

America Fast Forward: CREATING JOBS THE RIGHT WAY

California Transportation Commission Presentation



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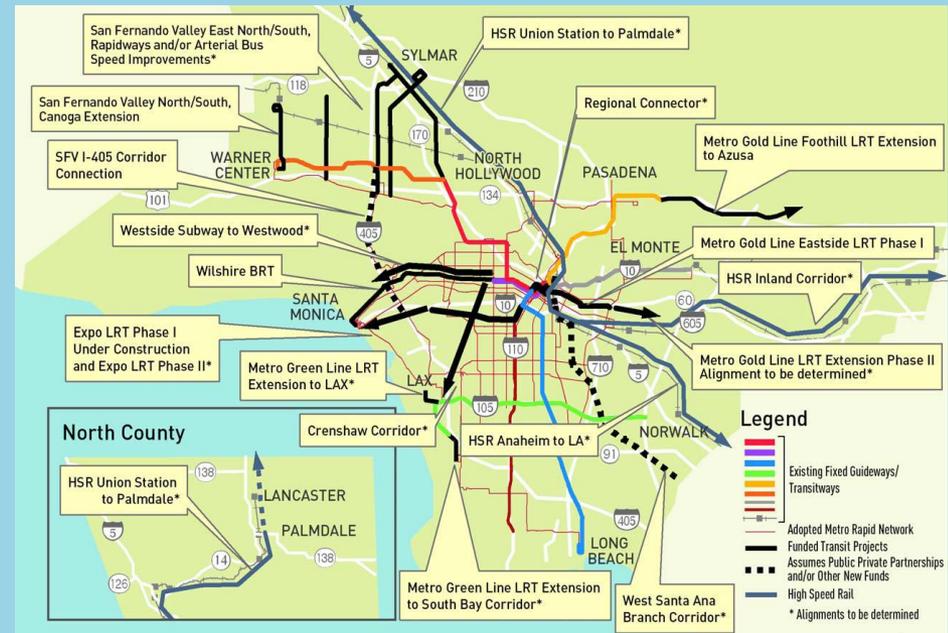
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Metro[®]

The Goal for L.A. County: Deliver 30 Year Measure R Program in 10 Years

- Twelve transit projects completed in ten years would provide:
 - 77 million more transit boardings
 - 191 million fewer vehicle miles traveled
 - 160,000 jobs created
- Accelerating 15 highway projects is also sought



Twelve Measure R Transit Projects

1. Orange Line Canoga Extension
2. Exposition Light Rail Transit
3. Gold Line Foothill Extension
4. East San Fernando Valley North-South Rapidways
5. Crenshaw/LAX Transit Corridor
6. Regional Connector
7. Westside Subway Extension
8. West Santa Ana Branch Corridor
9. Green Line Extension to LAX
10. Gold Line Eastside Extension Phase II
11. South Bay Green Line Extension
12. San Fernando Valley I-405 Corridor Connection



Current Debt Financing Challenges Facing Transportation Agencies

- Transportation agencies like Metro generally unable to borrow against future sales tax revenue growth
- Borrowing costs impact pay-as-you measures
- TIFIA credit program is oversubscribed and difficult to access
 - In 2010: 39 Letters of Interest nationwide sought \$12.5 billion of credit assistance
 - Annual funding can support lending capacity of only about \$1 billion



The National Finance Strategy: America Fast Forward

- Qualified Transportation Improvement Bonds
 - ✓ Federal Tax Credits In Lieu of Interest
 - ✓ Volume capped with policy focus
- Trans. Infrastructure Finance and Innovation Act (TIFIA)
 - ✓ Loans direct from US Treasury at Govt. rates
 - ✓ Flexible repayment terms



