

# West Santa Ana Branch Transit Corridor

Draft EIS/EIR Appendix R: Funding and Financing for the West Santa Ana  
Branch Project



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**Draft EIS/EIR Appendix R:  
Funding and Financing for the  
West Santa Ana Branch Project**



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## Draft Environmental Impact Statement/ Environmental Impact Report

**LEAD AGENCIES:** Federal Transit Administration of the U.S. Department of Transportation; Los Angeles County Metropolitan Transportation Authority

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# 1 FUNDING AND FINANCING FOR THE WEST SANTA ANA BRANCH PROJECT

## 1.1 Introduction

This appendix identifies the committed and planned funding for the Staff Preferred Alternative. Metro has committed funding for the project through two separate voter-approved sales tax ordinances and has also been awarded State grant funding. In addition, Metro has allocated planned local, State, and federal funding for the West Santa Ana Branch as part of its Long Range Transportation Plan (LRTP) Financial Forecast and Measure M Expenditure Plan, in amounts sufficient for the initial estimated capital and operating costs of the project.

The Measure M Expenditure Plan identifies funding for two segments. A fiscal year 2028 segment was to be constructed from the southern terminus to the existing Metro C (Green) Line, and the fiscal year 2041 segment was intended to complete the project north to downtown Los Angeles. The Locally Preferred Alternative will be selected by the Metro Board of Directors after circulation of the Draft Environmental Impact Statement/Environmental Impact Report (Draft EIS/EIR) and will consider comments received on the Draft EIS/EIR. The Locally Preferred Alternative may differ from the segments in the Expenditure Plan. For example, if the Staff Preferred Alternative is selected as the Locally Preferred Alternative, then the first segment implemented would be from the southern terminus to the Slauson (A) Line Station rather than to the Metro C (Green) Line.

## 1.2 WSAB Funding Commitments and Timing

Local funding for the project is included in both the Measure R and Measure M sales tax ordinances. The ordinances identify minimum funding amounts from the respective sales tax and start dates when the funds are eligible to be expended or for use on construction.

### 1.2.1 Measure R

The ordinance, approved by voters in November 2008, requires that \$240 million of Measure R sales tax revenue is expended on the West Santa Ana Branch Corridor transit capital costs, no sooner than fiscal year 2015. Additional funding relating to surplus funds on the “Interstate 5 Capacity Enhancement from I-605 to Orange County Line” highway project (the surplus created due to the passage of the ordinance), currently estimated at \$108 million, is also to be expended on the project. The Measure R sales tax ends in 2039.

### 1.2.2 Measure M

This measure was approved in November 2016 and includes two distinct West Santa Ana Transit Corridor LRT projects – one expected to be completed in fiscal year 2028 (the “FY28 segment”) and another in 2041 (the “FY41 segment”). The ordinance requires that no less than \$535 million of Measure M sales tax revenue be spent on transit capital costs of the FY28 segment and \$900 million on the FY41 segment. The Measure M sales tax revenue is eligible for construction spending in fiscal year 2022 and can be increased for inflation if a sufficient amount is expended after fiscal year 2026. The Measure M sales tax does not have an end date.

### 1.2.3 State Funding

Metro applied for and was granted \$300 million from the State of California through the Transit and Intercity Rail Capital Program (TIRCP) for West Santa Ana Branch in 2018. The grant will be used for construction of the Locally Preferred Alternative. The State has also awarded the project \$23.9 million from the Local Partnership Program and these funds are being used for pre-construction, planning activities.

### 1.2.4 Other Planned Local, State, and Federal Funding

Metro has allocated planned, or expected, future local, State, and federal funding through its LRTP Financial Forecast in order to pay the estimated capital and operating cost of the West Santa Ana Branch, as well as all other Board-approved projects and programs. Planned funding includes local sales tax that is eligible for transit capital (Proposition C 25% Transit Related Streets and Highways, Proposition C 40% Discretionary, and Proposition A 35% Rail Development), city contributions equal to 3% of the project cost that are required by the Measure M ordinance, and future planned grant requests through the State TIRCP and federal Congestion Mitigation and Air Quality Improvement (CMAQ) and New Starts programs.

