No. 6
MEETING OF THE
TRANSPORTATION FINANCE
SUBCOMMITTEE

Friday, March 1, 2013
10:00 a.m. – 12:00 p.m.

SCAG Los Angeles Office
818 West Seventh Street, 12th Floor
Los Angeles, CA 90017
Policy Committee Room - A
(213) 236-1800

Videoconference Available

Orange County Office
600 S. Main Street, Suite 906
Orange, CA 92863

San Bernardino County Office
1170 W. 3rd Street, Suite 140
San Bernardino, CA 92410

Ventura County Office
950 County Square Drive, Suite 101
Ventura, CA 93003

Imperial County Office
1405 N. Imperial Ave., Suite 1
El Centro, CA 92243

Riverside County Office
3403 10th Street, Suite
Riverside, CA 92501

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Ruby Moreno at (213) 236-1840 or via email moreno@scag.ca.gov

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. If you require such assistance, please contact SCAG at (213) 236-1928 at least 72 hours in advance of the meeting to enable SCAG to make reasonable arrangements. To request documents related to this document in an alternative format, please contact (213) 236-1928.

The Regional Council is comprised of 84 elected officials representing 191 cities, six counties, six County Transportation Commissions and a Tribal Government representative within Southern California.
Transportation Finance Subcommittee
Member List

San Bernardino County: Hon. Gary Ovitt, Chair

Los Angeles County: Hon. Keith Hanks, Vice Chair
Hon. Bruce Barrows

Orange County: Hon. Brett Murdock

Ex-Officio Members
Lucy Dunn, President & CEO, Orange County Business Council
Denny Zane, Executive Director, Move LA
TRANSPORTATION FINANCE SUBCOMMITTEE
AGENDA
MARCH 1, 2013

The Transportation Finance Subcommittee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as information or action items.

CALL TO ORDER & PLEDGE OF ALLEGIANCE
(Hon. Gary Ovitt, Chair)

PUBLIC COMMENT PERIOD – Members of the public desiring to speak on items on the agenda, or items not on the agenda, but within the purview of the Subcommittee, must fill out and present a speaker’s card to the Assistant prior to speaking. Comments will be limited to three (3) minutes. The Chair may limit the total time for all comments to twenty (20) minutes.

REVIEW AND PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Approval Items

   Attachment
   Page No. 1

2. Minutes of February 7, 2013 Joint Meeting of the High-Speed Rail & Transit Subcommittee and the Transportation Finance Subcommittee
   Attachment
   Page No. 4

ACTION ITEM

3. Transportation Finance Subcommittee Draft Recommendations
   (Annie Nam & Warren Whiteaker, SCAG Staff)
   Attachment
   Time 60 mins.
   Page No. 7

CHAIRS’ REPORTS
(Hon. Gary Ovitt, Chair)

STAFF REPORTS
(Annie Nam, SCAG Staff)

ANNOUNCEMENTS

ADJOURNMENT
THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE JOINT MEETING OF THE GOODS MOVEMENT SUBCOMMITTEE AND THE TRANSPORTATION FINANCE SUBCOMMITTEE. A DIGITAL RECORDING OF THE ACTUAL MEETING IS AVAILABLE FOR LISTENING IN SCAG’S OFFICE.

A joint meeting of the Goods Movement Subcommittee and the Transportation Finance Subcommittee was held at SCAG’s office in downtown Los Angeles. A quorum of the Goods Movement subcommittee was present. A quorum of the Transportation Finance subcommittee was present.

