009 LRTP schedule of any LRTP project. The performance of these projects was assessed using the same methodology used for new projects described above.

For the major highway and transit projects, two underlying system networks were used, one

unconstrained, or “Unfunded” for new projects, and one constrained, or “Partially Funded” for existing LRTP projects. The “Unfunded” system network included all modeled projects in the completed network for the horizon year of 2057. The “Partially Funded” system network included a smaller set of projects in the completed network. This distinction is important to the Potential Ballot Measure Expenditure Plan Draft because the performance metric data that resulted from the two very different system networks could not be simply merged for project comparison and sequencing purposes. The performance metric results for our Partially Funded (existing LRTP projects) and Unfunded (new projects), transit and highway system networks break down into four lists, as shown in Attachment F.

Projects that could not be modelled were assessed using the same performance themes as used for the major highway and transit projects, but using the “Harvey ball” scoring system of the Mobility Matrix process. The relative performance of these projects is shown in Attachment G.

Sequencing of Projects is first based upon the raw performance score for each category of project. Then, two key Board policy assumptions are applied. The first policy assumption is that the Gold Line Extension from Claremont to Azusa is a priority project for any new non-federal funding. The second policy assumption is that the potential acceleration of some Measure R projects already in the LRTP be considered by staff only to the extent that other existing LRTP projects remain on their current LRTP funding schedules and no later. The intent is to prevent any existing LRTP project delays, while at the same time enabling the possible acceleration of highly beneficial major projects. As a result, each subregion has at least one major transit or highway project in the first 15 year period.

Public Support for Expanded Transportation Investment

Over the last 12 months, various information channels have been explored to assess interest in expanding infrastructure investment. Staff has worked closely with the COGs as well as other stakeholder groups to determine their priorities and policy considerations. Executive staff attended many productive meetings with coalitions of leadership representatives from business, environmental, active transportation, and disadvantaged community organizations. These leaders jointly expressed significant support for a potential ballot measure if it properly balances their mobility, economic development, and environmental justice concerns.

Staff conducted general public opinion research to develop a solid understanding of Los Angeles County resident perspectives on transportation concerns to guide development of the potential ballot measure. In the past year, three research efforts have been completed. The first was conducted in February 2015 and consisted of four focus groups to help shape a planned survey questionnaire. Common themes shared by focus group participants included: traffic congestion is a serious problem and is getting worse; the public transportation system needs to be better connected; and there is a need for new funding which included general support for a sales tax measure.

In March 2015, a follow-up public opinion survey of 1,400 respondents was conducted with statistically significant sub-samples representing sub-areas of the County. This was not a traditional voter poll, but a representative sample of County residents. The poll also included a sub-sample of self-reported likely November 2016 voters. Some of the key findings included: concern over the growth in traffic congestion; the belief that a transportation plan must include a mix of local road,

freeway and public transportation projects; and the programs that resonated most with respondents included, traffic congestion relief, freeway improvements, keeping senior/disabled/student fares low, bridge safety improvements and repaving local streets. The survey also found that support for a transportation ballot measure appeared relatively strong, slightly above the two-thirds threshold.

The third effort was conducted in September 2015. Fourteen focus groups were held at seven locations (two focus groups per location) across the County to gain further qualitative data from residents regarding transportation concerns and feedback on concepts to communicate the benefits of Metro's LRTP. Overall, participants agreed that traffic congestion has gotten significantly worse; expressed support for a proposed ballot measure; had limited awareness of Metro's responsibilities; and responded positively to LRTP informational materials including a map depicting projects completed, under construction or planned.

As part of Metro's LRTP update, staff is planning to conduct additional public opinion research to provide the Metro Board of Directors with another layer of information as they consider placing a sales tax measure on the November 2016 ballot.

DISCUSSION

Fund Elements of the Plan

Major Transit Construction Projects - 35% Allocation

The major transit construction fund includes a 33% allocation for new rail and Bus Rapid Transit (BRT) capital projects, whose final project definition will be determined following completion of an environmental review process. Rail yards, rail cars, and start-up clean fuel buses are also eligible for this fund.

