



# M2 Board of Directors Workshop

February 27, 2012



# Workshop Overview



- **Review M2 contract with voters**
- **Present status of M2 Early Action Plan (EAP)**
- **Share most recent financials**
- **Provide options for delivering M2**
- **Show possibilities between now and 2020**
- **Seek Board input on next steps**

# M1 – Promises Made, Promises Kept

- **Delivered over \$4 billion of improvements**
- **Leveraged \$1.2 billion external funds**
- **Accelerated M1 delivery with bonding**
- **Realized cost savings**
- **Provided mobility sooner**



# M1 Results

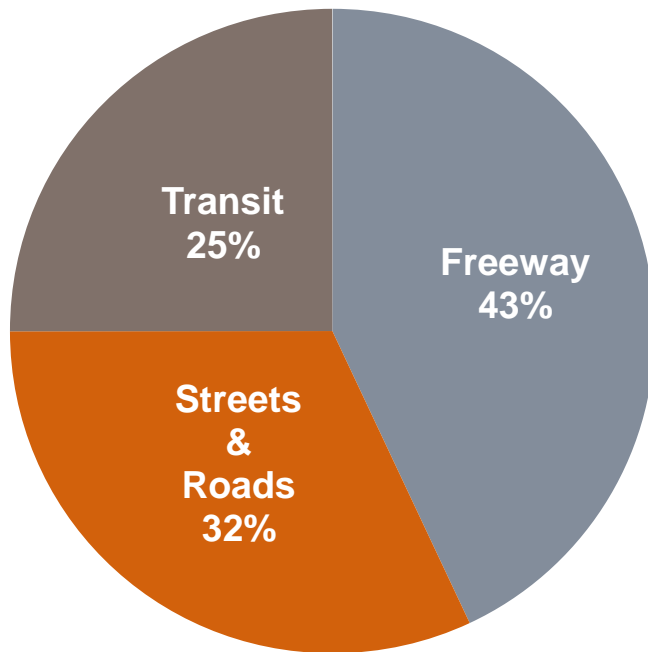
- **\$1.75B Freeways**
  - 192 new lane miles
  - Bonus SR-22 project
  - \$1.2B more in leveraged funds
  
- **\$1.3B Streets and Roads**
  - 1,000+ projects delivered
  - 170 intersections improved
  
- **\$1.0B transit**
  - 3 Metrolink lines, 11 stations
  - Stabilized senior/disabled fares





**M2 Contract With Voters**

# Passed By Nearly 70%



MEASURE M M2 Projects and Programs		
<b>Freeway Projects</b>		
I-5	Santa Ana Freeway Interchange Improvements	A
I-5	Santa Ana/San Diego Freeway Improvements	B C D
SR-22	Garden Grove Freeway Access Improvements	E
SR-55	Costa Mesa Freeway Improvements	F
SR-57	Orange Freeway Improvements	G
SR-91	Riverside Freeway Improvements	H I J
I-405	San Diego Freeway Improvements	K L
I-605	Freeway Access Improvements	M
All	Freeway Service Patrol	N
<b>Streets &amp; Roads Projects</b>		
	Regional Capacity Program	O
	Regional Traffic Signal Synchronization Program	P
	Local Fair Share Program	Q
<b>Transit Projects</b>		
	High Frequency Metrolink Service	R
	Transit Extensions to Metrolink	S
	Metrolink Gateways	T
	Expand Mobility Choices for Seniors and Persons with Disabilities	U
	Community Based Transit/Circulators	V
	Safe Transit Stops	W
<b>Environmental Cleanup</b>		
	Clean Up Highway and Street Runoff that Pollutes Beaches	X
<b>Taxpayer Safeguards and Audits</b>		
	Collect Sales Taxes (State charges required by law)	
	Oversight and Annual Audits	



# Freeways – 43%

## ■ Projects A–N

- 13 freeway projects
- 5% for comprehensive environmental mitigation
- Freeway Service Patrol



# Streets and Roads – 32%



- **Project O - Regional Capacity**
  - Receives 10% of net revenues
  
- **Project P - Signal Synchronization**
  - Receives 4% of net revenues
  
- **Project Q - Local Fair Share**
  - Receives 18% of net revenues





# Transit – 25%



- **Project R**    **Metrolink Expansion**
- **Project S**    **Extensions to Metrolink**
- **Project T**    **Metrolink Gateways**
- **Project U**    **Mobility for Seniors/Persons with Disabilities**
- **Project V**    **Community Transit**
- **Project W**    **Safe Stops**



# Environmental & Safeguards



## Safeguards

- Taxpayers Oversight Committee
- Annual audits
- Triennial Performance Assessment
- 10-Year review

## Project X Environmental Cleanup

- 2% gross revenues
- Competitive program
- Mitigates impact of street runoff



# M2 Timeline



2006

- Measure M2 passed by voters

2007

- Early Action Plan adopted

2010

- Early Action Plan updated

2011

- M2 sales tax revenues began Apr 1



**Early Action Plan (EAP) Status**

# EAP Guiding Principles



- **Project readiness**
- **Congestion relief / demand**
- **External funding**
- **Public opinion / support**
- **Project sequencing / connectivity**
- **Project duration cycle**