**Goods Movement Subcommittee Members Present:**

<table>
<thead>
<tr>
<th>Hon.</th>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon.</td>
<td>Barbara Messina (Chair)</td>
<td>Alhambra</td>
</tr>
<tr>
<td>Hon.</td>
<td>Tim Spohn</td>
<td>City of Industry, SGVCOG</td>
</tr>
<tr>
<td>Hon.</td>
<td>Carol Herrera</td>
<td>City of Diamond Bar</td>
</tr>
<tr>
<td>Hon.</td>
<td>Jim Morton</td>
<td>City of Lynwood</td>
</tr>
<tr>
<td>Hon.</td>
<td>Russell Betts (Vice-Chair)</td>
<td>Desert Hot Springs, CVAG</td>
</tr>
<tr>
<td>Hon.</td>
<td>Jim Hyatt</td>
<td>Calimesa, District 3</td>
</tr>
<tr>
<td>Hon.</td>
<td>Ryan McEachron</td>
<td>City of Victorville, SANBAG</td>
</tr>
<tr>
<td>Hon.</td>
<td>Jack Terrazas</td>
<td>County of Imperial (via videoconference)</td>
</tr>
<tr>
<td>Hon.</td>
<td>Bert Hack</td>
<td>Laguna Woods, OCCOG</td>
</tr>
<tr>
<td>Mr.</td>
<td>Wally Baker (Ex-Officio)</td>
<td>Jobs 1st Alliance</td>
</tr>
<tr>
<td>Mr.</td>
<td>Elhami Nasr (Ex-Officio)</td>
<td>Caltrans District 7</td>
</tr>
<tr>
<td>Ms.</td>
<td>Lupe Valdez (Ex-Officio)</td>
<td>Union Pacific</td>
</tr>
<tr>
<td>Ms.</td>
<td>Fran Inman (Ex-Officio)</td>
<td>Majestic Realty</td>
</tr>
<tr>
<td>Mr.</td>
<td>Michael A. Morris (Ex-Officio)</td>
<td>FHWA</td>
</tr>
</tbody>
</table>

**Goods Movement Subcommittee Members Not Present:**

<table>
<thead>
<tr>
<th>Hon.</th>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon.</td>
<td>Paul Krekorian</td>
<td>City of Los Angeles</td>
</tr>
<tr>
<td>Hon.</td>
<td>John Nielsen</td>
<td>City of Tustin</td>
</tr>
<tr>
<td>Mr.</td>
<td>Paul Granillo (Ex-Officio)</td>
<td>Inland Empire Economic Partnership</td>
</tr>
</tbody>
</table>

**Transportation Finance Subcommittee Members Present:**

<table>
<thead>
<tr>
<th>Hon.</th>
<th>Name (Chair)</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon.</td>
<td>Keith Hanks (Vice-Chair)</td>
<td>Los Angeles County</td>
</tr>
<tr>
<td>Hon.</td>
<td>Bruce Barrows</td>
<td>Los Angeles County</td>
</tr>
<tr>
<td>Hon.</td>
<td>Brett Murdock</td>
<td>Orange County</td>
</tr>
<tr>
<td>Mr.</td>
<td>Denny Zane (Ex-Officio)</td>
<td>Move LA</td>
</tr>
<tr>
<td>Ms.</td>
<td>Lucy Dunn (Ex-Officio)</td>
<td>Orange County Business Council</td>
</tr>
</tbody>
</table>
CALL TO ORDER

Transportation Finance Chair Hon. Gary Ovitt called the meeting to order at 10:01 a.m. Hon. Brett Murdock, Transportation Finance Subcommittee Member, led the Subcommittees in the Pledge of Allegiance. Chair Ovitt provided an introduction to the meeting.

PUBLIC COMMENT PERIOD

No members of the public requested to make a comment.

CONSENT CALENDAR

Approval Items

1. Minutes of the December 10, 2012 Goods Movement Subcommittee Meeting

A MOTION was made (Betts) to approve the consent calendar. The MOTION was seconded (Hyatt) and UNANIMOUSLY APPROVED. Motion passed.

2. Minutes of the December 21, 2012 Transportation Finance Subcommittee Meeting

A MOTION was made (Murdock) to approve the consent calendar. The MOTION was seconded (Hanks) and UNANIMOUSLY APPROVED. Motion passed.

INFORMATION ITEMS

3. Background and Context for Funding & Financing Freight Transportation

Annie Nam, SCAG staff, presented an overview of strategies included in the 2012-2035 RTP/SCS to fund nearly $60 billion of goods movement projects identified in the plan. When thinking about how to fund freight projects moving forward, Ms. Nam suggested that three principles should act as guidelines: 1) there should be a nexus between the benefits and costs where the user pays for the cost of their use; 2) costs and risks should be shared between the public and private sector; and 3) costs could be shared across different levels of government. Ms. Nam concluded by noting that a wider array of funding mechanisms is needed to fund regional goods movement needs, which will be further refined in the 2016 RTP/SCS.