In addition to the elements listed above, the Major Transit Construction Fund includes a sub-category of \$350 million for additions to the Countywide Bus Rapid Transit system. Bus Rapid Transit lines include enhanced speeds gained through protected rights-of-way, signal priority, and bus stop enhancements that reduce dwell time at each stop. During each decade, Bus Rapid Transit lines will be added to enhance Metro's existing system already in place. Eligibility for the funds available includes advanced planning, environmental, and construction related costs.

A total of \$35 million is included for Streetcar and Circulator projects such as those proposed in Downtown Los Angeles, Glendale and other locales around the County. This allocation is eligible for capital only and will leverage operating and maintenance commitments as seed funding for Streetcar and Circulator type project sponsors.

This category also includes \$20 million in seed money for visionary projects, such as an express connection between the Los Angeles World Airport and Union Station in downtown Los Angeles or extending the Sepulveda Pass from LAX to Long Beach. These visionary ideas are important to foster as Los Angeles County grows.

For project descriptions on the Transit Construction Projects and maps, see Attachment H. An additional 2% of the funds are recommended for Transit System Connectivity Projects such as

described in Attachment I.

Major Highway Projects - 17% Allocation

The major highway construction fund includes a 15% allocation for safety enhancements, bottleneck relief, and capacity projects, whose final project definition will be determined based upon the completion of an environmental review process. Environmental studies, plans, specifications, and estimates, right-of-way acquisition, and construction are also eligible for this fund.

For project descriptions and maps on the Highway Construction Projects, see Attachment H. An additional 2% of the funds are recommended for Highway System Connectivity Projects such as ground access to seaports and airports described in Attachment I.

Transit Operations - 20% Allocation

The transit operations fund includes a 20% allocation to support countywide transit operations (consistent with ridership patterns) for Metro and Municipal Operators. The funds will improve system safety, provide faster, frequent, reliable, accessible services, and improve customer service. Estimated to generate \$23.9 billion during the term of the proposed new sales tax, this fund is critical to continue to grow the service and create a balanced more flexible multi-modal transit system. During the early years of the draft Plan, when transit expansion has not yet been fully implemented, some of these revenues can be used to address the transit State of Good repair backlog. For example, some of these funds could be used to meet bus system related repair. For detail information on the Transit Operations, see Attachment J.

Local Return - 16% Allocation

The 88 cities and the County of Los Angeles are responsible for building, improving, operating and maintaining much of the transportation infrastructure throughout Los Angeles County; a 15% local return allocation of the existing ½ cent Measure R sales tax provides a key revenue source for needs, such as, potholes, curb cuts, sidewalks, and active transportation projects. The existing program is structured to provide maximum flexibility for local jurisdictions to meet their transportation priorities and needs and staff recommends that the additional local return allocation maintain this flexibility.

In recent months, Metro has taken several steps to go beyond the traditional transit-oriented development focus to the creation of “Transit Oriented Communities” (TOC). TOCs represent an approach to development focused on compact, walkable and bikeable places in a community context (rather than focusing on a single development parcel), integrated with transit. Implementing TOCs requires coordination with local jurisdictions, as such, the draft Expenditure Plan proposes that the Local Return allocation include an expansion of the eligible use of funds for TOC development.