The following table summarizes the amount of committed and planned funding for each segment of the project from local, State, and federal sources and the first year the funds are used for expenditures. The funding is separated among each of the two segments, as this is consistent with the Measure M Expenditure Plan including the respective estimated start dates.

**Table 1.1. West Santa Ana Branch Committed and Planned Funding Sources**

	Source	Year Approved	Funding Amount	Year Available*
Segment Fiscal Year 2028	Measure R	2008	\$240.0 Million plus \$108.4 Million surplus highway funds	2015
	Measure M	2016	\$532.5 Million	2022
	Other Local		\$41.6 Million	2020
	State Grants	2018	\$323.9 Million	2019
	Other Federal		\$3.8 Million	
	Total		\$1,250.2 Million	
Segment Fiscal Year 2041	Measure M	2016	\$1,649.9 Million	2032
	Other Local		\$906.2 Million	2029
	State Grants		\$945.2 Million	2034
	Federal Grants		\$1,560.0 Million	2032
	Total		\$5,061.3 Million	

Source: Metro, LRTP Financial Forecast, September 2020

\*As specified in the sales tax ordinance or assumed in the LRTP Financial Forecast.

### 1.2.5 Operating Funds

Metro receives transit operations-eligible funding from a range of longstanding local, State, and federal sources and plans to use these funds for operating costs of the project.

Primary local sources are the percentage allocation of each of Metro's sales tax ordinances that are to be used for operations-eligible costs: Proposition A 35% Rail Development, Proposition C 40% Discretionary, Measure R 5% Rail Operations, and Measure M 20% Transit Operations and 5% Rail Operations. Metro also receives rail operating revenue from fares, advertising, and other miscellaneous sources. State funding includes the State Transit Assistance and Low Carbon Transit Operations Program that are allocated to Metro by formula. Federal funding for Metro rail operations is primarily comprised of FTA Section 5337 State of Good Repair and CMAQ grants, which are also allocated to Metro by formula.

## 1.3 Potential Additional Funding and Financing Sources

In the event that actual construction costs for the Staff Preferred Alternative are greater than the initial Measure M Expenditure Plan estimates (for which Metro has allocated funding in two segments), project elements may need value engineering or additional funding allocated or obtained. Potential additional funding sources are as follows.

### 1.3.1 FTA New Starts

Metro has initially planned for a New Starts request for the FY41 segment of the project. However, if additional funding is needed, Metro may instead request funding for the Locally Preferred Alternative. The Locally Preferred Alternative could produce ridership and other outcomes that will result in sufficient ratings needed for FTA award of this grant. Metro completed an independent assessment of the New Starts project justification rating in April 2021, and the Metro Board approved the project as one of two next priorities for New Starts and authorized Metro to request entry into the New Starts project development phase.

### 1.3.2 Expedited Project Delivery (EPD)

The EPD pilot program is intended to expedite funding of capital investment grants, including New Starts. FTA has announced that it will award up to eight grants, subject to funding availability. Metro submitted in November 2018 an expression of interest to FTA for funding from the EPD program for West Santa Ana Branch to fund up to 25% of project costs. Metro can continue to pursue EPD funds for the project in tandem with a New Starts request, given the grants are not mutually exclusive.

### 1.3.3 Public Private Partnership (P3)

Metro is considering pursuing a P3 delivery for the Staff Preferred Alternative that is expected to include financing provided by the P3 developer. The private financing would be an alternative to Metro financing and potentially transfer repayment risk to the developer and increase Metro's debt capacity. The private financing is not expected to materially increase funding for the Staff Preferred Alternative in comparison to the amounts shown in Table 1.1.