Dan Smith, Tioga Group, reported on the National Cooperative Freight Research Project 29 Report which examined options for generating dedicated revenue for freight infrastructure investment without modifications to the Federal Highway Trust Fund. Revenue mechanisms were evaluated in multiple categories including: carbon taxes, waybill or value-added taxes, public-private partnerships, investment tax credits, fuel tax surcharge, vehicle miles traveled and excise taxes, (sales taxes and registration fees). Of the strategies evaluated, Mr. Smith stated three types of funding mechanisms appeared to be the most viable as dedicated funding sources for freight, each with different pros and cons: fuel tax surcharge, vehicles miles traveled fees (VMT), and excise
taxes or registration fees. Enacting a VMT fee only for freight involves a long implementation period as well as high administrative, collection, compliance and enforcement costs. Additionally, privacy concerns and low public acceptance of these types of fees has been noted. Fuel taxes are a viable means to fund freight infrastructure as the current collection system is highly efficient compared to other options and distributes costs based on vehicle weight, emissions and greenhouse gases (GHG). Registration fees are also efficient and have a low implementation cost. The research found that registration fees could be updated, indexed and expanded to cover medium-duty trucks. Mr. Smith concluded by suggesting a long and short term approach is needed for funding freight. In the short term, it is more efficient to build on existing strategies where a collection mechanism is already in place. However, if other strategies are to be viable in a 10 to 20 year time frame, it is important to lay the groundwork for them now.

5. Overview of California’s Cap-and-Trade Program & Auction Proceeds Process

Jack Kitowski, Chief, Freight Transport, California Air Resources Board, presented an overview of California’s Cap-and-Trade process. Cap-and-Trade is a market mechanism designed to assist in meeting AB 32 goals of achieving 1990 levels of greenhouse gas (GHG) emission by 2020. It covers major sources of GHG emissions such as oil refineries, power plants, industrial facilities and transportation fuels. “Allowances” are sold through an auction process. There will be four auctions per year and the next one is scheduled for February 2013.

6. Discussion on making P3s, Tolling, and Innovative Financing Work for Transportation – Perspectives from the National Surface Transportation Infrastructure Financing Commission

Geoffrey Yarema, Nossaman LLP, discussed Public-Private Partnerships (P3s) and transportation financing mechanisms. Mr. Yarema noted current funding options are limited as the fuel tax revenue will decline along with lower fuel consumption due to improved vehicle efficiency. On the other hand, a VMT fee would be an efficient option if we prepare for it over the next ten years. Mr. Yarema reviewed several P3 project delivery models including design build, availability payment, and concession agreements. The success of P3s depends on the quality of the contract, but they have great potential to reduce costs and bring in additional investment. Mr. Yarema indicated that the P3 provisions of Senate Bill 4 (SBX2 4) are due to expire in 2017 and continuing enabling provisions are required.

CHAIR’S REPORT

No chair’s report was given.

ADJOURNMENT

The meeting adjourned at 12:12 p.m. The next meeting of the Goods Movement Subcommittee will be February 11, 2013 at the SCAG Los Angeles office. The next meeting of the Transportation Finance Subcommittee will be a joint meeting with the High-Speed Rail & Transit Subcommittee to be held February 7, 2013, at the SCAG Los Angeles office.
THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE
JOINT MEETING OF THE HIGH-SPEED RAIL & TRANSIT SUBCOMMITTEE AND
THE TRANSPORTATION FINANCE SUBCOMMITTEE. A DIGITAL RECORDING OF
THE ACTUAL MEETING IS AVAILABLE FOR LISTENING IN SCAG’S OFFICE.

A joint meeting of the High-Speed Rail & Transit Subcommittee and the Transportation Finance Subcommittee was held at SCAG’s office in downtown Los Angeles. The meeting was called to order by Transportation Finance Subcommittee Chair Hon. Gary Ovitt. A quorum was present.

High-Speed Rail & Transit Subcommittee Members Present:

Hon. Karen Spiegel (Chair) WRCOG
Hon. Ron Roberts District 5
Hon. Frank Quintero District 42
Hon. Bruce Barrows District 23
Hon. Jess Talamantes SFVCOG
Hon. Leroy Mills District 18
Ms. Nancy Pfeffer (Ex-Officio) Gateway Cities Council of Governments

High-Speed Rail & Transit Subcommittee Members Not Present:

Hon. Mike Antonovich (Vice Chair) Los Angeles County
Hon. Steve Hofbauer District 43
Hon. Ron Roberts District 5

Transportation Finance Subcommittee Members Present:

Hon. Bruce Barrows Los Angeles County
Hon. Gary Ovitt (Chair) San Bernardino County
Hon. Brett Murdock Orange County
Mr. Denny Zane (Ex-Officio) Move LA

Transportation Finance Subcommittee Members Not Present:

Hon. Keith Hanks (Vice Chair) Los Angeles County
Ms. Lucy Dunn (Ex-Officio) Orange County Business Council

CALL TO ORDER

Transportation Finance Subcommittee Chair Hon. Gary Ovitt called the meeting to order at 2:36 p.m. Hon. Leroy Mills, Orange County, led the subcommittees in the Pledge of Allegiance. Chair Ovitt stated the Joint Meeting will focus on strategies to increase resources available to fund and finance transportation programs and projects with an emphasis on public transportation.
PUBLIC COMMENT PERIOD

No members of the public requested to make a comment.