Metro has also taken several steps to elevate our response to storm water needs both for our own projects and programs, as well as in collaboration with communities around the County. In particular, last month the Metro Board adopted the following:

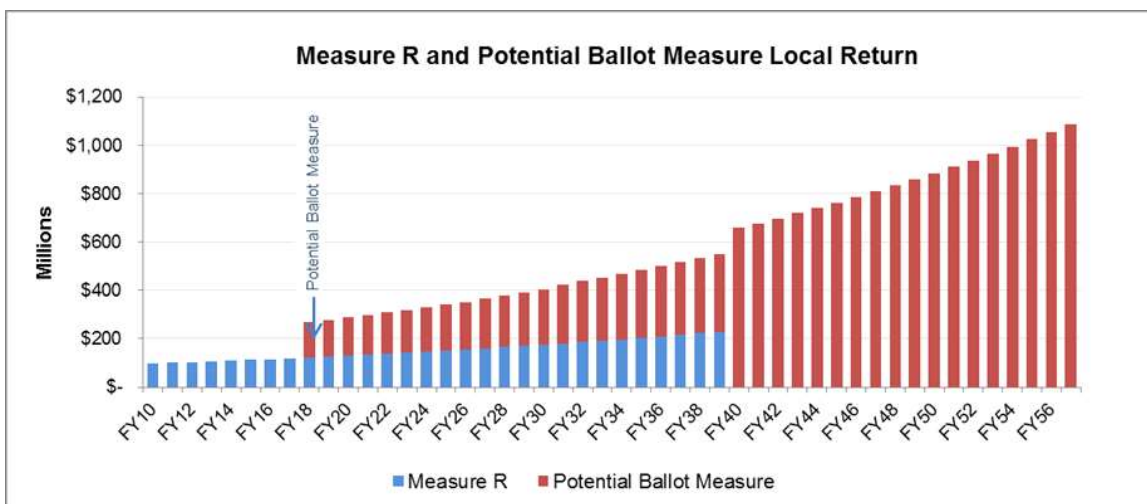
- Created a new requirement that all Metro construction projects implement methods to capture

and treat storm water;

- Required that design and construction projects incorporate sustainability best practices; and
- Expanded the Urban Greening Implementation Action Plan along with planning and technical tools to aid in project implementation.

Consistent with the recent policy initiatives, the draft Expenditure Plan proposes that the Local Return allocation also include an expansion of the eligible use of funds for “Green Streets”.

Estimated to generate \$19.1 billion during the term of the proposed new sales tax, it is important to note that the recommended fund allocation of 16% for Local Return results in a more than doubling of existing Measure R Local Return funds between FY18 and FY39 and extends the tax for another 18 years. Specifically, beginning in FY18, the proposed new fund allocation of 16% for Local Return will be added to the 15% Local Return currently generated by Measure R. The amount of Local Funds will exponentially grow beyond that during the later years of the new Measure (FY2039-FY2057) as illustrated in the table below.



Metro Rail Operations - 5% Allocation

Metro Rail is the backbone of the County’s transit network, providing service in highly congested corridors and moving riders at greater speeds. Historically, every time a rail line opens, transit ridership has increased, doubling in that rail corridor. As new rail projects open and the Metro Rail network expands, dedicated funding is needed to operate and maintain the service necessary to serve the expanding mobility needs of the region. During the early years of the draft Plan, when rail expansion has not yet been fully implemented, these revenues can be used to address the rail transit State of Good repair backlog. For example, some of these funds could be used to meet Blue Line repair needs and as well as the needs of other rail lines opened in the 1990s. The 5% allocation is estimated to generate \$5.9 billion during the term of the proposed new sales tax.

Metro State of Good Repair (SGR), Safety Improvements, & Aging Infrastructure - 2% Allocation

This new category is critical given the aging nature of Metro’s system and is closely aligned with

safety and security. An emphasis on SGR is necessary to keep the expanding transit system in top form. The fund will help ensure safety, earthquake retrofitting of infrastructure, and minimize breaks in service delivery or unanticipated equipment failures during the course of providing transit service.

Specifically, the combination of older and newer rail systems places increased loads on the older rail infrastructure to service new destinations. To address this, Metro must ensure maintenance of the existing Metro Rail system, which in some corridors is over a quarter century old and does not have a dedicated funding source for its increasing SGR needs. The 2% allocation is estimated to generate \$2.4 billion during the term of the proposed new sales tax.

