TRANSNET PLAN OF FINANCE UPDATE

Introduction

Attached is an agenda item scheduled for discussion at the January 18, 2007, Transportation Committee meeting. The Transportation Committee is expected to recommend that the Board of Directors approve one of the alternatives presented for the TransNet Plan of Finance (POF) update. A verbal update will be provided at this meeting as to which alternative the Transportation Committee recommends.

Recommendation

The Board of Directors is asked to approve the following: a preferred TransNet Plan of Finance (POF) Update; and the revision of the set-aside for the future State Transportation Improvement Program (STIP), Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds from 15 percent to 6 percent and include State and Local Partnership Program (SLPP) funds in this set-aside. These actions will support the pending issuance of $600 million in long-term variable rate debt, which will activate the financing strategy and interest rate swaps approved by the Board of Directors in December 2005.

GARY L. GALLEGOS
Executive Director


Key Staff Contact: Charles “Muggs” Stoll, (619) 699-6945, mst@sandag.org
TRANSPORTATION COMMITTEE

January 18, 2008

AGENDA ITEM NO.: 11A

Action Requested: RECOMMEND

TransNet PLAN OF FINANCE UPDATE  

File Number 1110200

Introduction

In December 2005, the SANDAG Board of Directors approved the first Plan of Finance (POF) for the TransNet extension and established a financial strategy for implementing the Early Action Program (EAP) of projects and fulfilling ongoing commitments for the existing TransNet program. The financial strategy approved by the Board included expanding the existing commercial paper program from $135 million to $335 million, locking in low interest rates through an interest rate exchange agreement (swap), and issuing $600 million of long-term variable rate debt in April 2008. The POF was approved by the SANDAG Board of Directors with the understanding that the POF is a dynamic process that requires continual refinement as circumstances change, and should be updated at least annually. Therefore, the POF was updated for the first time in December 2006 when three transit projects were added to the EAP. Although this update is consistent with an annual cycle, an update of the POF is particularly appropriate at this time to support the pending issuance of $600 million in long-term variable rate debt, which will activate the financing strategy and interest rate swaps approved by the Board of Directors in December 2005.

The EAP was established to “jump-start” the implementation of several key projects prior to the beginning of TransNet Extension in FY 2009, with the objective of completing those projects within the first five to seven years of the new program. This visionary action has resulted in much progress on several EAP projects in the last two years and the execution of the plan to issue long-term bonds will allow for this momentum to continue. The proposed POF update presented in this report confirms that both the EAP and the overall TransNet Program of projects can be completed with some potential adjustments to project schedules, a greater commitment to securing matching funds and a modification to the funding set-aside established in December 2005.
Discussion

On December 14, 2007, a proposed update to the TransNet POF was presented to the Transportation Committee as an information item. As a result of the presentation of the item, it was requested that staff return to the January 18, 2008, Transportation Committee meeting with a revision to the POF update taking into account input received from the committee members. This report will summarize the input received from the Transportation Committee on December 14, 2007, and will present three new POF Update scenarios developed in response to the input. In addition, the original POF Update and the three new scenarios were presented to the Independent Taxpayers Oversight Committee (ITOC) at its January 9, 2008, meeting. This report summarizes ITOC’s input for the consideration of the Transportation Committee.

Summary of Transportation Committee Input/Comments on POF Update

The major issue involved in the input received from the Transportation Committee regarding the POF Update was the proposed revision to the Mid-Coast Transit project schedule. The Mid-Coast project schedule for completion was proposed for extension from 2014 to 2020. This schedule revision was proposed for several reasons including the anticipated difficulty in securing a federal full funding grant agreement for the Light Rail Transit (LRT) project alternative as required by the TransNet extension ordinance and the need to balance overall cash flow for the TransNet program with few other alternatives within the EAP to do so. Several of the committee members expressed concern over the extended schedule for the Mid-Coast Transit project, as well as the I-805/South Bay Bus Rapid Transit project and were interested in seeing an alternative(s) that would hold the current EAP project schedules and more information on the effects of schedule changes on non-EAP projects.