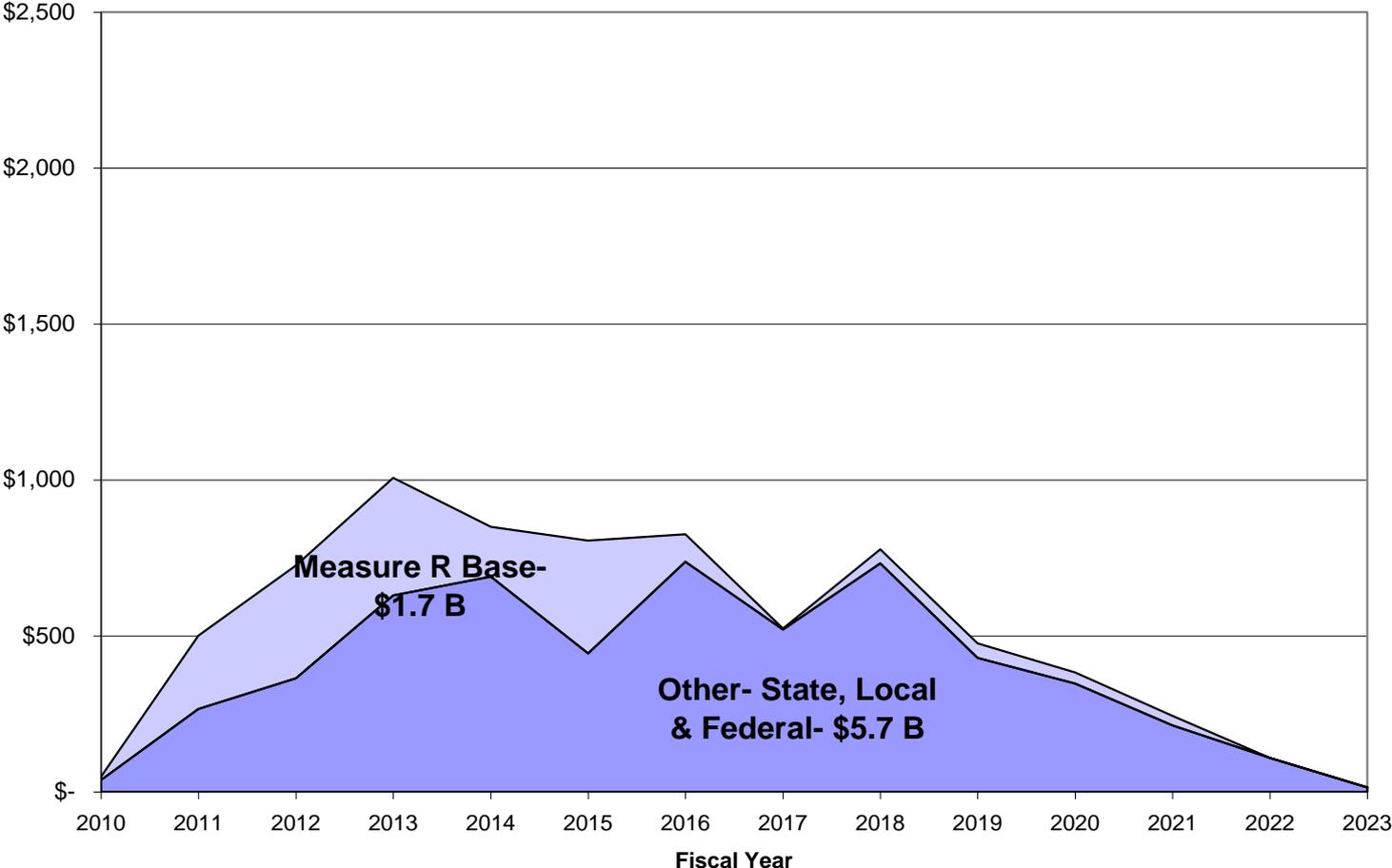
Applying the National Finance Strategy: The Los Angeles County Transit Example

➤ Total Escalated Cost of Transit (accelerated)	\$14.8 Billion
➤ Total Funded thru Measure R	\$ 9.1 Billion
• Build America Bonds (Issued Nov. '10)	\$.6 Billion
• Other (future tax exempt bonds & direct receipts)	\$ 1.1 Billion
• America Fast Forward “QTIB” Bonds	\$ 5.7 Billion
• America Fast Forward TIFIA loans	\$ 1.7 Billion
➤ Other Funding Sources	\$ 5.7 Billion
• Federal New Starts	
• Federal Flexible Formula	
• Proposition A and Proposition C	
• State Funds	
• Local Agency	