Transit Operations (20%) and Rail Operations (5%) are eligible to fund state of good repair needs. In addition, Metro is developing an asset management plan that evaluates the age and condition of assets. The draft Expenditure Plan also proposes a provision where Metro Board may, after fiscal year 2039, increase the SGR percentage allocation based on the condition of the transportation assets. These provisions will help mitigate funding needs for state of good repair.

~~The draft Expenditure Plan also proposes a provision where Metro Board may, after fiscal year 2039, increase the SGR percentage allocation based on the condition of the transportation assets.~~

Americans with Disabilities Act (ADA) Paratransit Service for the Disabled; Discounts for Seniors and Students - 2% Allocation

Proposed as a new category of funds, ADA-mandated Paratransit Service is a mobility lifeline for disabled residents. Currently, no dedicated funding for ADA-mandated paratransit exists, yet ADA ridership is expected to more than double in the next decade. The projected growth is due to the aging population of baby boomers and the cuts in federal human services transportation funding. This portion of funding could also include funding for discounting Metro transit passes for students and seniors. The 2% allocation is estimated to generate \$2.4 billion during the term of the proposed new sales tax.

Regional Rail - 1% Allocation

The regional rail fund includes a 1% allocation (or \$1.2 billion) as supplementary funding for improvements to regional rail service within Los Angeles County, with service in Antelope Valley as a first priority. Regional rail operations, maintenance, expansion, and State of Good Repair are eligible uses of these funds. The proposed 1% allocation builds upon the existing 3% Measure R commuter rail allocation. Specifically, beginning in FY18, the proposed new fund allocation of 1% for Regional Rail will build upon the existing Measure R 3% allocation for Regional Rail for a combined total of 4% of 4 1/2 cent until 2039. The draft Expenditure Plan also proposes a provision where the Metro Board can, after FY2039, increase the Regional Rail percentage up to an additional 1% based on verifiable service improvements and need. In addition, Metrolink Capital Projects are eligible for Transit System Connectivity funds as outlined in Attachment I.

Regional Active Transportation Program (ATP) - 2% Allocation

The Regional Active Transportation program is a multimodal program of regionally significant projects that encourage, promote and facilitate environments that promote walking, bicycling, rolling modes and transit use, as part of a robust and integrated countywide transportation system. To support this

effort, and in response to stakeholders, Metro has created a 2% portion of the draft Expenditure Plan, which is expected to generate \$17 million annually in the first year and more than \$2.4 billion over the 40-year life of the measure.

Approximately half of the 2% allocated ATP funds would be used to fund Projects that would be consistent with Metro's Active Transportation Strategic Plan. Potentially eligible projects ~~including~~ include Safe Routes to Schools, complete streets improvements, and first/last mile connections with public transit such as bicycle facilities including bike hubs, protected bike lanes connecting the transportation network, and the countywide bike share program. These funds, administered by Metro, will be available for the purposes of implementing the Countywide Active Transportation Network, as identified in Metro's Active Transportation Strategic Plan. Additional information about ATP and Regional ATP eligibility criteria is available in Attachment K. The other half of this 2% allocation will go towards two major LA River Bike Path projects: Complete LA River Bike Path - San Fernando Valley Gap Closure; and LA River Bike Path - Central Connector.

Regional ATP fund allocation can leverage and enhance local investments being made through the Local Return allocation from Proposition A, Proposition C, and Measure R. Over the last six years, \$443.8 million of Local Return funds (Prop A, Prop C, & Measure R) have been spent on Active Transportation. The Local Return of the Potential Ballot Measure is intended to be eligible for municipal ATP projects. Furthermore, subregions have identified active transportation projects as part of their subregional priorities in the Framework Funding Targets (Attachment D). An additional \$2.853 billion (in 2015 dollars) in active transportation projects were selected by the subregions. In total, the amount of funding utilized for ATP is approximately 4.5% or \$5.4 billion. All told approximately 4.5 to 5% of the draft Expenditure Plan funds are projected to be utilized for ATP projects, exclusive of any Local Return Funds used ~~of~~ for ATP projects.

