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December 10, 2012

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *AL*
CHIEF EXECUTIVE OFFICER

FROM: MARTHA WELBORNE, FAIA *MW*
EXECUTIVE DIRECTOR, COUNTYWIDE PLANNING

**SUBJECT: LETTER OF INTEREST FOR TRANSPORTATION INFRASTRUCTURE
FINANCE AND INNOVATION ACT MASTER CREDIT AGREEMENT**

ISSUE

On November 21, 2012, we submitted a pared-down Letter of Interest (LOI) request for a Master Credit Agreement (MCA) for future Transportation Infrastructure Finance and Innovation Act (TIFIA) loans consistent with the Long Range Transportation Plan (LRTP). The LOI for the MCA requests federal loan capacity be reserved for two projects from the Measure R Transit Expenditure Plan- the Westside Subway Extension Section 1 (to La Cienega) and the Regional Connector. Requesting additional loan capacity reservations for other projects must be deferred until we can identify a viable plan for accelerating Measure R transit and highway projects.

DISCUSSION

The America Fast Forward provision in the Moving Ahead for Progress in the 21st Century Act (MAP-21) enhanced the TIFIA program, providing an opportunity for LACMTA to take advantage of low-cost financing with greater flexibility than is available in the public credit markets. The U.S. Department of Transportation (USDOT) has announced increased funding for the TIFIA program to support up to \$10 billion loans annually to be released on a first-come, first-served basis. The first step in requesting a contingent commitment of TIFIA credit assistance (the loan capacity reservation) is to submit an LOI for an MCA with USDOT.

MAP-21 changed some of the TIFIA program's structure significantly, including broadening eligibility to include programs of multiple related projects through an MCA. Even without a Measure R extension, LACMTA is still uniquely positioned to take advantage of the enhanced TIFIA program, although on a smaller scale than we had contemplated under the 30/10 acceleration plan.

The LOI that we submitted (See Attachment A) was a pared-down version of our request, which the Board of Directors’ approved on September 27, 2012 (Item #10). Without a Measure R extension, we instead used the project sequencing and funding strategies of the Board-adopted LRTP. The LRTP project sequencing and funding strategies indicate that only two projects remain that can obligate a TIFIA loan within three years of the expected date of execution of an MCA with USDOT, as required. The pared-down request for a loan capacity reservation is for a total principal amount of up to \$1.016 billion, or about 26 percent of their estimated total capital cost, as shown in Table 1:

Table 1: LACMTA Transit TIFIA Master Credit Agreement Letter of Interest Summary of Project Costs and TIFIA Loan Amounts (\$ YOE, Millions)				
Project Specific Loan Descriptions	Project Cost (Est.)	TIFIA Loan Capacity (Est.)	TIFIA Share	Anticipated Closing (Est.)
Westside Subway Extension Section 1 ^(a)	\$ 2,545.8	\$ 856.0	33%	FY 2014
Regional Connector	\$ 1,366.1	\$ 160.0	12%	FY 2014
Total Project Costs	\$ 3,907.9	\$ 1,016.0	26%	
<i>Notes</i>				
a. Includes some financing costs that are shown separately in the LRTP. The underlying capital cost of \$2,331.4 million remains consistent with the LRTP and Measure R Cost Control Process and Policy.				

The two projects also include Federal Transit Administration (FTA) assistance through the Section 5309 Fixed Guideway Capital Investment Grants (“New Starts”) program in their finance plans, with Full Funding Grant Agreements (FFGAs) planned to be executed with FTA by the end of 2013. We believe it is prudent to be in a position to close the TIFIA loans for these projects by the time that they are ready to execute the FFGAs. Promptly requesting the MCA improves our chances of getting these very favorable federal loans by securing our first-come, first-served spot in line. Also, the proposed schedule will enable the Board of Directors to consider, approve and submit the actual loan application to USDOT in Spring 2013.

NEXT STEPS

The LOI includes a proposed schedule of critical path steps and actions to be taken, including executing the MCA in May 2013. This timetable allows six months to refine the term sheet provisions that will become the basis for the MCA. It also enables the MCA to be executed before the end of LACMTA’s fiscal year in June 2013, to meet the New Starts and voter-approved Measure R process schedules for these projects.

We will work with USDOT to negotiate an MCA for Westside Subway Extension Section 1 and Regional Connector and return to the Board of Directors for final approval.

Attachment A: Transit TIFIA Master Credit Agreement Letter of Interest for Federal Credit Assistance