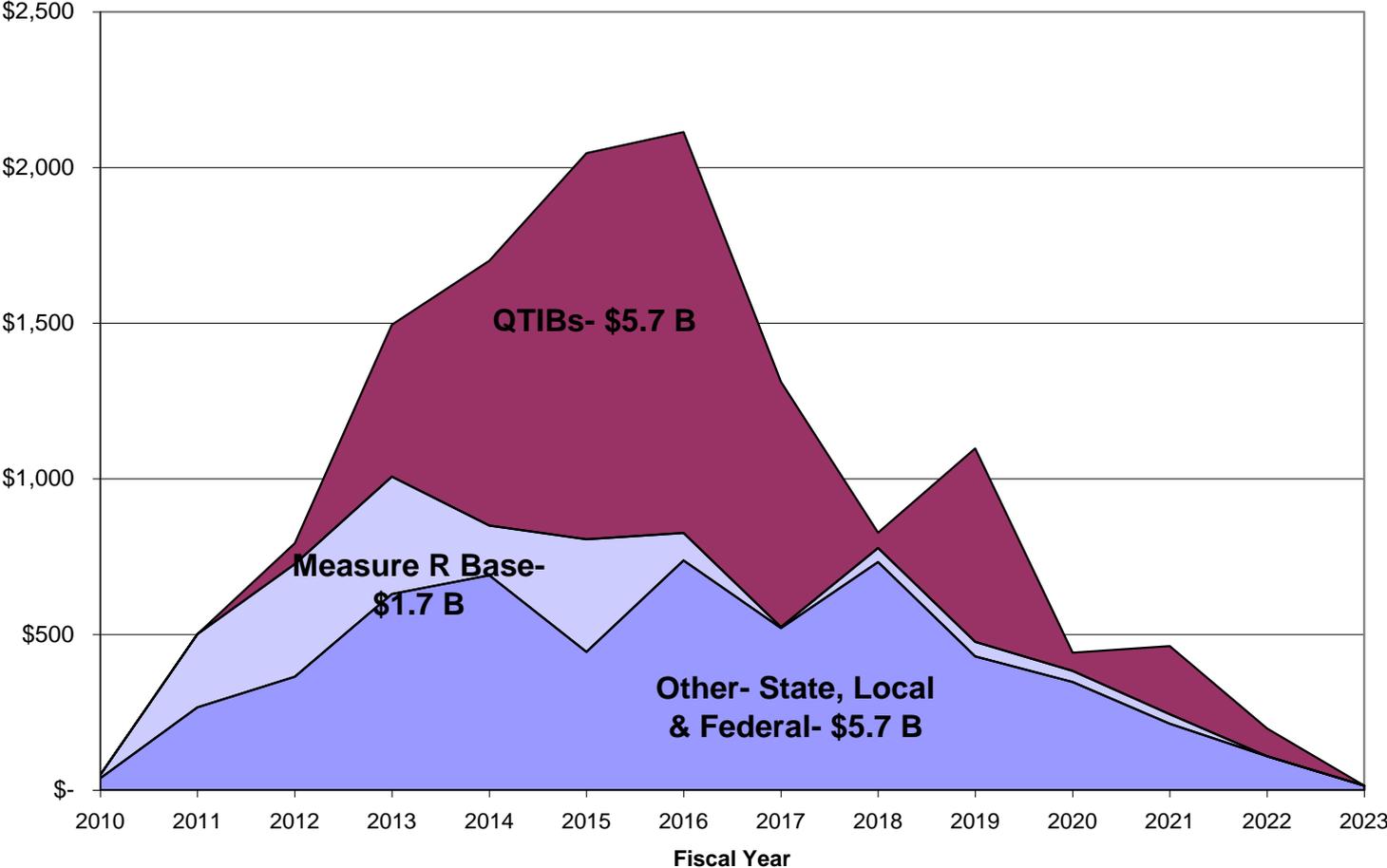
The Financial Base: Existing Transit Funds

30/10 Funding by Source
(Dollars in Millions)