CONSENT CALENDAR

None.

INFORMATION ITEMS

1. **Mileage-Fee Design Strategies to Reduce System Cost and Increase Public Acceptance**

Paul Sorensen, RAND Corporation, introduced his presentation by highlighting that his key message points would address mileage fees, their motivations and issues they raise, and focus on emerging strategies that are addressing public acceptance concerns, and also how to help reduce the cost of the system. Mr. Sorensen’s presentation included the following topics:

- Motivations for Mileage Fees
- Implementation Mechanisms
- Core Challenges for Mileage Fees
- Promising Design and Transition Strategies

Ms. Nam, SCAG staff, emphasized to the Subcommittees that with the adoption of an approved funding strategy as part of the 2012-2035 RTP/SCS, that incorporated a mileage-based fees system, the next step is to establish a path to move forward with that strategy. She left the Subcommittees to consider two questions: 1) are there mechanisms in place that SCAG can start to look towards potentially a demonstration initiative; and 2) how does SCAG mitigate some of the constraints associated with those strategies? The full presentation was included in the Agenda packet.

2. **Public Understanding and Acceptance of Funding Options**

Richard Bernard, FM3 Research, gave a presentation on the firm’s research findings based on a telephone survey conducted in March and April of 2010, and a series of focus groups conducted in March and May of 2012, that included participants of residents in the five of the six SCAG counties. Mr. Bernard explained the research was focused on questions and information on different aspects of mileage-based user fees. Initially, the results were negative; the participants concerns focused on the disbelief that mileage-based user fees would significantly reduce traffic congestion and would create an increase of government control, decrease the incentive for purchasing fuel efficient/low emission vehicles, and would negatively impact the economy. The positive takeaways from these focus groups were that the residents support additional funding going to transportation improvements that include public transit, freeways, and local roads with mandatory local control of funds, and creating a reliable source of funding to address the wear and tear of our aging freeway system.

Mr. Bernard recommended testing the awareness of the problems the residents have in the SCAG counties. He also acknowledged an opportunity to frame a positive message addressing all of these concerns through an education program. Throughout the course of ten years the goal would be to
identify supporters, opponents, persuadable residents, and credible spokespeople to strengthen transportation funding awareness.

3. Public-Private Partnerships (P3s) and Transit

Marv Hounjet, Plenary Group, reported on the detailed structure of public-private partnerships (P3s) and its potential for transit. Mr. Hounjet specifically defined P3s, how P3s are structured, the role taken by sponsor and contractor, and what P3s do not include. Mr. Hounjet compared two projects, P3 versus traditional procurement, with similar components and noted the differences in risk transfer, alignments of interests, project management, sponsor financing, and project delivery impact. Questions were asked regarding specific clarifications of certain procurement methods and their applicability to transit projects, and Mr. Hounjet concluded by providing additional scenarios and asking the members to consider the life-cycle cost of an asset and increased penalties for non-performance. The full presentation was included in the Agenda packet.

4. High Desert Corridor P3 Rail Component

Kern Jacobson, InfraConsult, briefed the Subcommittees on the High Desert Multipurpose Corridor (HDMC), a project that connects Palmdale to Victorville, and on its viability as a P3. What started as a highway only project has grown to become a potential linkage to the Statewide High-Speed Rail (HSR) network. Mr. Jacobson continued his presentation outlining the following topics:
   - Primary Project Components
   - Rail Component Options
   - Travel Market and Ridership

In conclusion of the presentation, Mr. Jacobsen noted that the success of the HDMC relies upon the assumption of the cost of track improvements for the Los Angeles to Palmdale corridor by the CaHSRA, adequate market appetite, availability of early public funding, and the accuracy of ridership and revenue forecasts. The full presentation, along with the financial analysis, is included in the Agenda packet.

5. Options for Funding Rail Initiatives

Denny Zane, Move LA and Transportation Finance Subcommittee Ex-Officio Member, outlined three funding options: 1) statewide bonds, 2) sales tax on transportation fuels, and 3) multi-county or regional measures. Due to the local election requirements of passing any statewide measure by a two-thirds vote, Mr. Zane encourages pursuing a course of action that would lower the voter approval threshold. While these options will face significant hurdles, Mr. Zane concluded his report on a positive note.