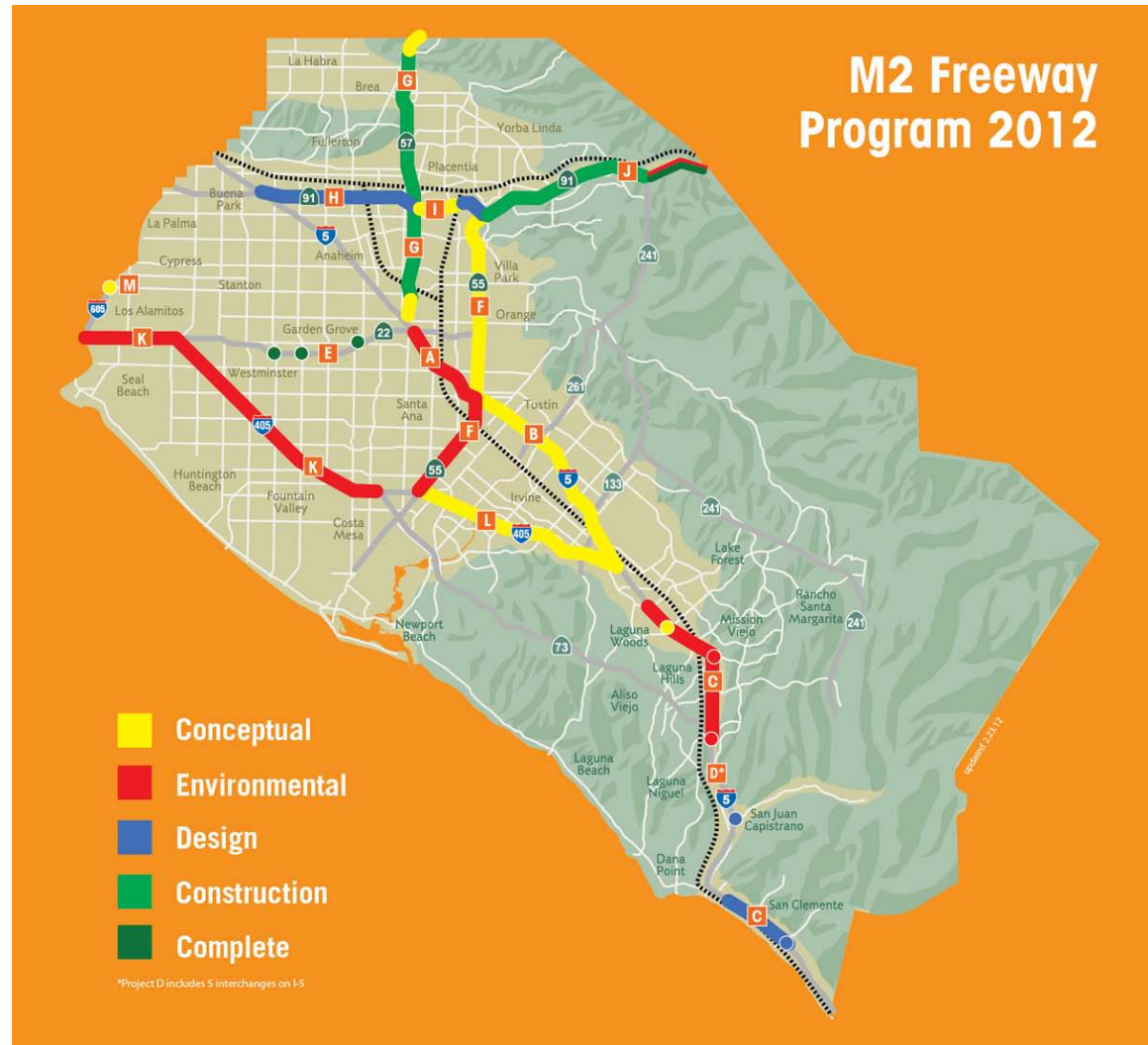


# EAP Status - Freeway Program



**RED** = in environmental phase; next steps are design, right-of-way & construction

**YELLOW** = in conceptual engineering; next step is environmental phase



# I-405

- **Public priority**
- **Hasn't been improved since 1989**
- **Carries 300,000 ADT**
- **Severe congestion**
- **Environmental nearing completion**



# EAP Status – Streets & Roads



Complete eligibility process



Use \$165M for streets and roads improvements

- Issue calls for projects
- Initiate 7 grade separation projects

**Roads & Signals:**

- \$64 million awarded
- \$45 million under way



**Grade Separations:**

- \$130M awarded
- \$280M leveraged



# EAP Status - Transit



Expand Metrolink	Added 6 trains Improved stations
Improve rail crossings, make safety improvements	
Award \$200M competitive funds – Projects R, S, T	\$123M awarded \$42M leveraged
Develop guidelines for programs for seniors and persons with disabilities	

# EAP Status - Environmental

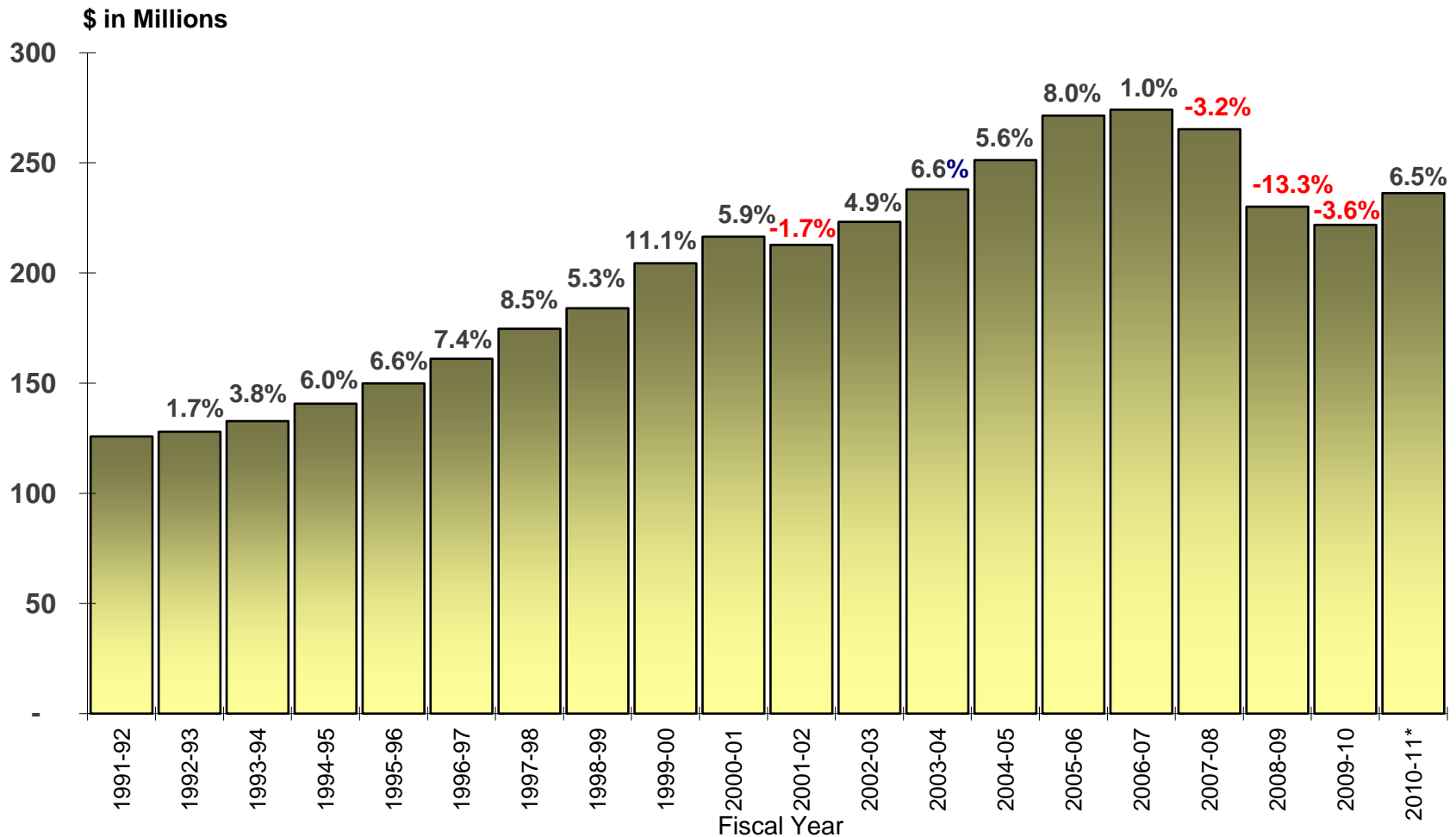


Complete resource agency agreements (freeway mitigation program)	A blue circular icon with a white checkmark inside, indicating completion.
Award \$55M for acquisition and restoration	\$22M acquisition \$5.4M restoration
Complete Tier I water quality guidelines	A blue circular icon with a white checkmark inside, indicating completion.
Award Tier I water quality funds	\$2.8M first cycle
Complete Water Quality Tier II guidelines	In progress