POF Update Alternative Scenarios

In addition to the originally proposed POF Update (Attachments 1 and 2), three additional alternative scenarios have been developed to address the input received from the Transportation Committee. All three alternative scenarios assume the same revision to the set-asides for non-TransNet funds as in the original scenario.

Alternative Scenario 1, Hold All Current EAP Schedules - This scenario would maintain the current schedules included in the EAP for all projects, including the Mid-Coast Transit project (Attachments 3 and 4). This scenario results in a negative cash flow for the TransNet program beginning in approximately 2026 with a need to add approximately $3 billion in new non-TransNet funds to complete all of the projects contained in the program. The additional funds required represent approximately 7 percent of the overall program in escalated dollars and approximately $1.2 billion in 2006 dollars, discounted at a 3 percent rate.

Alternative Scenario 2, Hold Current Mid-Coast Schedule and Adjust Other EAP Projects - This scenario would maintain the current schedule included in the EAP for the Mid-Coast Transit project, and would extend other EAP project schedules to 2020 including I-805/BRT, SR 76, Blue/Orange Lines Trolley upgrades and mid-City Rapid Bus project (Attachments 5 and 6). This scenario results in a very similar cash flow for the TransNet program as the original proposal to adjust only the Mid-Coast Transit project to 2020, with a need to add approximately $2.3 billion in new non-TransNet funds to complete all of the projects.
contained in the program. The additional funds required represent approximately 6 percent of the
overall program in escalated dollars and approximately $700 million in 2006 dollars, discounted at a
3 percent rate.

Alternative Scenario 3, Shared EAP Schedule Adjustments – This scenario would maintain the
current schedules included in the EAP for all projects currently in construction, but would adjust all
of the other projects to complete in 2018 including Mid-Coast Transit, I-805/BRT, SR 76, Blue/Orange
Lines Trolley upgrades, and mid-City Rapid Bus project (Attachments 7 and 8). This scenario results
in a negative cash flow for the TransNet program beginning in approximately 2033 with a need to
add approximately $2.5 billion in new non-TransNet funds to complete all of the projects contained
in the program. The additional funds required represent approximately 5 percent of the overall
program in escalated dollars and approximately $722 million in 2006 dollars, discounted at a
3 percent rate.

All four scenarios are summarized in the following table:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>EAP Completion (year)</th>
<th>Negative Cash Flow (year)</th>
<th>Additional Revenues (escalated $)</th>
<th>Present Value of Additional Revenues</th>
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<td>2042</td>
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<td>2026</td>
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<td>2042</td>
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<td>Alt 3 – Shared EAP Schedule Adjustments</td>
<td>2018</td>
<td>2037</td>
<td>$2.1 billion</td>
<td>$722 million</td>
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These POF Update scenarios were presented to the ITOC at its January 9, 2008, meeting. The ITOC
unanimously approved a recommendation to the Transportation Committee of Alternative
Scenario 1 – Hold all EAP Schedules. In support of this position the ITOC members generally felt that
it was early in the program and although it is important to monitor trends in both revenues and
costs, at this time it was important to fulfill the commitments made in the EAP. The committee
expressed confidence that future opportunities would be available to secure additional matching
funds well in advance of the potential for a negative cash balance within the program.

Moving forward with the EAP and overall TransNet program with the chosen modifications to the
POF will allow the momentum gained in these past two years to continue. By delivering a
combination of finished construction projects and critical development milestones on other projects,
the region will be providing for the mobility needs of its citizens while continuing to successfully
compete for the additional funds the program will need in the future. Therefore, these three new
scenarios, combined with the originally proposed POF Update are being presented for consideration
in making a recommendation for the appropriate course of action.
Regardless of the scenario chosen to follow at this juncture, the TransNet POF is a constantly evolving process that involves continuous monitoring and review of revenues and costs and the constant search for additional matching funds to leverage over the 40-year span of the program. The POF will be updated on a continuous basis, and an ongoing updating process will flag any significant changes in the key assumptions used in the financial model. The Transportation Committee and Board of Directors will be advised of any major developments and will consider any recommended changes to the approved financial strategy.