CHAIR’S REPORT

No chair’s report was given.

ADJOURNMENT

The meeting adjourned at 4:38 p.m. The next meeting of the High-Speed Rail & Transit Subcommittee will be Friday, February 15, 2013. The next meeting of the Transportation Finance Subcommittee will be March 1, 2013.
Transportation Finance Subcommittee Charter

Background

The Transportation Finance Subcommittee (Subcommittee) is being formed at the direction of the Regional Council. The SCAG region’s transportation needs are rapidly expanding while resources to support these needs continue to diminish as fuel efficiency improves and gas tax revenues remain unchanged. At the same time, the cost of bringing our assets back to a state of good repair is projected to grow exponentially as the region continues to undergo rapid growth without state, federal, and other critical funding. Environmental constraints and lengthy project development processes also contribute to cost escalation and continue to limit the region’s ability to deliver critical projects.

To effectively compete in the global economy, the region must strategically invest in transportation infrastructure while ensuring maximum return on investment. As such, the adopted 2012-2035 RTP/SCS incorporated some key financial strategies as follows:

- A mileage-based user system, with deployment by 2025 as a viable long-term strategy—estimates $90 billion in 2011 dollars to replace existing gas taxes.
- Short-term actions including modest increases of gas taxes—additional $0.15 per gallon imposed by the state and federal government from 2017 through 2024.
- Targeted application of congestion pricing strategies including a regional express lane network (that would allow single-occupancy vehicles to use high occupancy vehicle lanes for a fee) to facilitate inter-county travel.
- Establishment of a national freight program to fund key projects of regional and national significance.
- Supplementing these new sources, the use of innovative financing mechanisms to facilitate partnerships with the private sector.

Purpose

As a follow up to the adoption of the 2012-2035 RTP/SCS, the Transportation Finance Subcommittee would provide the necessary leadership and policy forum for development of a Coordinated Action Plan for moving towards implementation of key strategies identified in the 2012 RTP/SCS, including but not limited to demonstration of necessary steps for conducting research, development and implementation.

Additionally, the success of the strategies identified in the 2012-2035 RTP/SCS will depend upon SCAG’s ability to facilitate a coordinated campaign with local, state, and federal policymakers as well as business leadership. The
Subcommittee Charter: Purpose

- development of a coordinated Action Plan for moving towards implementation of key strategies identified in the 2012–2035 RTP/SCS
- success of the strategies identified in the 2012–2035 RTP/SCS will depend upon SCAG’s ability to facilitate a coordinated campaign with local, state, and federal policymakers as well as business leadership
- subcommittee would provide SCAG staff the necessary guidance for development of the upcoming 2016–2040 RTP/SCS as appropriate
Subcommittee Charter: Deliverables

- Action Plan for moving forward implementation of key strategies identified in the 2012–2035 RTP/SCS
- Identify economic benefits for expediting RTP/SCS project delivery
- Framework for the development of the financial plan for the upcoming 2016–2040 RTP/SCS
- Investigate potential mitigation measures to lessen impacts from revenue strategies included in the 2012–2035 RTP/SCS*

* Not included in Subcommittee Charter; added by Subcommittee at 1st Meeting
INTRODUCTION

The financial plan identifies how much money is available to support the region's
transportation investments, including transit, highway, rail, and improved
systems. The plan provides a framework for investment in planned transportation
projects. Improvements in multi-modal transportation systems are critical to
maintaining the health of Southern California's economy. The 2012-2016 RTP
SCS calls for traditional and non-traditional revenue sources for implementing a
program of transportation improvements to keep traffic and people moving.

The 2012-2016 RTP/SCS includes a number of reasonably available revenue sources
to supplement existing transportation funding. The SCS region's financial investment plan
includes a core revenue stream of existing local, state, and federal sources along with
funding sources that are reasonably available over the time horizon of the RTP/SCS. The
financial plan also includes action steps to attain the revenues necessary for implement-
ing the region's transportation needs.

SCS acknowledges the considerable challenges associated with financing transportation
improvements. The plan highlights the importance of finding new and innovative ways
to pay for transportation, including new and expanding sources of transportation funds
that are required to maintain the existing transportation system. Additionally, the region is
facing a challenging funding environment with the Federal Highway Trust Fund, as
federal tax revenue continues to decline. Additionally, the viability of California's State
Highway Account remains in question, as only a fraction of the funds are used to support
diverse sources.