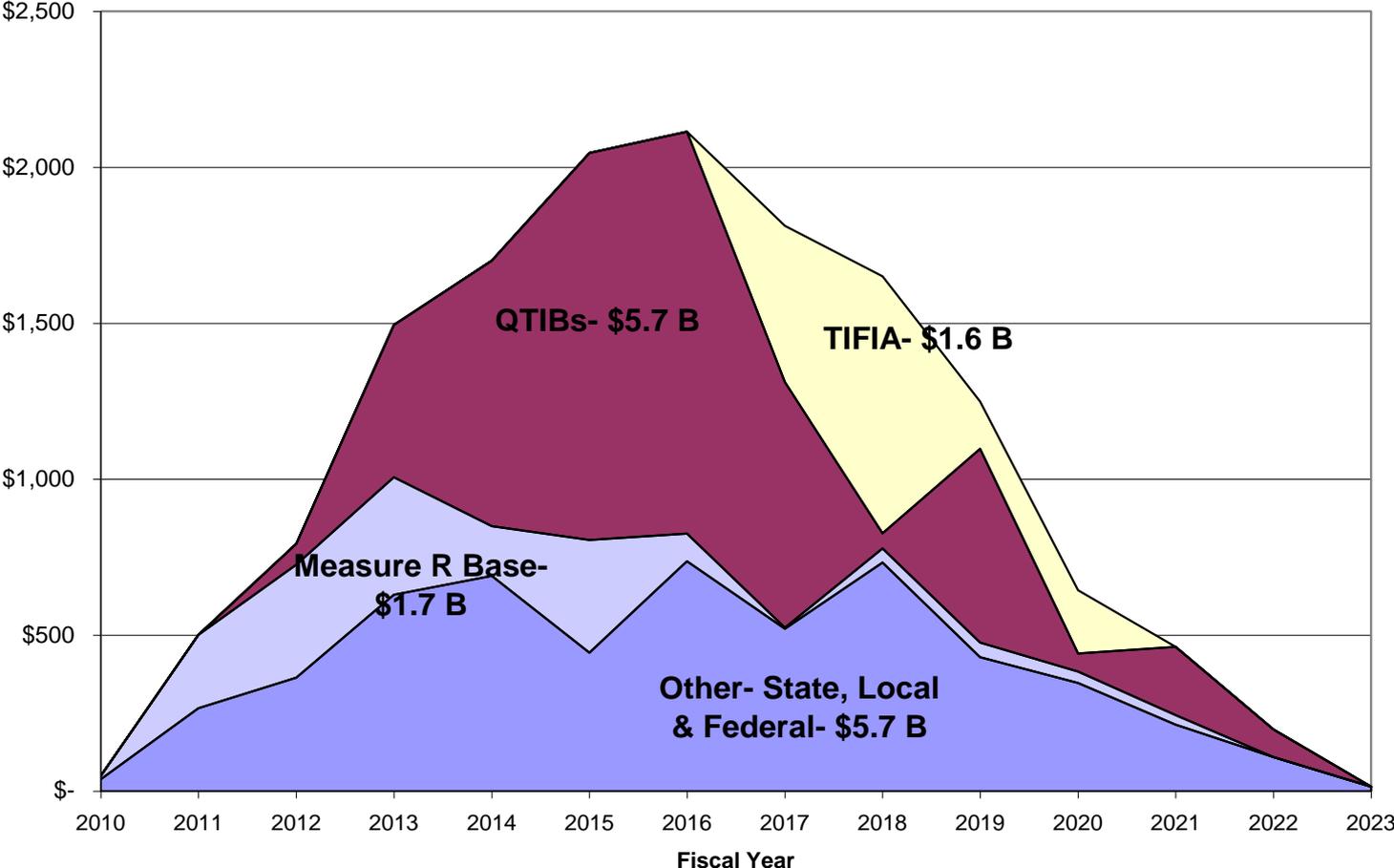
America Fast Forward Tax Credit Bonds

30/10 Funding by Source
(Dollars in Millions)



America Fast Forward TIFIA

30/10 Funding by Source
(Dollars in Millions)



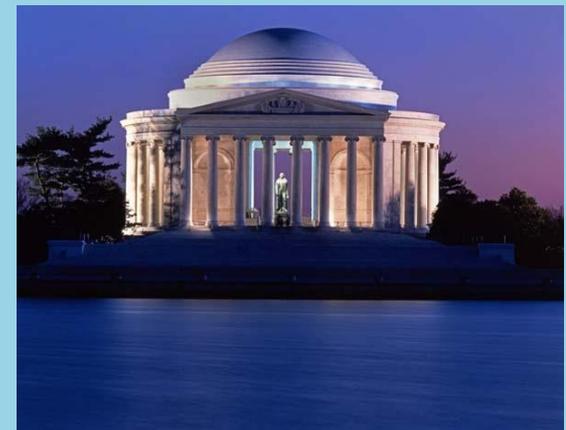
America Fast Forward: National QTIB Program Structure

- \$45 billion 10-year National Volume Cap (\$4.5 billion per year)
 - 65% Discretionary for “Mega” Projects / Programs:
 - Capital costs of \$1 billion and up with identified revenue sources
 - Not more than 30% of project costs funded with federal grants
 - Federal Policy Focus: Energy Independence
 - 35% by Formula to States for projects with:
 - Capital costs of \$10 million and up
 - Volume Cap to states based on population, \$10 M minimum
 - Individual projects selected by states
- Maximum bond maturity of 35 years
- Maximum 80% federal subsidy



Benefits of National QTIBs Program

- Federal subsidy of interest costs means that any given revenue stream should be able to support over double the capital investment level that is possible with traditional tax-exempt bonds
- Taps into the pool of taxable bond investors who cannot buy traditional tax exempt bonds



\$45 Billion National QTIB Program

**Proposed Qualified Transportation Improvement Bonds:
Estimated Fiscal Impact of \$45 Billion Program**
(Dollars in Billions)