~~The draft Expenditure Plan assumes that approximately half of the 2% ATP allocation funds two major Los Angeles River projects ATP projects earmarked in the draft Expenditure Plan as well as a portion of the costs of ATP projects submitted by the COGs and included in the draft Expenditure Plan. The 1% or \$1.2 billion Regional ATP fund allocation can leverage and enhance local investments being made through the Local Return allocation from Proposition A, Proposition C, and Measure R. Over the last five years, \$443.8 million of Local Return funds (Prop A, Prop C, & Measure R) have been spent on Active Transportation. The Local Return of the Potential Ballot Measure is intended to be eligible for municipal ATP projects.~~

Administration - 1.5%

Up to one and one-half percent (1.5%) of gross sales tax revenues may be appropriated ~~by~~ to Metro for administrative costs related to the measure. The magnitude of the projects to be delivered through the new Potential Ballot Measure require additional oversight, infrastructure, and other related resources, to ensure a timely and cost effective delivery. Examples of eligible costs are: audits and audit-related functions, development and adoption of criteria, guidelines, rules and regulations, administrative and procedural responsibilities, planning and feasibility studies, compliance monitoring, and other associated costs of administering the measure. In no case shall the gross sales tax revenues appropriated for such costs exceed more than one and one-half percent (1.5%) of the gross sales tax revenues in any one year.

Recommended 45-Year and 50-Year Plan Considerations

Included in the draft Plan for public comment will be a recommended 45 year plan option and 50 year plan option, to address major capital projects that cannot be fully built in the first 40 years. The 45 year option generates \$6 billion in current dollars (\$23 billion YOE) permits additional long term project needs to be included in the plan and considered for possible acceleration. For example, Crenshaw Line Northern Extension acceleration dollars and the High Desert Multi-Purpose Corridor which could connect Las Vegas and Victorville into the City of Palmdale, taking full advantage of the right-of-way preservation proposed as an early part of the draft Expenditure Plan. The 50 year option generates \$11 billion in current dollars (\$28 billion YOE) and permits additional projects such as, the proposed Eastside Gold Line Extension (2nd alignment) and the Purple Line Extension to Bundy. Other visionary projects could be considered in this scenario as well, such as the South Bay Congestion Relief from LAX to Long Beach. If 45-year or 50-year plans are selected, the final projects would be based on Board direction.

Benefits of Draft Expenditure Plan

The list of major highway and transit improvements included in the draft Expenditure Plan were analyzed using Geographic Information Systems (GIS) and Metro's Travel Demand Model to forecast the estimated mobility, accessibility and quality of life benefits for the package of projects.

The analysis estimated that the proposed major highway and transit projects funded through the draft Expenditure Plan would both ease congestion and improve mobility countywide. The model forecasts a 15 percent reduction in daily person hours of delay for roadway travel while reducing the daily hours of truck delay by 15 percent. Benefits for the transit system include forecasted boardings on high-capacity Metro transit (HRT, LRT and BRT) to increase by about 80 million additional transit boardings per year or 3.2 billion additional riders during the 40 year period. Additionally, this will increase transit mode shares currently at 7% to a projected 20-30%. The number of miles traveled by transit riders each day increases by 2.5 million with the projects included in the draft Expenditure Plan.

The major projects are estimated to improve accessibility by increasing access to high-capacity, fixed guideway transit by 28 percent (to over a million more residents) and access to transit dependent travelers by 42 percent. In addition, the projects are estimated to provide new high-capacity transit access to over 650,000 jobs, a 26% increase of jobs within a half mile of transit stations. The new plan will nearly double the mileage of existing fixed guideway transit. The major projects are estimated to reduce vehicle miles traveled (VMT) by nearly 5 million daily (regionwide), resulting in greenhouse gas (GHG) reductions of four percent.