## Financial Information

# Annual Sales Tax History

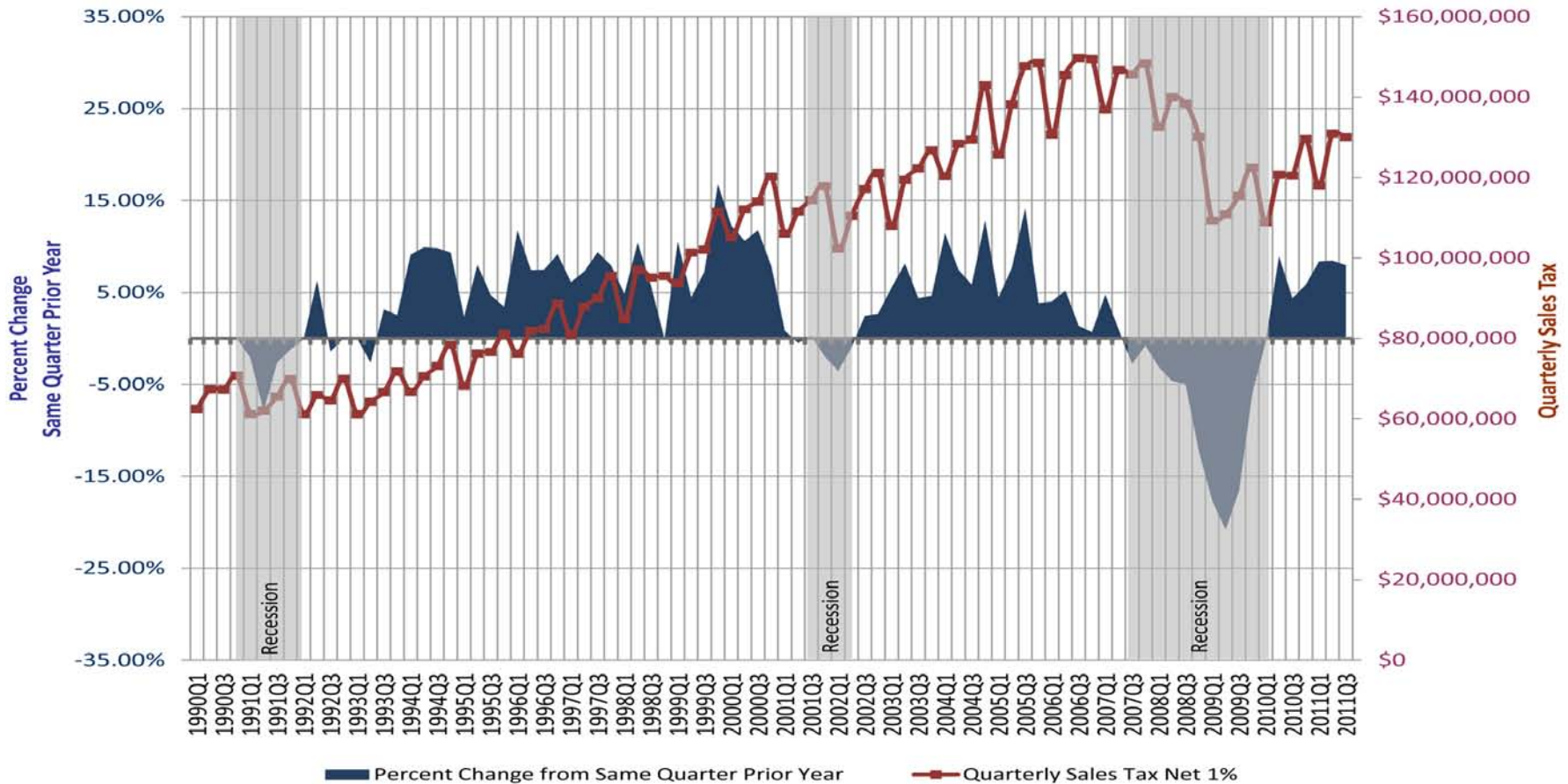


\* Fiscal year 2010-11 represents a combination of Measure M1 (three-quarters of the year) and M2 (one quarter of the year) sales tax revenues.