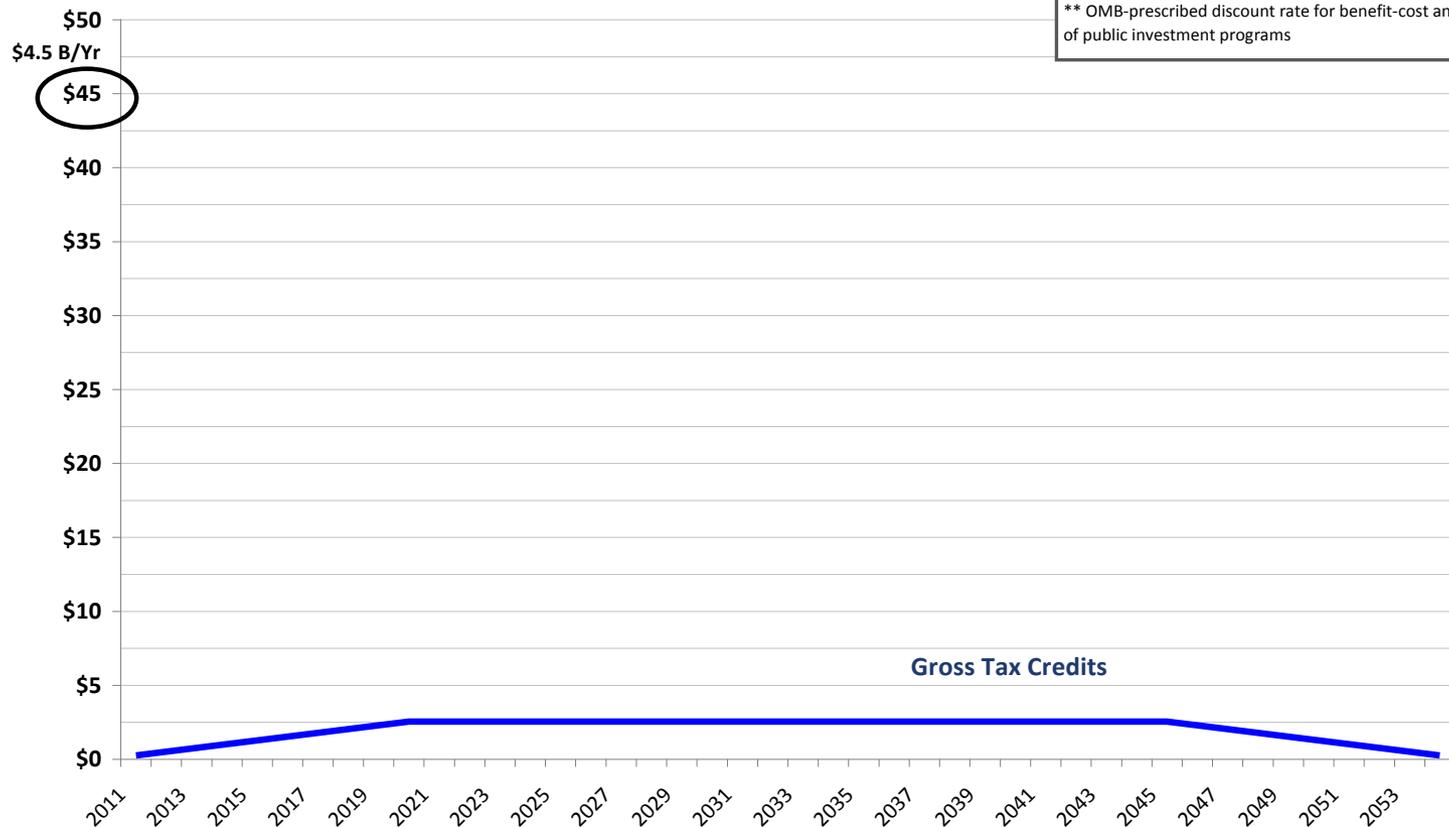


Estimated Gross Tax Credits in QTIB Program

Proposed Qualified Transportation Improvement Bonds: Estimated Fiscal Impact of \$45 Billion Program (Dollars in Billions)

Key Assumptions

Issuance \$4.5 billion/year over 10 years
Debt Rate 5.67%*
Avg. Tax Rate 28%, Discount Rate 7.00%**
* Treasury-set QTIB rate as of 12-31-10
** OMB-prescribed discount rate for benefit-cost analyses of public investment programs