### 1.3.4 Transportation Infrastructure Finance and Innovation Act (TIFIA)

Metro or any future P3 developer may use TIFIA as a debt vehicle that can reduce interest cost and provide greater repayment flexibility. Any such interest savings may marginally increase Metro's debt capacity but is not expected to significantly increase funding for the project.

### 1.3.5 State Sources

Metro continues to be eligible for a range of existing State formula and competitive grant programs funded by the Road Repair and Accountability Act of 2017 (Senate Bill 1) increase in the fuel and other taxes, and those that predate this bill. Metro may request additional funding from the State depending on the ultimate scope of the Locally Preferred Alternative and Metro's competing needs.

### 1.3.6 Other Sources

Metro can reallocate local funding among the fiscal year 2028 and fiscal year 2041 segments of the project and this could provide more funding for the Locally Preferred Alternative. Any reallocation would be subject to an overall financial capacity assessment, as several of the local sales taxes can be and are used on other Board-approved projects and programs.

Metro has also implemented a value capture strategy that is intended to promote and ultimately complete financing in proximity to existing and planned rail and other transit stations. The strategy involves a system-wide assessment of potential development and incremental assessed property value at future Metro rail stations, which was completed in August 2020, and individual discussions with municipalities to identify opportunities and provide technical assistance on the formation of taxing districts and related debt financing. Metro expects that value capture financing will be completed along the West Santa Ana Branch Corridor to provide funding for the 3% city contributions and for additional components of the Locally Preferred Alternative.

## 1.4 Next Steps

Metro will continue to refine its cost estimates for the Staff Preferred Alternative and take steps to align available funding.

### 1.4.1 Selection of the Locally Preferred Alternative by the Metro Board

After circulation of the Draft EIS/EIR, the Metro Board will select a Locally Preferred Alternative. The Locally Preferred Alternative selected by the Board will be financially constrained, and Metro will identify available funding that can meet the most current estimated capital and operating cost of the project. This may involve seeking potential funding sources included in this appendix and any new sources that become available.

### 1.4.2 Potential for Phasing

The Metro Board could select any one of the Build Alternatives evaluated in the Draft EIS/EIR as the Locally Preferred Alternative (LPA). Additionally, the Metro Board could opt to phase implementation of the LPA. Any such decision would be made in consideration of public comments and funding availability. An environmental reevaluation could be required depending on the phasing selected.

## 1.5 Risk and Uncertainties

There are risks to funding the Locally Preferred Alternative, as the amount of funds that Metro has either committed through its sales tax ordinances and awarded state grants or reasonably planned as part of its financial planning process may not be sufficient to pay the cost of the project in the event the costs are higher than initially estimated.

### 1.5.1 Project Cost Uncertainties

If more refined cost estimates for the Staff Preferred Alternative continue to exceed available funding, Metro will evaluate value engineering and scope reductions that may reduce the project cost. The evaluation of shorter segments, or phasing, also would be an approach that lowers the initial funding requirement for the project.

### 1.5.2 Funding Uncertainties

There are financial uncertainties primarily related to the amount of funding needed (as the ultimate project cost is not yet known) and availability of future State and federal grants. The largest potential funding risk could be for a future New Starts or EPD request. The success of the grant request will depend on the project's outcomes to meet grant rating criteria, and for Metro to demonstrate the financial capacity to build and operate the project. Metro has been awarded four active New Starts grants and this experience will increase the likelihood of submitting a strong grant application and ultimately securing the funds.

There are also risks associated with Metro's local funding. The Measure M sales tax, if reallocated to the Staff Preferred Alternative would reduce the ability to fund any future FY41 segment. The use of other Metro local sales taxes is subject to limits, including debt capacity constraints, and should future sales tax growth be lower or competing borrowing needs be greater than currently anticipated, this would reduce the amount available for the Staff Preferred Alternative.