To support limited state and federal revenues, the region continues to rely upon local
initiatives (70 percent of state revenues) to meet transportation needs. With a total of
$60 billion in revenues throughout the region, including the passage of Measure B in
Los Angeles County since the adoption of the 2008 RTP, we are increasingly becoming
self-sustaining. However, the continued growth of the region's transportation
system—particularly in the movement of goods—requires the need for additional
state and federal investment. Our transportation system is the responsibility of all levels
governments.
Financial Plan Review: Traditional Transportation Funding Mechanisms

- Sales Tax
- Farebox
- Gas Tax
- Tolls
- Bonds
- Impact Fees
Financial Plan Review: Guiding Principles for New Revenues

- User-based, reflecting true cost of transportation but ensuring an equitable distribution of costs and benefits
- Promote stabilization of national and state programs
- Promote strategies that strengthen federal commitment to goods movement
- Leverage locally available funding with innovative financing tools
  - Attract private capital and accelerate project delivery
## Financial Plan Review
### Innovative Financing and New Revenue Sources

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Description</th>
<th>Revenue ($Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds from Local Sales Tax Measures</td>
<td>Issuance of debt against existing sales tax revenues: Los Angeles, Orange, Riverside, and San Bernardino counties.</td>
<td>$25.6</td>
</tr>
<tr>
<td>State and Federal Gas Excise Tax Adjustment to Maintain Historical Purchasing Power</td>
<td>Additional $0.15 per gallon gasoline tax imposed at the state and the federal levels starting in 2017 to 2024—to maintain purchasing power.</td>
<td>$16.9</td>
</tr>
<tr>
<td>Mileage-Based User Fee (or equivalent fuel tax adjustment)</td>
<td>Mileage-based user fees would be implemented to replace gas tax—estimated at about $0.05 (2011$) per mile and indexed to maintain purchasing power starting 2025.</td>
<td>$110.3 (est. increment only)</td>
</tr>
<tr>
<td>Highway Tolls (includes toll revenue bond proceeds)</td>
<td>Toll revenues generated from SR-710 Tunnel, I-710 South Freight Corridor, East-West Freight Corridor, segment of the High Desert Corridor, and Regional Express/HOT Lane Network.</td>
<td>$22.3</td>
</tr>
<tr>
<td>Private Equity Participation</td>
<td>Private equity share as may be applicable for key initiatives: e.g., toll facilities; also, freight rail package assumes railroad share of costs for mainline capacity and intermodal facilities such as SCIG and ICTF modernization.</td>
<td>$2.7</td>
</tr>
</tbody>
</table>
## Revenue Source Description

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Description</th>
<th>Revenue ($Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight Fee/National Freight Program</td>
<td>A national freight program is anticipated with the next federal reauthorization of the surface transportation act. The National Freight Program described in Senate proposed transportation reauthorization bill (MAP-21) would establish federal formula funding for infrastructure improvements supporting the national freight network. Early estimates indicate roughly $2 billion per year nationally. Regional estimate assumes a conservative percentage of national totals.</td>
<td>$4.2</td>
</tr>
<tr>
<td>E-Commerce Tax</td>
<td>E-commerce sales refer to the sale of goods and services where an order is placed, or price and terms of the sale are negotiated over the internet or other online system. Potentially, the revenue could be used for transportation purposes, given the relationship between e-commerce and the delivery of goods to California purchasers.</td>
<td>$3.1</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>Interest earnings from toll bond proceeds.</td>
<td>$0.2</td>
</tr>
</tbody>
</table>
## Financial Plan Review
### Innovative Financing and New Revenue Sources

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Description</th>
<th>Revenue ($Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bond Proceeds, Federal Grants &amp; Other for California High Speed Rail Program</td>
<td>State general obligation bonds authorized under the Bond Act approved by California voters as Proposition 1A in 2008; federal grants authorized under American Recovery and Reinvestment Act and High-Speed Intercity Passenger Rail Program; potential use of qualified tax credit bonds; and private sources.</td>
<td>$33.0</td>
</tr>
<tr>
<td>Value Capture Strategies</td>
<td>Assumes formation of special districts (Infrastructure Financing Districts) including use of tax increment financing for specific initiatives: e.g., East-West Freight Corridor.</td>
<td>$1.2</td>
</tr>
</tbody>
</table>
Financial Plan Review: Estimating Costs

- Expenditures fall into three main categories:
  - Capital costs, operations and maintenance, and debt service
- Each of the county transportation commissions (CTCs) provided detailed estimates for capital costs
- Operations and maintenance costs from CTCs, transit operators, Caltrans, and others
- Debt service payments for current and anticipated bond issuances consistent with CTCs’ established policies
Financial Plan Review: Expenditures and Revenues