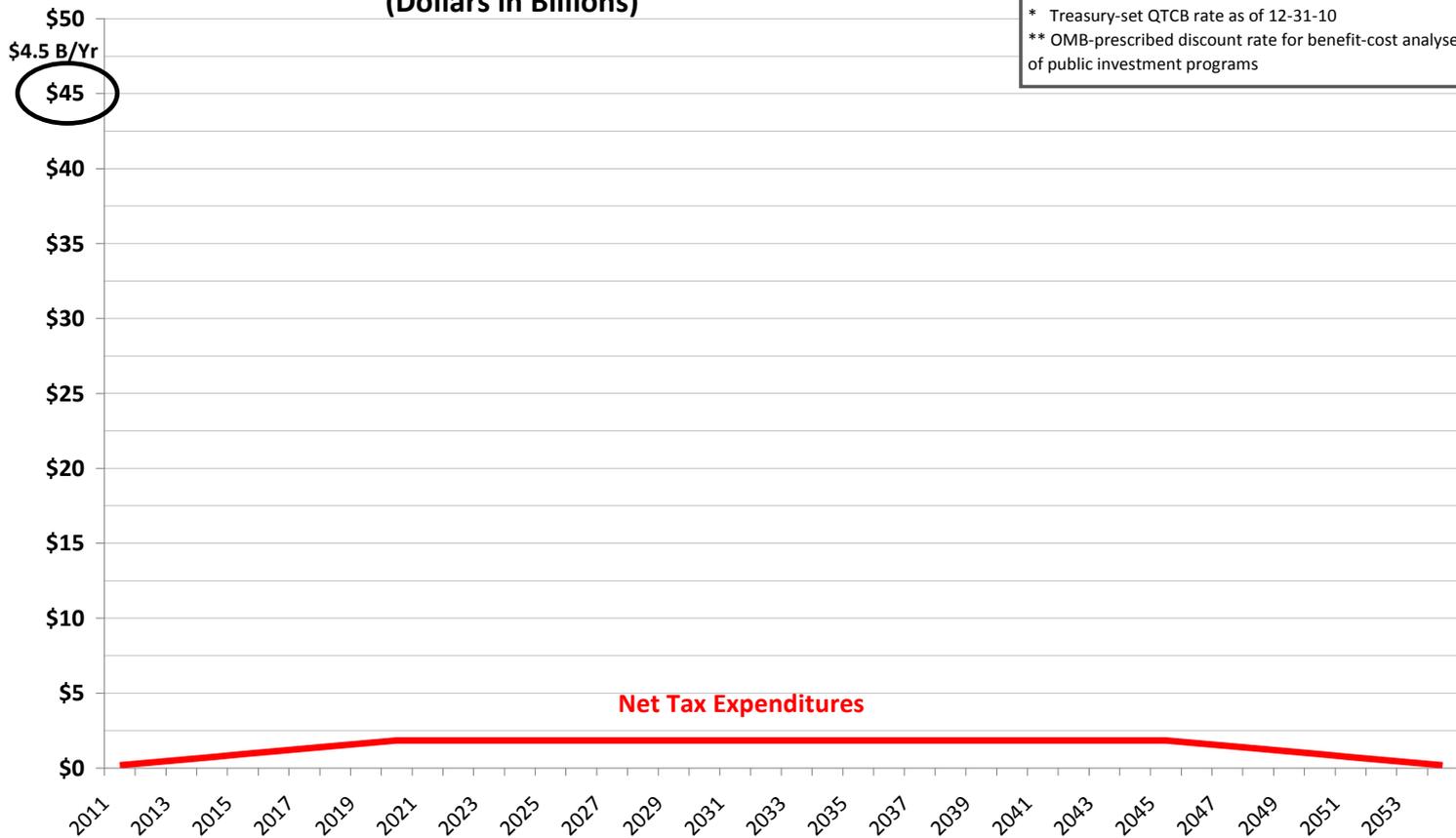


Estimated Net Tax Expenditures of QTIB Program

**Proposed Qualified Transportation Improvement Bonds:
Estimated Fiscal Impact of \$45 Billion Program**
(Dollars in Billions)

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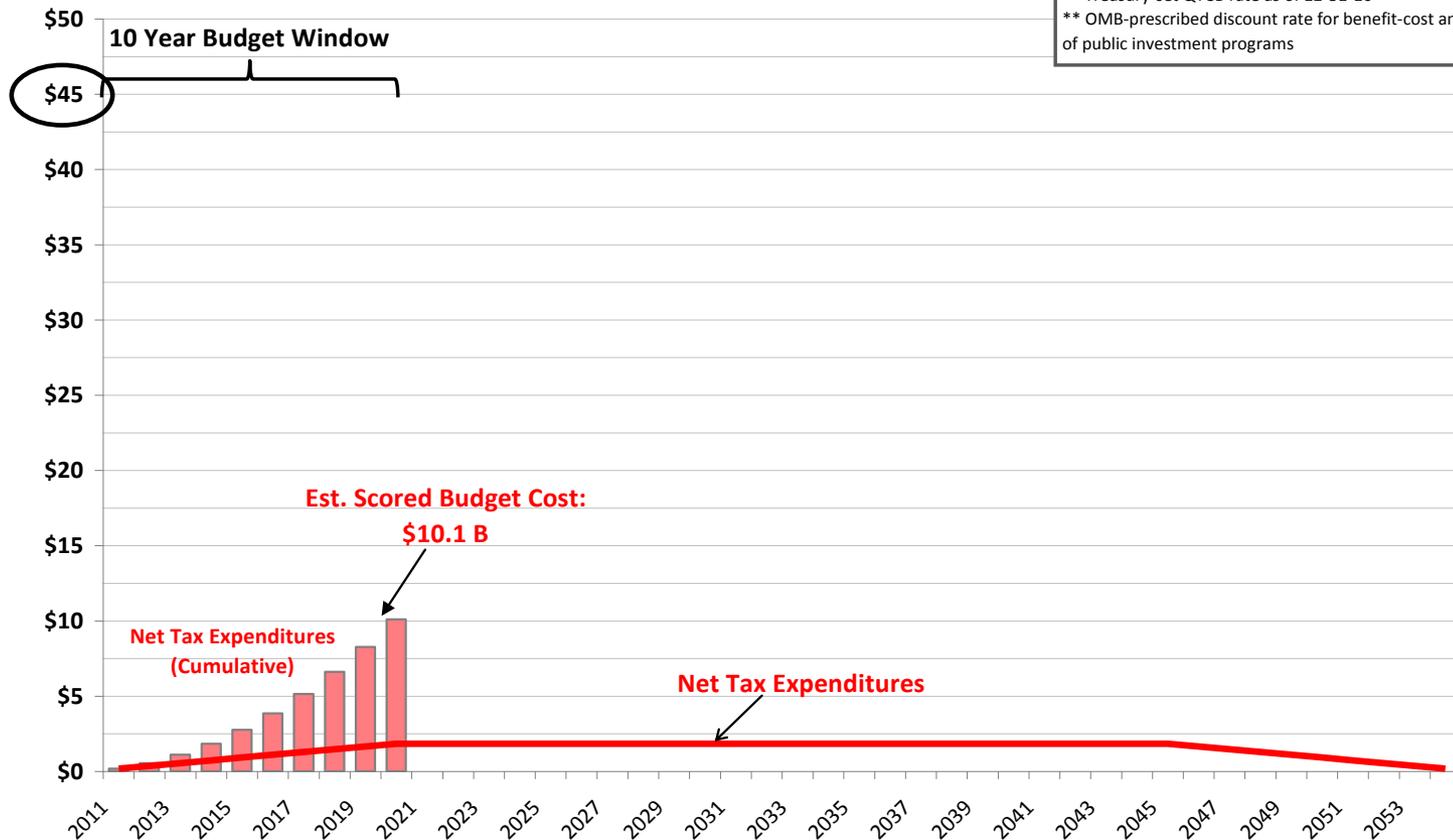