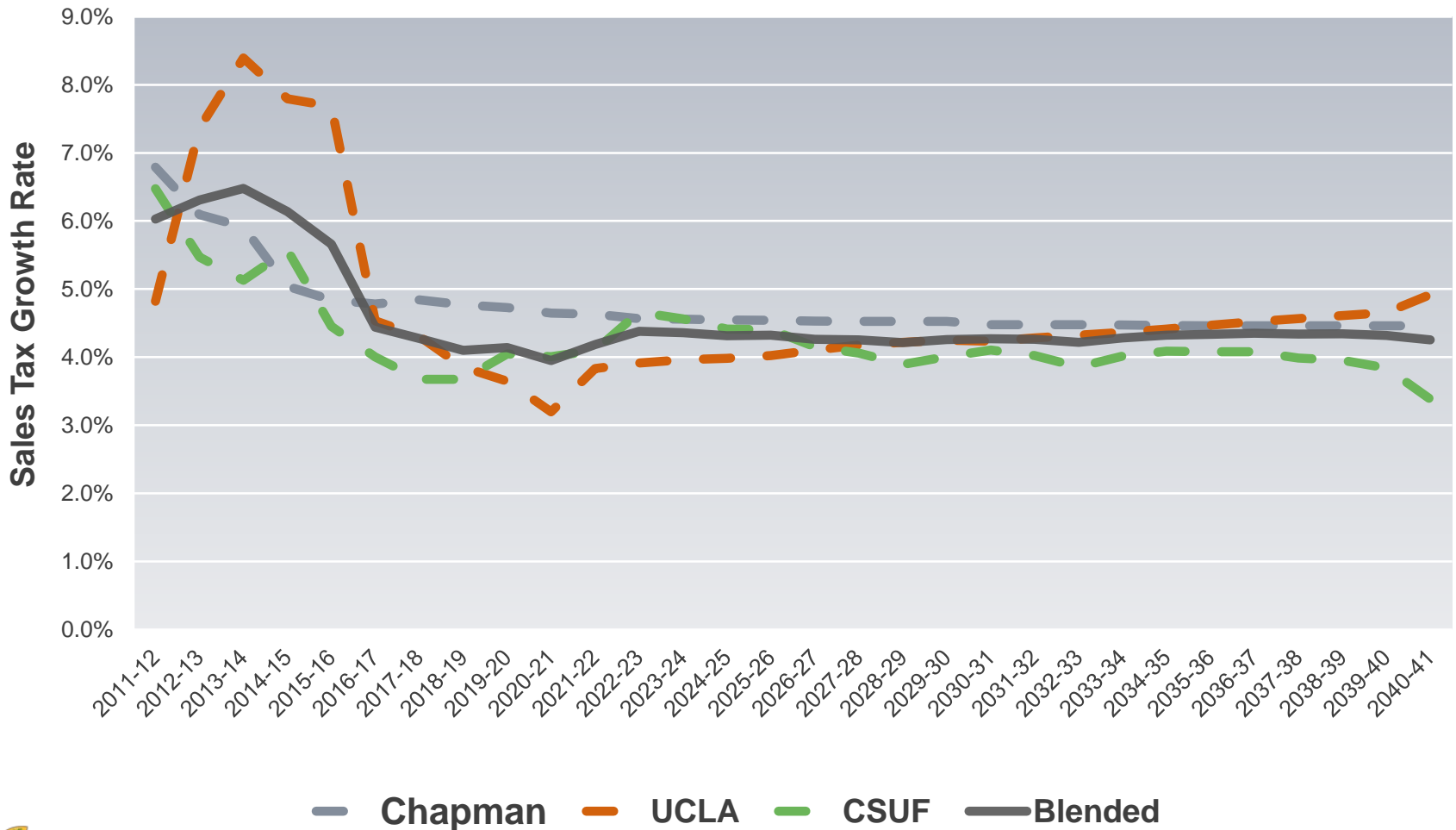
# Sales Tax History By Quarter



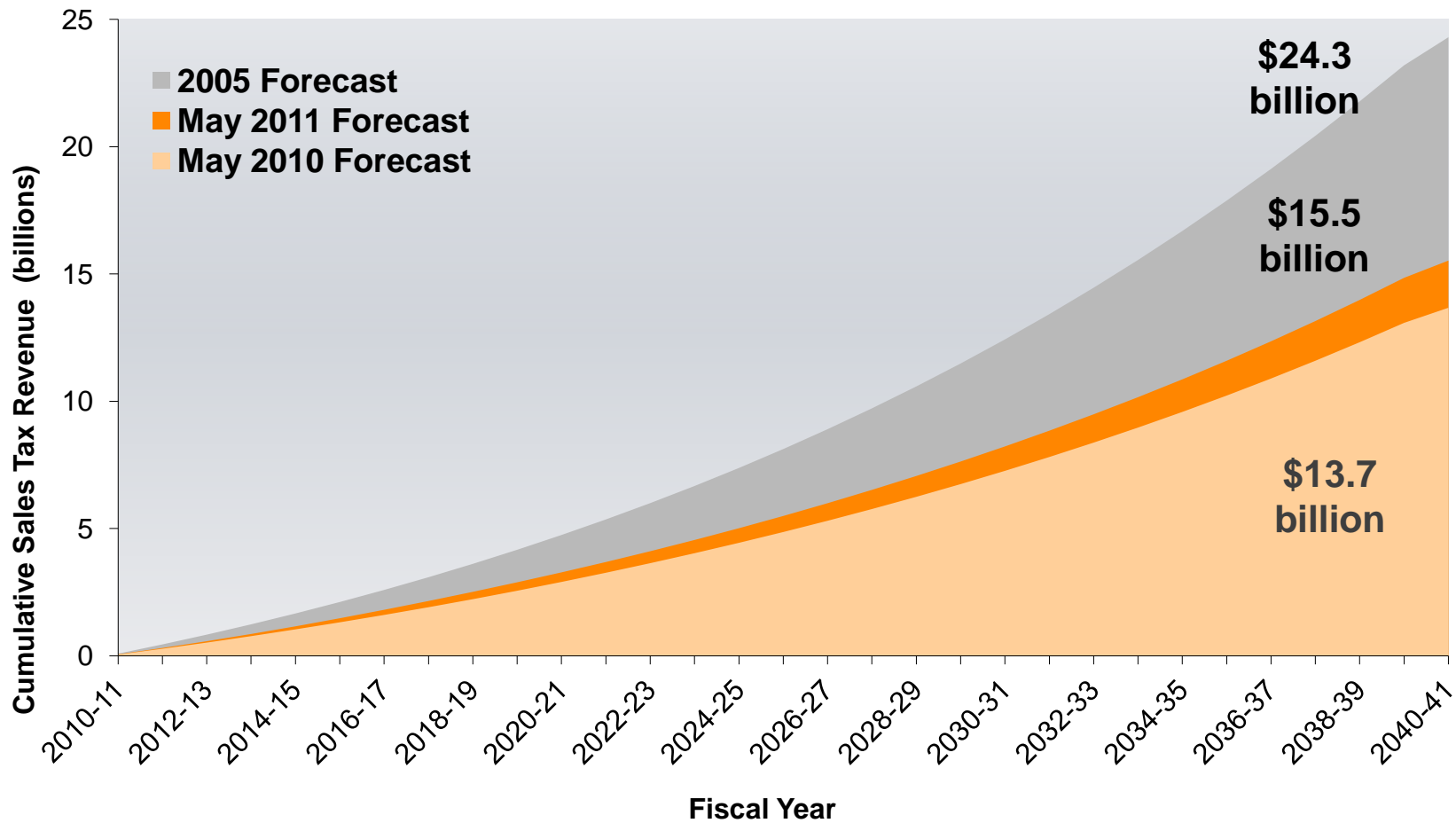
Orange Countywide  
How Recessions Affect Local Sales & Use Tax  
Net 1% by Quarter



# Sales Tax Growth Rates



# Sales Tax Forecast



# M1 Freeway Program



## Successful delivery of M1 freeway program:

- **Front-loaded freeway program**
- **Used sales tax receipts and M1 bonding**
- **Leveraged external funds from federal and state sources**
- **Moved funds between freeway line items as needed**



# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) (in thousands)					
I-5 From I-405 to I-605	\$ 550,000					
I-5 From I-5/I-405 Interchange to San Clemente	80,000					
I-5/I-405 Interchange	55,000					
SR-55 From I-5 to SR-91	200,000					
SR-57 From I-5 to Lambert Road	40,000					
SR-91 From Riverside County Line to Los Angeles County Line	400,000					
SR-22 From SR-55 to Valley View Street	-					
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>					
<b>Net Debt Service</b>						
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>					

# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) \$ in thousands	Planned Sales Tax Expenditures (Nominal Dollars) \$ in thousands				
I-5 From I-405 to I-605	\$ 550,000	\$ 984,500				
I-5 From I-5/I-405 Interchange to San Clemente	80,000	143,200				
I-5/I-405 Interchange	55,000	98,450				
SR-55 From I-5 to SR-91	200,000	358,000				
SR-57 From I-5 to Lambert R	40,000	71,600				
SR-91 From Riverside County Line to Los Angeles County Line	400,000	716,000				
SR-22 From SR-55 to Valley View Street	-	-				
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>				
<b>Net Debt Service</b>						
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>				

# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) \$ in thousands	Planned Sales Tax Expenditures (Nominal Dollars) \$ in thousands	Actual Sales Tax Revenues (12-31-11) \$ in thousands			
I-5 From I-405 to I-605	\$ 550,000	\$ 984,500	\$ 982,591			
I-5 From I-5/I-405 Interchange to San Clemente	80,000	143,200	68,768			
I-5/I-405 Interchange	55,000	98,450	87,283			
SR-55 From I-5 to SR-91	200,000	358,000	58,188			
SR-57 From I-5 to Lambert Road	40,000	71,600	29,094			
SR-91 From Riverside County Line to Los Angeles County Line	400,000	716,000	125,634			
SR-22 From SR-55 to Valley View Street	-	-	400,707			
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>			
<b>Net Debt Service</b>						
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>			

# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) \$ in thousands	Planned Sales Tax Expenditures (Nominal Dollars) \$ in thousands	Actual Sales Tax Revenues (12-31-11) \$ in thousands	Actual Expenditures (12-31-11) \$ in thousands		
I-5 From I-405 to I-605	\$ 550,000	\$ 984,500	\$ 982,591	\$ 871,679		
I-5 From I-5/I-405 Interchange to San Clemente	80,000	143,200	68,768	70,294		
I-5/I-405 Interchange	55,000	98,450	87,283	98,157		
SR-55 From I-5 to SR-91	200,000	358,000	58,188	55,514		
SR-57 From I-5 to Lambert Road	40,000	71,600	29,094	25,617		
SR-91 From Riverside County Line to Los Angeles County Line	400,000	716,000	125,634	123,995		
SR-22 From SR-55 to Valley View Street	-	-	400,707	632,777		
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 1,878,033</b>		
<b>Net Debt Service</b>				311,917		
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 2,189,950</b>		

# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) \$ in thousands	Planned Sales Tax Expenditures (Nominal Dollars) \$ in thousands	Actual Sales Tax Revenues (12-31-11) \$ in thousands	Actual Expenditures (12-31-11) \$ in thousands	Actual Reimbursements (12-31-11) \$ in thousands	
I-5 From I-405 to I-605	\$ 550,000	\$ 984,500	\$ 982,591	\$ 871,679	\$ 85,619	
I-5 From I-5/I-405 Interchange to San Clemente	80,000	143,200	68,768	70,294	10,358	
I-5/I-405 Interchange	55,000	98,450	87,283	98,157	25,082	
SR-55 From I-5 to SR-91	200,000	358,000	58,188	55,514	6,172	
SR-57 From I-5 to Lambert Road	40,000	71,600	29,094	25,617	2,859	
SR-91 From Riverside County Line to Los Angeles County Line	400,000	716,000	125,634	123,995	18,606	
SR-22 From SR-55 to Valley View Street	-	-	400,707	632,777	327,429	
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 1,878,033</b>	<b>\$ 476,125</b>	
<b>Net Debt Service</b>				<b>311,917</b>	-	
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 2,189,950</b>	<b>\$ 476,125</b>	

# M1 Freeway Program



Measure M1 Freeway Program	Planned Sales Tax Expenditures (1988\$) \$ in thousands	Planned Sales Tax Expenditures (Nominal Dollars) \$ in thousands	Actual Sales Tax Revenues (12-31-11) \$ in thousands	Actual Expenditures (12-31-11) \$ in thousands	Actual Reimbursements (12-31-11) \$ in thousands	Actual Sales Tax Expenditures (12-31-11) \$ in thousands
I-5 From I-405 to I-605	\$ 550,000	\$ 984,500	\$ 982,591	\$ 871,679	\$ 85,619	\$ 786,060
I-5 From I-5/I-405 Interchange to San Clemente	80,000	143,200	68,768	70,294	10,358	59,936
I-5/I-405 Interchange	55,000	98,450	87,283	98,157	25,082	73,075
SR-55 From I-5 to SR-91	200,000	358,000	58,188	55,514	6,172	49,342
SR-57 From I-5 to Lambert Road	40,000	71,600	29,094	25,617	2,859	22,758
SR-91 From Riverside County Line to Los Angeles County Line	400,000	716,000	125,634	123,995	18,606	105,389
SR-22 From SR-55 to Valley View Street	-	-	400,707	632,777	327,429	305,348
<b>Subtotal Projects</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 1,878,033</b>	<b>\$ 476,125</b>	<b>\$ 1,401,908</b>
<b>Net Debt Service</b>				<b>311,917</b>	-	<b>311,917</b>
<b>Total M1 Freeways</b>	<b>\$ 1,325,000</b>	<b>\$ 2,371,750</b>	<b>\$ 1,752,265</b>	<b>\$ 2,189,950</b>	<b>\$ 476,125</b>	<b>\$ 1,713,825</b>