FY2011-FY2015
FY2016-FY2020
FY2021-FY2025
FY2026-FY2030
FY2031-FY2035

In Billions

- Capital Costs
- Operations & Maintenance Costs
- Debt Service
- Core Revenue
- Innovative Financing and New Sources
Supplemental Revenue Sources to Review Based on Subcommittee Discussion

- Sales tax on transportation fuels
- Vehicle-related surcharges
- Vehicle license/registration fee
  - County-level fee
- Risk transfer/efficiency gains from P3s
Review of Subcommittee Meetings

First Meeting:

- Financial plan context and strategies incorporated in 2012–2035 RTP/SCS overview
- Statewide Ten-Year Needs Assessment, including shortfall and revenue options
- Measure J briefing
- Subcommittee Work Plan approved
Review of Subcommittee Meetings

Second Meeting:

- Project capital costs, including components of material and labor costs
- Economic analysis of benefits of expediting project delivery
- OCTA’s Breaking Down Barriers briefing
- Lowering voter threshold requirement for local transportation measures discussion
Review of Subcommittee Meetings

- Third Meeting:
  - State Highway Operation and Protection Program overview and status update
  - California Statewide Needs Assessment of local streets and roads system preservation needs and funding options
  - Transit system preservation needs and efforts to achieve a state of good repair briefing
Fourth Meeting (with Goods Movement Subcommittee):

- Research findings for new dedicated revenue mechanism for freight investment
- Cap-and-trade program and auction proceeds process overview
- Public-private partnerships, tolling, innovative financing options, and new transportation revenue sources discussion
Review of Subcommittee Meetings

- Fifth Meeting (with High-Speed Rail & Transit Subcommittee):
  - Mileage-fee design strategies to reduce system costs and increase public acceptance
  - Public understanding and acceptance of transportation funding options
  - Public-private partnerships and transit
  - High Desert Corridor rail component update
  - Funding options for rail initiatives
Staff Recommendations

Over the course of five subcommittee meetings convened to date from October 2012 to February 2013, the Transportation Finance Subcommittee engaged in dialogue with key experts and addressed critical emerging and long-term issues impacting transportation funding, including:

- Reviewed project cost considerations in the 2012–2035 RTP/SCS financial plan;
- Reviewed best practices for expediting project delivery and economic considerations;
- Discussed the potential for lowering the voter threshold requirement for local transportation measures;
- Highlighted the importance of maintaining our assets to achieve a state of good repair—as cost-efficiency measures;
- Reviewed potential new revenue mechanisms for freight transportation infrastructure;
- Considered options for public-private partnerships, tolling, and innovative financing;
- Discussed California's Cap-and-Trade auction proceeds process; and
- Reviewed options for designing mileage-based user fees to reduce system costs and increase public acceptance.

The following staff recommendations reflect the dialogue of the subcommittee meetings along with input provided by ex-officio members and stakeholders. These staff recommendations are intended to further facilitate implementation of the adopted 2012–2035 RTP/SCS financial plan strategies and lay the groundwork for developing the 2016–2040 RTP/SCS financial plan. These recommendations are complementary to financial plan implementation steps documented in the 2012–2035 RTP/SCS and will serve as critical input into staff work programs designed to meet implementation milestones.
Draft Recommendations: Cost Containment

- Continue to investigate cost-efficiency measures for transportation investments
  - Continue to highlight analysis of system preservation and full life-cycle costs for major transportation initiatives in the 2012–2035 RTP/SCS
  - Track results of economic benefits analysis of expedited project delivery
  - Support and seek opportunities to promote expedited project delivery
Draft Recommendations: Cost Containment

- **Next Steps to 2016–2040 RTP/SCS Development**

  Develop framework for a regional asset management system to better gauge system preservation and state of good repair needs as a part of the 2016–2040 RTP/SCS financial plan development process, consistent with SCAG’s FY2013 Overall Work Program (OWP)
Draft Recommendations: Funding Options

- Continue to monitor and analyze emerging transportation funding options for multimodal investments
  - Seek opportunities to support and promote lower voter threshold initiatives for transportation measures
  - Collaborate with regional partners to pursue opportunities for cap-and-trade auction proceeds to support transportation investments, including freight technology advancement demonstration projects
Draft Recommendations: Funding Options