Additional benefits of the Potential Ballot Measure are acceleration or expansion of existing LRTP projects. In the draft Expenditure Plan, LRTP transit and highway projects are accelerated or expanded as follows. Specifically, the transit projects include: the Westside Purple Line; the West Santa Ana Transit Corridor; the Sepulveda Pass Transit Corridor; Airport Metro Connector Station/Green Line Extension to LAX; and South Bay Green Line Extension to Torrance. Additionally, two highway projects that will be accelerated are: the Interstate 5 North Capacity Enhancements

(from State Route 14 to Lake Hughes Road); and State Route 71 (from Interstate 10 to Rio Rancho Road).

DETERMINATION OF SAFETY IMPACT

Releasing the Plan for public comment will not have any adverse safety impacts on employees and patrons.

FINANCIAL IMPACT

L RTP Revenue Assumptions

Metro's Long Range Transportation Program (LRTP) revenue assumptions include both Metro controlled revenues and other local, state, and federal discretionary revenues based upon Metro's historic and/or anticipated success in securing these funds. For the period from FY 2017 to 2040, all Metro controlled and federal New Starts discretionary revenues are assumed to be committed to existing and planned projects in the adopted 2009 LRTP and Measure R program. For the period FY 2041-FY 2057, on-going administration, operations of all transit projects in the adopted 2009 LRTP, and on-going and new Proposition A and Proposition C debt service, at cost growth rates similar to FY 2040, are assumed funded from the continuing sales tax revenues, fare revenues, State Transit Assistance funds, Federal transit formula funds, Federal Regional Surface Transportation Program formula, and other funds.

A successful ballot measure will improve Metro's ability proved expanded service, or at least to avoid funding related service cuts in the event of an economic downturn. This service reliability feature of the Potential Ballot Measure is extremely important to the transit dependent, who rely on Metro and do not have alternative means of transportation.

New Metro Controlled LRTP Revenues

Metro-controlled LRTP revenues are assumed to continue past the 2009 LRTP horizon of FY 2040. These revenues include Proposition A, Proposition C, and Transportation Development Act sales taxes; fare revenues; State Transit Assistance formula funds; State Transportation Improvement Program formula funds; Federal highway formula funds; and Federal transit formula funds. Growth rates assumed are modest for sales tax revenues and minimal for State and Federal funds. Fare revenue growth and cost controls are is assumed to maintain a 33% fare recovery ratio. The schedules shown in Attachment A assume a reasonable level of borrowing (bonds) that will be modeled during the public review period and presented to the Metro Board of Directors as part of the final staff recommendation.

Cash ~~and bond~~ revenues available for new transit and highway capital projects and state of good repair are forecasted at ~~\$23.5~~ 15.4 billion for FY 2041-FY 2057 in year of expenditure dollars. IN 2015 dollars, this represents a value of approximately \$5.6 billion. This ~~\$23.5~~ 15.4 billion averages about \$900 million ~~\$1.38 billion~~ per year and consists of ~~\$8.7~~ 5.6 billion in Proposition C discretionary funds, ~~\$8.2~~ 5.6 billion in new Proposition C 25% transit-related highway funds ~~bonds~~, ~~\$4.0 billion~~ 1.47 billion in new Proposition A 35% rail ~~bonds~~ funds, \$1.6 billion in ~~regional~~ State Regional Improvement

Program formula funds, and \$1.0 billion in regional Federal Congestion Mitigation and Air Quality (CMAQ) formula funds. Annual details are found in Attachment L below. As was done for Measure R, local agency contribution revenues of 3% of costs are assumed to help fund the package of new major transit projects. ~~Attachment L shows these revenue assumptions.~~

For the 11-year period of FY 2047-FY 2057, about \$400 million per year of Proposition A 35% bonding is assumed with debt service equaling about 20% of those sales tax revenues annually. For the entire 17-year period of FY 2041-FY 2057, an average of \$482 million per year of Proposition C 25% bonding is assumed with debt service equaling about 82% of those sales tax revenues annually.