# M2 Financing Overview



- Pay-as-you-go preferred
- Financing allowable
- Bonding proven in M1
- Accelerates improvements



# M2 Debt Issuances to Date



- **Tax Exempt Commercial Paper**
  - \$400M established January 2008
  - \$100M issued through 2010
  - \$ 25M remains outstanding
  
- **Long-Term Sales Tax Bonds**
  - \$350M bonds sold December 2010
  - \$175M bond proceeds balance



# M2 Bonding Considerations



- Pledged revenues
- Debt coverage ratio (1.3x coverage)
- Debt ratings
- Risk tolerance

# M2 Bonding Capacity

(Freeway Program Only)



- **Up to \$1.68B in sales tax revenue bond proceeds:**
  - **\$1.25B in FY 2013-14**
  - **\$244M in FY 2016-17**
  - **\$182M in FY 2019-20**
  
- **Interest costs \$1.22 billion or:**
  - **\$35.5M / year for issuance in FY 2013-14**
  - **\$6.7M / year for issuance in FY 2016-17**
  - **\$5.0M / year for issuance in FY 2019-20**



Options for Delivering M2

# Funding Options

## M2 Freeway Program



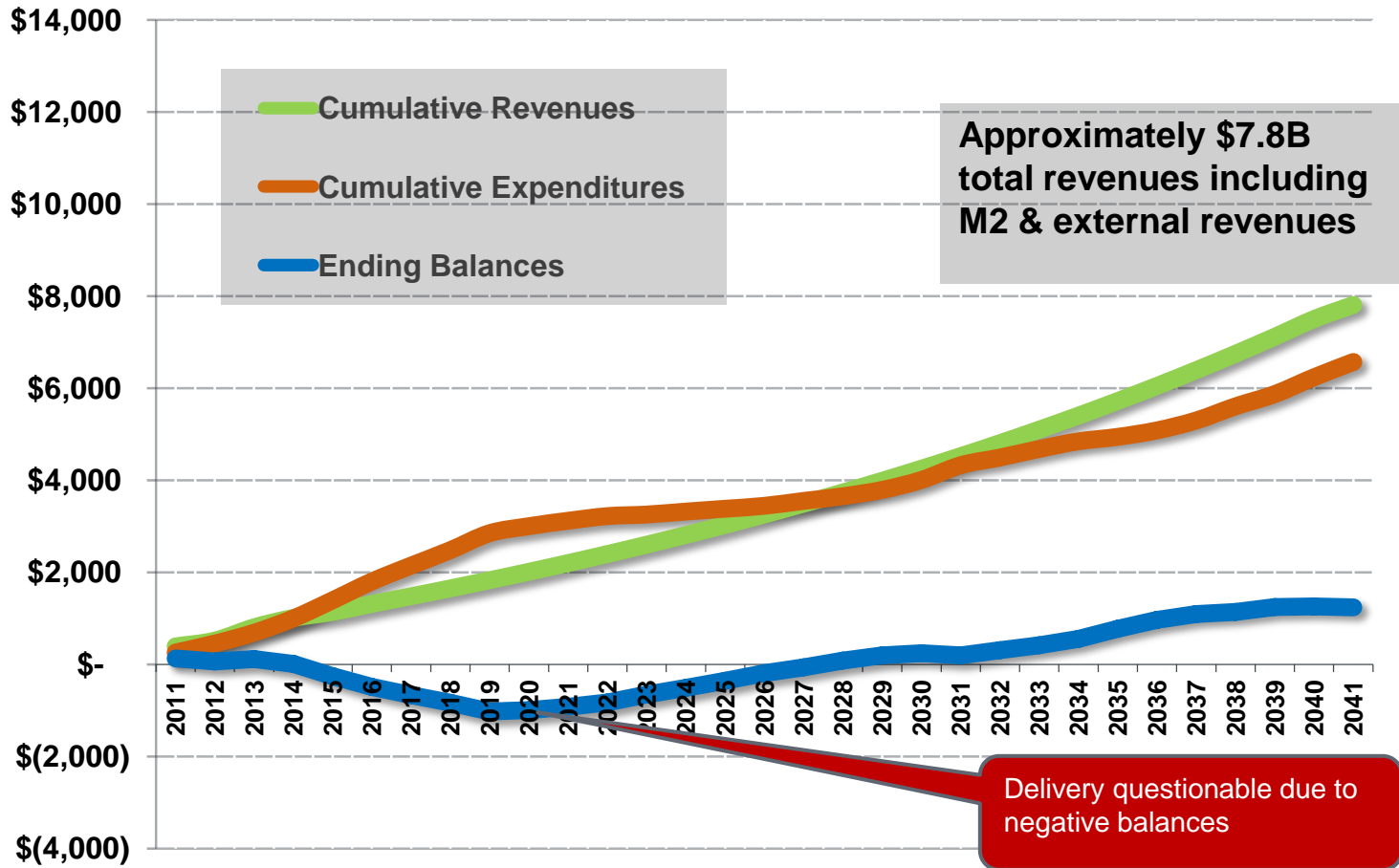
- A. Pay As You Go**
- B. Issue M Bonds**
- C. Issue M Bonds & I-405 Toll Bonds**

# Option A: Pay As You Go

(Assumes I-405 Alternative 1)