- Continue to monitor and analyze emerging transportation funding options for multimodal investments (continued)
  - Support and promote public-private partnership opportunities for viable transportation initiatives throughout the region
  - Track potential measures to augment and stabilize state and federal transportation revenues, including adjustments to fuel excise taxes and sales taxes on transportation fuels
Draft Recommendations: Funding Options

Next Steps to 2016–2040 RTP/SCS Development

Develop comprehensive set of multimodal funding options for consideration as part of the 2016–2040 RTP/SCS financial plan development process
Draft Recommendations: Partnerships and Demonstration

- Promote and seek on-going partnerships with regional partners, business leaders, and other stakeholders to further SCAG’s 2012–2035 RTP/SCS financial plan strategies
  - Continue to finalize Concept of Operations plan for a regional network of express lanes
  - Engage regional partners, including transportation agencies, in research, development, and demonstration efforts for a mileage-based user fee system
Draft Recommendations: Partnerships and Demonstration

- Promote and seek on-going partnerships with regional partners, business leaders, and other stakeholders to further SCAG’s 2012–2035 RTP/SCS financial plan strategies (continued)
  
  • Support and promote a dedicated funding source for goods movement, including implementation of MAP-21 freight provisions
Draft Recommendations:
Partnerships and Demonstration

- **Next Steps to 2016–2040 RTP/SCS Development**

  Staff participation in partnerships and continue to pursue foundational efforts for new revenue strategies
Questions?
Transportation Finance Subcommittee

Staff Recommendations

Over the course of five subcommittee meetings convened to date from October 2012 to February 2013, the Transportation Finance Subcommittee engaged in dialogue with key experts and addressed critical emerging and long-term issues impacting transportation funding, including:

- Reviewed project cost considerations in the 2012–2035 RTP/SCS financial plan;
- Reviewed best practices for expediting project delivery and economic considerations;
- Discussed the potential for lowering the voter threshold requirement for local transportation measures;
- Highlighted the importance of maintaining our assets to achieve a state of good repair—as cost-efficiency measures;
- Reviewed potential new revenue mechanisms for freight transportation infrastructure;
- Considered options for public-private partnerships, tolling, and innovative financing;
- Discussed California’s Cap-and-Trade auction proceeds process; and
- Reviewed options for designing mileage-based user fees to reduce system costs and increase public acceptance.

The following staff recommendations reflect the dialogue of the subcommittee meetings along with input provided by ex-officio members and stakeholders. These staff recommendations are intended to further facilitate implementation of the adopted 2012–2035 RTP/SCS financial plan strategies and lay the groundwork for developing the 2016–2040 RTP/SCS financial plan. These recommendations are complementary to financial plan implementation steps documented in the 2012–2035 RTP/SCS and will serve as critical input into staff work programs designed to meet implementation milestones.

1. **Continue to investigate cost-efficiency measures for transportation investments**
   - Continue to highlight analysis of system preservation and full life-cycle costs for major transportation initiatives in the 2012–2035 RTP/SCS
   - Track results of economic benefits analysis of expedited project delivery
   - Support and seek opportunities to promote expedited project delivery

   **Next Steps to 2016–2040 RTP/SCS Development:** Develop framework for a regional asset management system to better gauge system preservation and state of good repair needs as a part of the 2016–2040 RTP/SCS financial plan development process, consistent with SCAG’s FY2013 Overall Work Program (OWP).

2. **Continue to monitor and analyze emerging transportation funding options for multimodal investments**
   - Seek opportunities to support and promote lower voter threshold initiatives for transportation measures
• Collaborate with regional partners to pursue opportunities for cap-and-trade auction proceeds to support transportation investments, including freight technology advancement demonstration projects
• Support and promote public-private partnership opportunities for viable transportation initiatives throughout the region
• Track potential measures to augment and stabilize state and federal transportation revenues, including adjustments to fuel excise taxes and sales taxes on transportation fuels

**Next Steps to 2016–2040 RTP/SCS Development:** Develop comprehensive set of multimodal funding options for consideration as part of the 2016–2040 RTP/SCS financial plan development process.

3. **Promote and seek on-going partnerships with regional partners, business leaders, and other stakeholders to further SCAG’s 2012–2035 RTP/SCS financial plan strategies**
   • Continue to finalize Concept of Operations plan for a regional network of express lanes
   • Engage regional partners, including transportation agencies, in research, development, and demonstration efforts for a mileage-based user fee system
   • Support and promote a dedicated funding source for goods movement, including implementation of MAP-21 freight provisions

**Next Steps to 2016–2040 RTP/SCS Development:** Staff participation in partnerships and continue to pursue foundational efforts for new revenue strategies.