CHARLES “MUGGS” STOLL
TransNet Program Manager

Attachments:
1. Original December 14, 2007 POF Update Scenario - Schedule
2. Original December 14, 2007 POF Update Scenario - Cash Balance
3. Alternative Scenario 1, Hold all Current EAP Schedules - Schedule
4. Alternative Scenario 1, Hold all Current EAP Schedules - Cash Balance
5. Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules - Schedule
6. Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules - Cash Balance
7. Alternative Scenario 3, Shared EAP Schedule Adjustments - Schedule
8. Alternative Scenario 3, Shared EAP Schedule Adjustments - Cash Balance

Key Staff Contact: Charles “Muggs” Stoll, (619) 699-6945, mst@sandag.org
EAP Project Delivery Schedules

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Abbreviations
BRT = Bus Rapid Transit
ED = Environmental Document
LOMAS = Lomas Santa Fe Interchange
ML = Managed Lanes

Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)
Plan of Finance Update
Projected Cash Balance and EAP Project Completion

 Millions of Dollars

EAP TransNet Projects
Non-EAP TransNet Projects

Additional Matching Funds Required

5%

'08 '10 '12 '14 '16 '18 '20 '22 '24 '26 '28 '30 '32 '34 '36 '38 '40 '42 '44 '46 '48

2007 SPRINTERT  
2009 I-5 Lomas  
2008 UTC Rapid Bus (Super Loop)  
2010 SR 52 Ext.  
2011 South Bay BRT  
2012 I-15 ML & BRT  
2013 Mid-City Rapid Bus  
2014 SR 76 Widening  
2016 Orange/Blue Lines Upgrades  
2017 South Bay BRT  
2018 Mid-Coast Transit  
2020 Mid-Coast Transit  
2021 I-15 ML & BRT  
2022 I-15 ML & BRT  
2023 Mid-Coast Transit  
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Original December 14, 2007 POF Update Scenario – Cash Balance
Hold EAP Schedules

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Abbreviations
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Plan of Finance Schedule
Board Approved Schedule (TransNet Dashboard Schedule)
Plan of Finance: Hold EAP Schedules
End Balance

Millions of Dollars

- $6,000
- $4,000
- $2,000
- $0
- $2,000
- $4,000
- $6,000

Fiscal Years

- '08
- '10
- '12
- '14
- '16
- '18
- '20
- '22
- '24
- '26
- '28
- '30
- '32
- '34
- '36
- '38
- '40
- '42
- '44
- '46
- '48

Additional Matching Funds Required

7%
**Hold Mid-Coast – Corridor Schedule**

- **I-5 ED & LOMAS**
  - Under Construction

- **I-15 ML & BRT**
  - Under Construction

- **I-805 ED & BRT**
  - 

- **SR 52 Extension & Widening**
  - Under Construction

- **SR 76 Widening**
  - 

- **Mid-Coast Transit**
  - 

- **SPRINTER**
  - Under Construction

- **Blue/Orange Lines Upgrades**
  - 

- **Mid-City Rapid Bus**
  - 

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**Legend**
- Green = Plan of Finance Schedule
- Yellow = Board Approved Schedule (TransNet Dashboard Schedule)
Plan of Finance: Hold Mid-Coast Schedule
End Balance

Fiscal Years

Millions of Dollars

EAP TransNet Projects

Non-EAP TransNet Projects

-'08 '10 '12 '14 '16 '18 '20 '22 '24 '26 '28 '30 '32 '34 '36 '38 '40 '42 '44 '46 '48

Attachment 6
Alternative Scenario 2, Hold Mid-Coast Transit Project and Adjust Other EAP Project Schedules—Cash Balance
Shared EAP Schedule Adjustments – Corridor Schedule

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Plan of Finance Schedule
Board Approved Schedule (*TransNet* Dashboard Schedule)