### \$M, Year of Expenditure Dollars

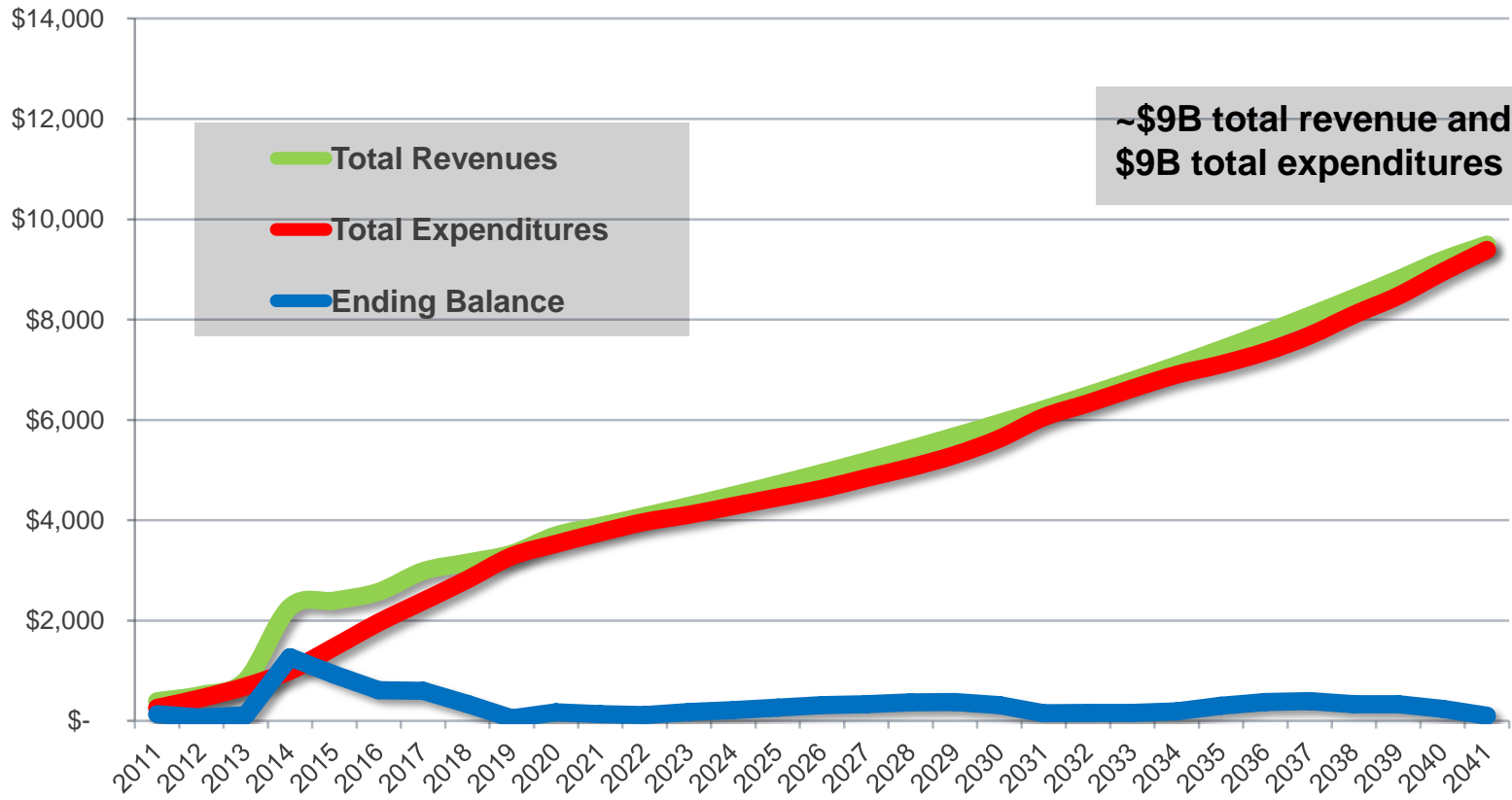


# Option B: Issue M Bonds

(Assumes I-405 Alternative 1)



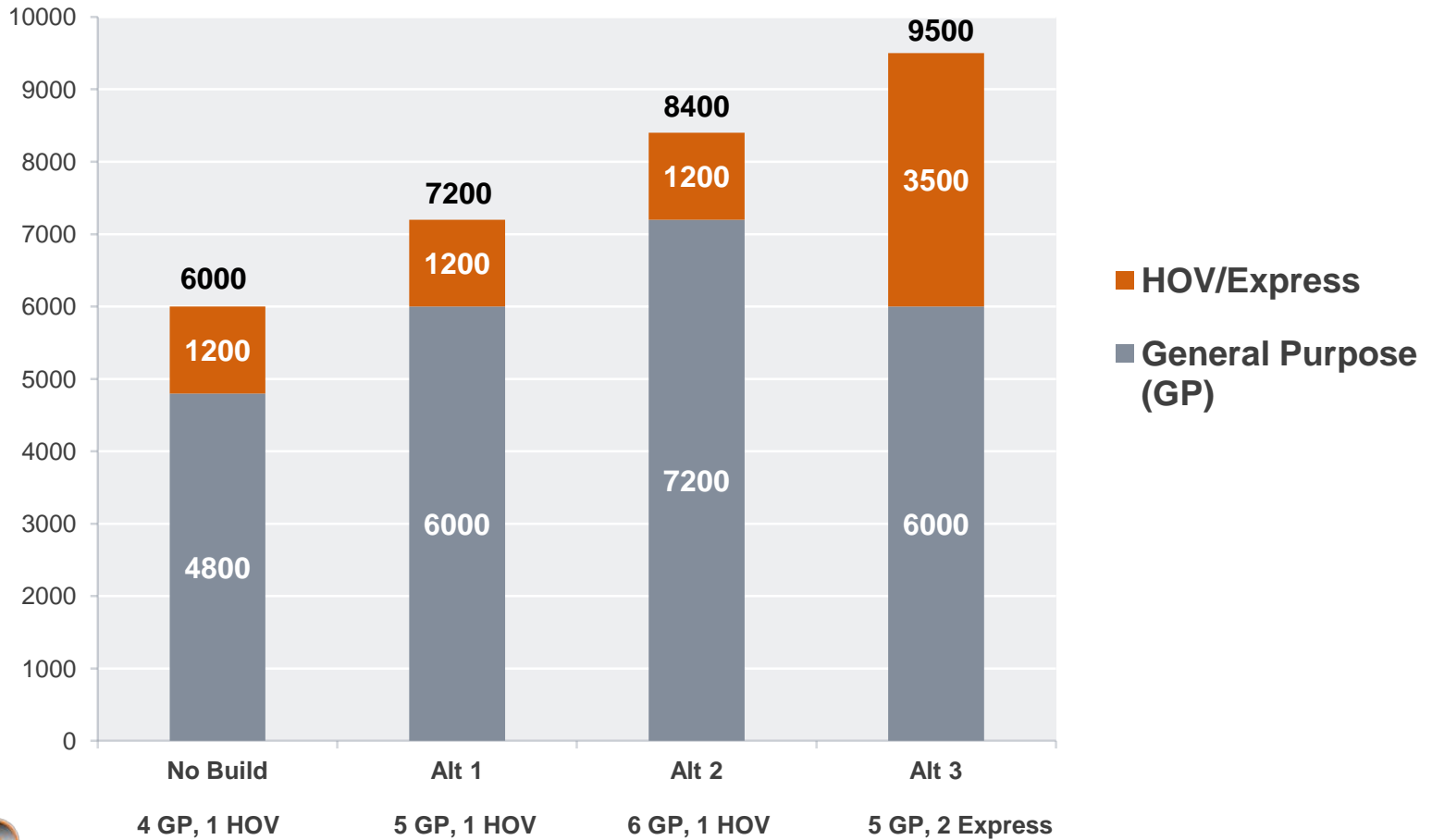
### \$M, Year of Expenditure Dollars



# I-405 –Optimizing Throughput



## Year 2040 - Vehicles, Northbound PM Peak Hour



# Toll Bonding Capacity I-405



- **Can issue up to \$442M toll bonds in FY 2014-15**
  - **\$296.6M available for I-405 project costs**
  - **\$111.9M capitalized interest**
  - **\$ 30.1M debt service reserve fund**
  - **\$ 5.6M cost of issuance expenses**
- **Interest repayment costs total \$563M or \$16M / year**
- **Debt assumptions include:**
  - **35-year bonds, level debt structure**
  - **Minimum 1.75x debt coverage**
  - **Capitalized interest**