Estimated Scored Federal Budget Cost of QTIB Program

Proposed Qualified Transportation Improvement Bonds: Estimated Fiscal Impact of \$45 Billion Program (Dollars in Billions)

Key Assumptions

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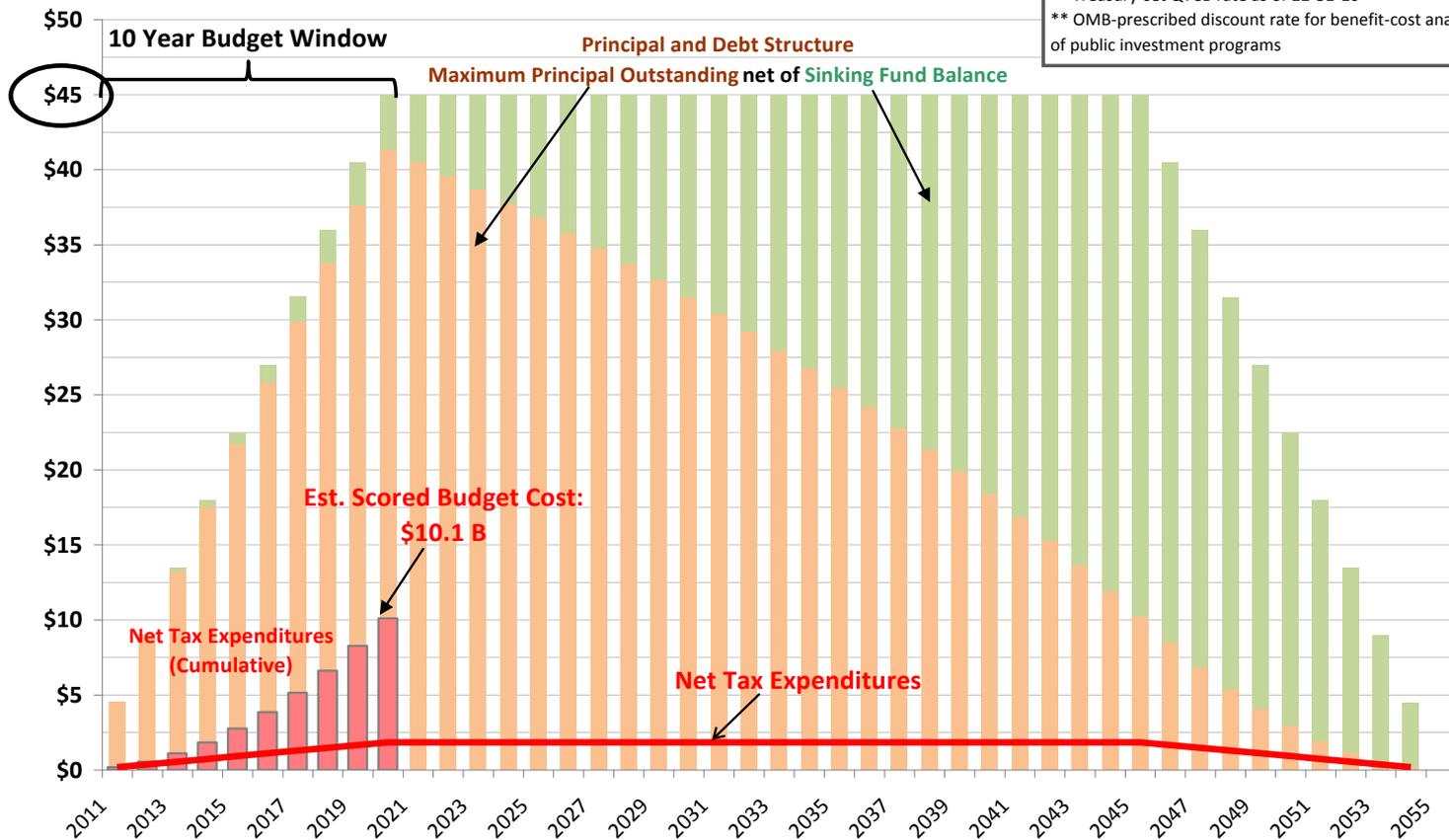


Estimated Fiscal Impact of QTIB Program

Proposed Qualified Transportation Improvement Bonds: Estimated Fiscal Impact of \$45 Billion Program (Dollars in Billions)