New Discretionary Revenue Assumptions

The major new discretionary revenue assumptions over the 40-year Expenditure Plan period include State Cap-and-Trade, Federal New Starts (FY 2041-FY 2057), and Federal freight funds. Based on historic success in securing Federal New Starts funds, revenues of \$200 million per year for the period FY 2041-FY 2057, totaling \$3.4 billion, are also assumed to be available for new major transit capital projects. We assume that the New Starts funds would fund up to the maximum, which is 50% of a project's cost.

The State's Cap-and-Trade Program, which provides for the auction of emission allowances purchased by greenhouse gas emitters and deposits the proceeds in the Greenhouse Gas Reduction Fund (GGRF) for expenditure on greenhouse gas reducing projects, presents a significant opportunity to fund and accelerate the planned expansion of the public transit system in Los Angeles County as well as complementary Transit Oriented Communities (TOC) development, first/last mile connections, and goods movement enhancements.

In addition to non-capital project needs, a contingency strategy will be needed to handle fluctuations in project costs and revenue forecasts that will arise over a four decade planning horizon. A reliable strategy to make allowances for variations in revenue and cost uncertainties, contingencies, escalation and assumptions in debt service costs will be developed within the recommended sequencing plan and then incorporated as necessary in the recommended Expenditure Plan to support the potential ballot measure and LRTP update.

Innovative Finance

Metro will make every effort to accelerate, improve, and reduce the costs of projects that have the potential to be delivered using innovative financing strategies. Innovative finance includes the ability infuse private sector dollars into projects. This can work under a revenue-risk model, where the private sector return on investment is contingent on tolls, or an availability payment model where the return is based on scheduled payments and performance. Either way, a private sector financing role can substantially reduce our risk on major construction projects. Private sector financing is only appropriate under certain circumstances, but it can also be a way to bring innovation to a construction project by giving the contractor, designer, and operator a financial stake in the outcome. Our unsolicited proposal policy seeks to advance this idea by enabling the private sector to indicate where they might be able to add value. Under the new policy, private sector construction and finance interests may see projects in the LRTP where they can play an effective role, and submit a proposal

that could accelerate the timeline for these projects.

Impact to Budget

The recommendation will have no impact on the FY 2016 Budget as the necessary expenditures have already been included in the FY 2016 Budget.

ALTERNATIVES CONSIDERED

The Metro Board of Directors could suspend further public review of the draft Expenditure Plan or ask staff to return with an alternate program of projects. We do not recommend delaying this effort as there will not be ample time to seek public review and make any necessary revisions to the plan in order to meet the schedule if the Metro Board of Directors decide to pursue a potential ballot measure this year. Returning to the Metro Board of Directors at a later date with a draft Expenditure Plan compromises the schedule necessary to seek public review, finalize the Expenditure Plan and submit the potential ballot measure to the County Registrar for placement on the November 2016 ballot.

NEXT STEPS

Though staff proposes a final decision by the Metro Board of Directors on whether to support the agendizing of a November 2016 Ballot Measure in June 2016, the Metro Board must make a go/no go decision no later than the regularly scheduled meeting in July 2016 in order to ensure placement on the November 2016 ballot. The next steps in the LRTP and potential ballot measure framework are as follows:

Draft Ordinance Outline

The draft ordinance outline is shown in Attachment M. Several key issues need to be defined in the ordinance going forward including formal use of revenue definitions, maintenance of effort requirements, and oversight provisions. The use of revenue definitions will put in place restrictions on each part of the proposed Expenditure Plan sub-funds, like local return, transit capital, highway capital, state-of-good repair, regional rail, transit operating, rail operating, and paratransit categories. Maintenance of effort requirements are clearly defined in Proposition A, Proposition C, and Measure R, and are anticipated to be included in this potential ballot measure.