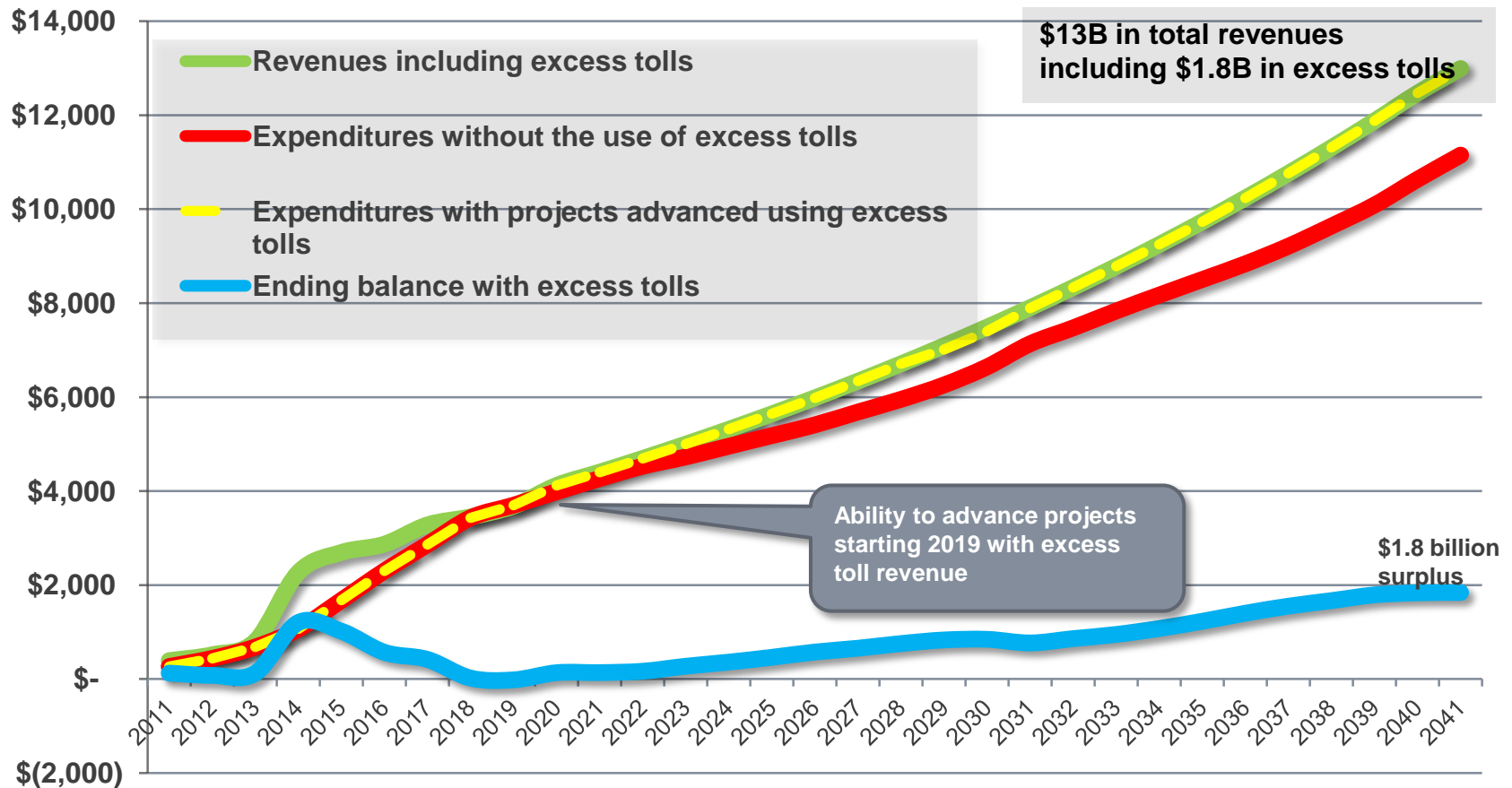


# Option C – M and Toll Bonds

(Assume I-405 Alternative 3)