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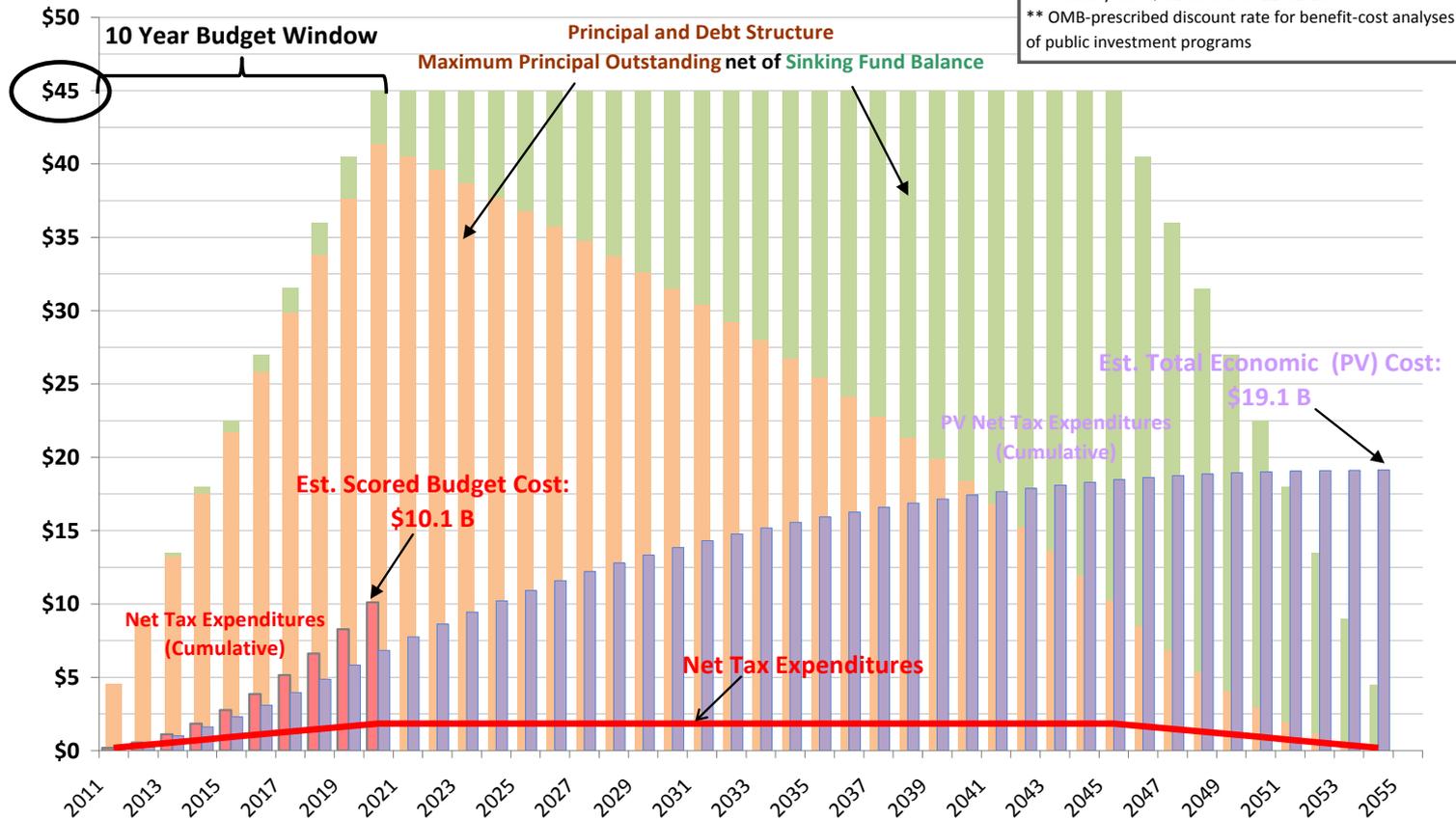


Estimated Present Value Fiscal Impact of QTIB Program

Proposed Qualified Transportation Improvement Bonds: Estimated Fiscal Impact of \$45 Billion Program (Dollars in Billions)

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America Fast Forward: National TIFIA Program Enhancements

Triple the TIFIA program funding level and increase eligible share

- 6-year program could support ~\$25 billion of loans
- Increase max. TIFIA share from 33% to 49% of eligible project costs

Authorize USDOT Master Agreements for a mega program of related projects:

- Capital cost of \$1 billion or more
- Not more than 30% of total funding from federal grants
- Federal Policy Focus: Energy Independence

Master Agreements:

- Upfront conditional commitment of future TIFIA project loans
 - Mitigates project selection risk & financing uncertainty
 - Multi-year programs require certainty
- TIFIA loans require that all environmental and other conditions are met



Credit Program Proposal: *Enhance / Expand TIFIA*

Potential Advantages of TIFIA Program:

- Ascending debt repayments and other flexible terms
 - Enables borrowing against future sales tax growth
 - Other flexible terms
- Lower Coverage Ratio (Principal and Interest as percent of revenues)
 - ~1.10x vs. 1.30x or higher
- Low Rate (Treasury Yield)
 - ~4.2% for 30+ years, currently

These factors can significantly enhance an Agency's Debt Capacity