Taxpayers Oversight

Metro will incorporate strong accountability requirements to ensure funds are spent in accordance with the authorizing legislation. Past research conducted on sales tax measures have repeatedly found that residents want such requirements embedded in tax measures. Staff is developing oversight provisions that will be governed by the proposed measure ordinance and subsequent guidelines after reviewing accountability requirements from other transportation measures in California. Evaluating various approaches compared to the Measure R accountability effort provides Metro with an opportunity to build upon the agency's current oversight programs to ensure adequate oversight.

The Measure R Taxpayer Oversight provisions are implemented through a committee comprised of three retired state or federal judges. The Committee meets twice a year to review an independent audit of Measure R revenues and expenditures, including local return, and makes recommendations on proposed ordinance amendments and debt financing. The judges also consult with an advisory panel consisting of representatives from six transportation industry expertise areas. Staff plans to build on the solid foundation of the Measure R oversight provisions, which have received positive feedback, while proposing additional oversight responsibilities. These would include review of the budget and expenditures of each program funded by the proposed tax measure and an analysis of program spending consistent with the ordinance and expenditure plan. This review will also include an analysis of reasonableness of project cost, capital project cost increases, and effectiveness and efficiency of the program. Staff will also propose that the committee meet with the advisory panel on a quarterly basis.

Public Input and Outreach Process Summary

Upon release of the draft Expenditure Plan by the Metro Board, the roadmap to educate the public about the draft Expenditure Plan and provide opportunities for public input will occur through three main sectors of the community: Key Stakeholder Engagement, Public Engagement, and Media Engagement. The process will include elected officials' and key stakeholders' briefings; community meetings; a virtual community meeting; telephone town hall meetings; community group presentations; media briefings; online/digital engagement; and opportunities to provide comments through Metro website and social media channels. The input will be compiled and presented to the Board of Directors as another tool to assist the Board in its decision about whether to pursue a sales tax measure in November. See Attachment N for the whole plan.

Upcoming Public Opinion Research

A final round of research will be conducted in Spring 2016. Several focus groups will be held to ensure that information being developed to describe the draft Expenditure Plan and LRTP update is understood clearly. A public opinion survey will then be conducted as follow-up to the survey conducted in March 2015 to identify the current level of support for the proposed ballot measure. This information can be used to assist the Board in determining whether support is strong enough to warrant placing a measure on the November 2016 ballot.

ATTACHMENTS

Attachment A - Draft Expenditure Plan

Attachment B - Working Assumptions Framework

Attachment C - Performance Metrics Framework for Major Projects

Attachment D - Subregional Stakeholder Project Priorities

Attachment E - Comparison of Draft Expenditure Plan with Sub-Regional Planning Area Input and Cost Information

Attachment F - Performance Analysis Results: Modeled Projects

Attachment G - Performance Analysis Results: Non-modeled Attachment D Projects

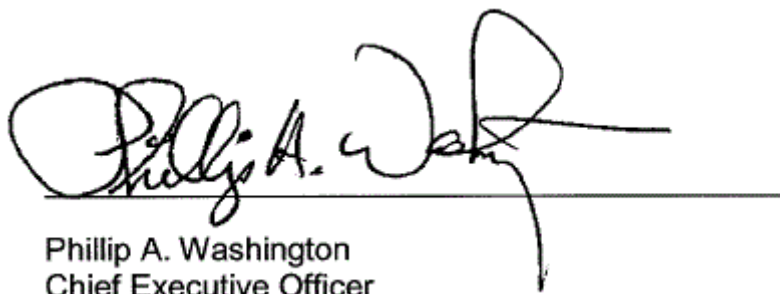
Attachment H - Project Descriptions

Attachment I - Systemwide Connectivity for Passengers and Goods

Attachment J - Operations and Other Programs
Attachment K - Regional Active Transportation Program
Attachment L - Revenue Assumptions/Updates from December 2015
Attachment M - Draft Ordinance Outline
Attachment N - Public Outreach Process

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