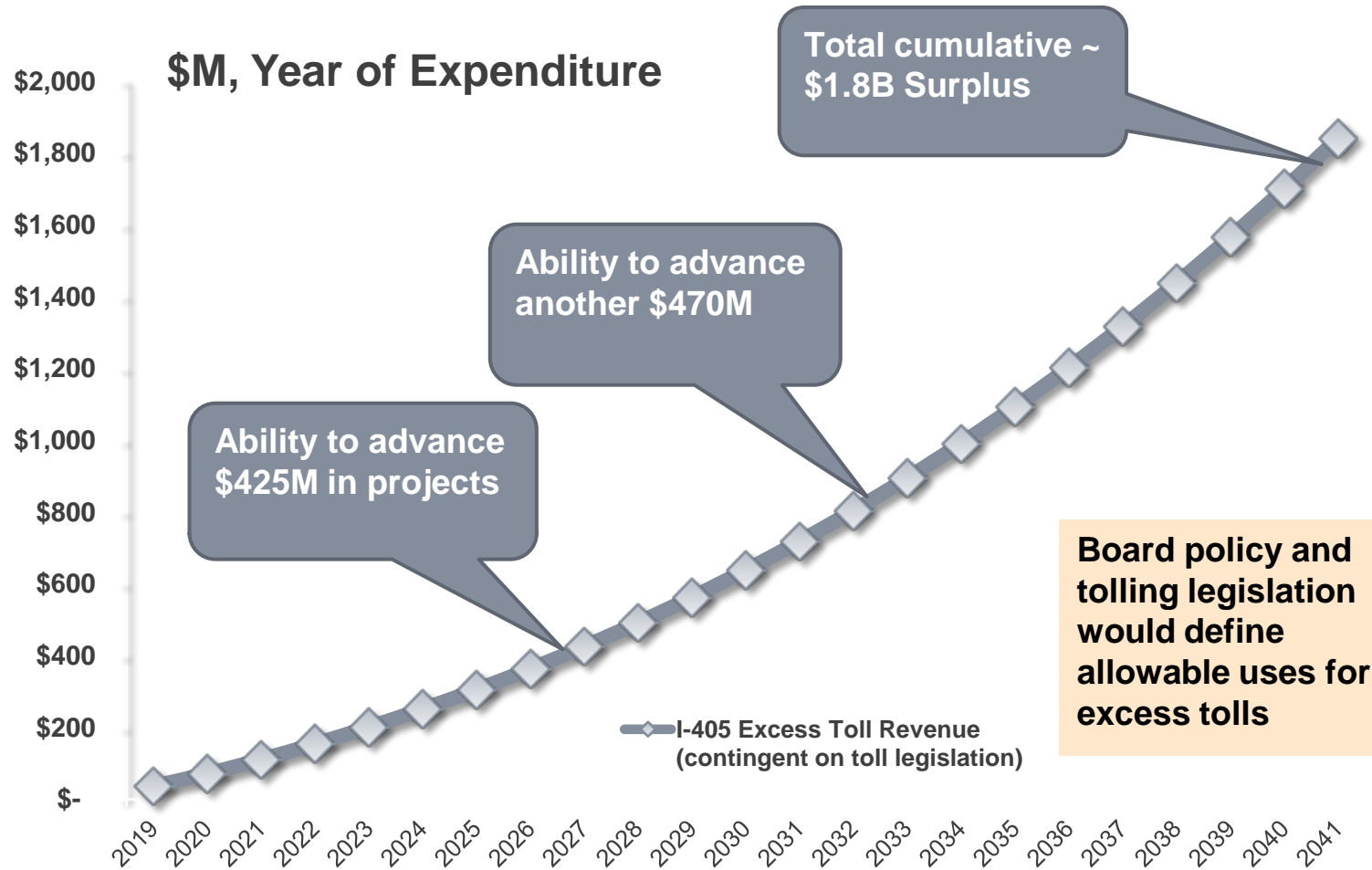


**\$M, Year of Expenditure**



# Option C - Surplus Fund

## Projected Excess I-405 Toll Revenue



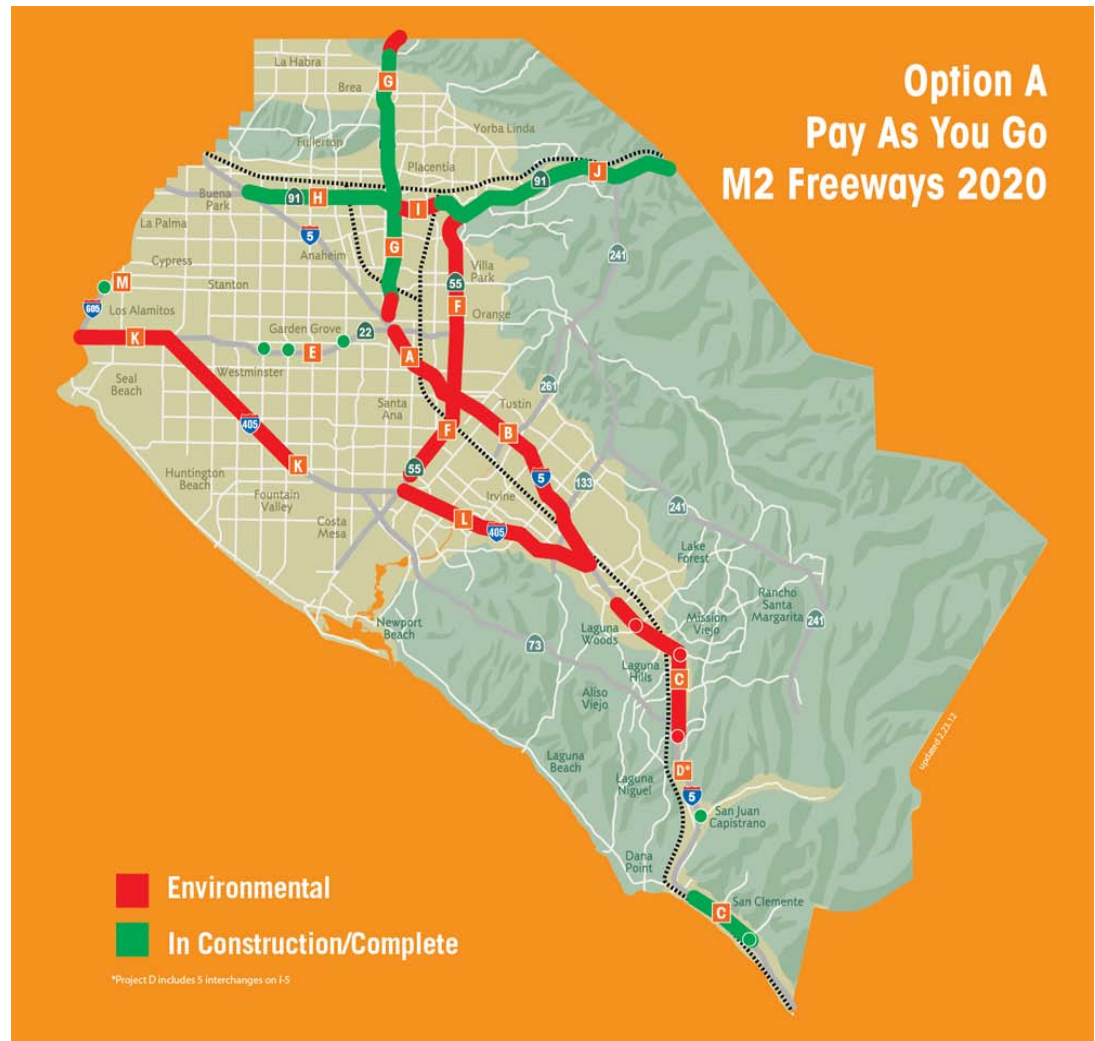
# Option A – Pay As You Go

Year 2020



Delivery questionable due to negative cash balances 2014-2027

**RED** = ready for design, right-of-way & construction



# Option B – Issue M Bonds

Year 2020



**GREEN** = M bonds provide funds to accelerate project delivery

**RED** = ready for design, right-of-way & construction

Project K – 1 lane each direction I-605 to Euclid

All projects are delivered by 2041



Option B  
Issue M Bonds  
M2 Freeways 2020

# Option C – Issue M & Toll Bonds

Year 2020



**GREEN** = in construction or complete – delivery accelerated by M and/or toll bonds

**RED** = ready for design, right-of-way & construction (may use surplus tolls to accelerate some projects)

Project K – 1 general purpose lane each direction plus express lanes facility I-605 to SR-73

All projects are delivered by 2041; potential for earlier delivery



# Comparing Freeway Options



	Option A Pay As You Go	Option B Issue M Bonds	Option C Issue M & Toll Bonds
M2 Freeway Program Delivery	Questionable	Yes	Yes
Opportunities to Advance Program	No	Yes	Yes
I-405 Capacity (Added Lanes Each Direction)	Zero or 1 lane	1 lane	2 lanes
I-405 Throughput 2040 Peak Hour Northbound Volume	6,000 – 7,200 Zero to +20%	7,200 +20%	9,500 +58%

# Early Action Plan Projects



<b>EARLY ACTION PLAN FREEWAY PROJECTS</b>		<b>COST (YOE, \$M)</b>
<b>A</b>	I-5 Widening (SR-55 to SR-57)	46.4
<b>C / D</b>	I-5 Widening (PCH to Avenida Pico)	259.3
<b>C / D</b>	I-5 Widening (El Toro Road to SR-73)	558.75
<b>D</b>	I-5/SR-74 (Ortega Hwy) Interchange Improvements	90.9
<b>E</b>	SR-22 Access Improvements	0*
<b>F</b>	SR-55 Widening (1-405 to 1-5)	274.9
<b>G</b>	SR-57 Widening (Orangethorpe Ave. to Lambert Road)	114.0
<b>G</b>	SR-57 Widening (Katella Ave. to Lincoln Ave.)	37.8
<b>H</b>	SR-91 Widening (I-5 to SR-57)	78.1
<b>I</b>	SR-91 Widening (SR-55 to Tustin Ave.)	49.9
<b>J</b>	SR-91 Widening (SR-55 to SR-71)	141.1
<b>K</b>	I-405 Widening (I-605 to SR-55)	1,712.8
<b>TOTAL</b>		<b>3,363.95</b>

\*Delivered with SR-22 HOV Lane Project in 2007

# Remaining M2 Projects



<b>FUTURE FREEWAY PROJECTS</b>		<b>COST (2011, \$M)</b>
<b>B</b>	I-5 Widening (SR-55 to I-405)	424.8
<b>D</b>	I-5 at El Toro Road Interchange Improvements	60.1
<b>F</b>	SR-55 Widening (I-5 to SR-22)	70.5
<b>G</b>	SR-57 NB Widening (Orangewood Avenue to Katella Avenue)	14.7
<b>G</b>	SR-57 NB Widening (Lambert Road to County Line)	82.4
<b>I</b>	SR-91 Widening (SR-57 to SR-55)	307.2
<b>J</b>	SR-91 Widening (SR-241 to I-15)	124.0
<b>L</b>	I-405 Widening (SR-55 to I-5)	322.9
<b>M</b>	I-605/Katella Ave. Interchange Improvements	22.2
<b>TOTAL</b>		<b>1,428.8</b>





**Delivering on the Promise**

# M2020 Freeway Program: Expediting the Program



- Favorable bidding climate
- Avoid future inflation
- Take advantage of low debt costs
- Lock in resources
- Deliver mobility early
- Similar to M1 approach



# Freeway Program - Option B



## By 2020:

- **Ability to accelerate four projects**
  - I-5 from SR-55 to SR-57
  - I-5 from El Toro Y to SR-73
  - SR-55 from I-405 to I-5
  - I-405 from I-605 to Euclid (1 GP lane each direction)
- **Environmentally clears balance of freeway program**

## By 2041:

- **Delivers all M2 freeways by 2041**
- **Requires M2 sales tax revenue bonds**

# Freeway Program – Option C

- **By 2020:**
  - **Ability to accelerate four projects**
    - I-5 from SR-55 to SR-57
    - I-5 from El Toro Y to SR-73
    - SR-55 from I-405 to I-5
    - I-405 from I-605 to SR-73 (1 GP plus express facility)
  - **Environmentally clear balance of freeways**
- **Potential to deliver all M2 freeways prior to 2041**
- **Requires M2 sales tax revenue bonds**
- **Requires tolling authority, toll revenue bonds**
- **Projected \$1.8B excess toll revenue**

# M2020 Streets & Roads

## Ongoing Programs



- Fair share allocations to local jurisdictions for street repair and rehabilitation (18% of net M2)
- Annual calls for projects for street widening and signal synchronization
- Complete OC Bridges grade separations eliminating street-rail conflicts before 2020

# M2020 Transit

## Meets Commitments



- **Continued operations and expansion of Metrolink based on demand**
- **Funds available for:**
  - **Rubber-tire extensions to Metrolink**
  - **Fixed-guideway projects**
  - **Regional gateways program**
  - **Transit for seniors and persons with disabilities**
  - **Community based circulators**
  - **Safe bus stops**

# M2020 Environmental

**By 2020:**

- **Freeway environmental program permitting complete**
- **Funding for long-term property management**
- **Acquisition/restoration programs continue**
- **Tier I water quality projects complete**
- **Tier II regional water quality projects under way**

# M2020 Summary



- **Can deliver entire M2 program**
- **Keeps promise to voters**
- **Ability to expedite mobility improvements**
- **Potential to deliver beyond M2 plan**



# Next Steps



Description	Dates
M2020 Outreach	March - April
M2020 Technical Reviews / Analysis	March-June
I-405 Financing /Delivery Options Discussion to Finance Committee	March/April
I-405 Financing /Delivery Options Discussion to Board	March/April
M2020 Recommendations to Executive Committee	June/July
M2020 Recommendations to Board	June/July