BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ENDORSING THE SOUTH/NORTH LIGHT RAIL PROJECT FINANCE PLAN	) RESOLUTION NO. 97-2460) Introduced by) Mike Burton,) Executive Officer

WHEREAS, The Intermodal Surface Transportation Efficiency Act (ISTEA) was adopted by Congress in 1991; and

WHEREAS, ISTEA is scheduled to expire at the end of federal Fiscal Year 1997 (September 30, 1997); and

WHEREAS, Congress will be considering reauthorization of ISTEA beginning in March 1997 and has asked for requests for federal funding to be submitted by February 25, 1997; and

WHEREAS, The South/North Light Rail Project requires federal funds in order to be constructed; and

WHEREAS, It is through ISTEA that a federal "New Rail Starts" funding commitment would be made; and

WHEREAS, Metro Council adopted Resolution No. 96-2442 in January 1997, which endorsed a Regional Position on reauthorization of ISTEA; and

WHEREAS, Resolution No. 96-2442 calls for the development of a detailed financial plan for the South/North Light Rail Project; and

WHEREAS, The South/North Steering Committee adopted a detailed financial plan for the South/North Light Rail Project on February 4, 1997; now, therefore,

BE IT RESOLVED,

That the Metro Council:

1. Endorses the South/North Light Rail Project Financial Plan as adopted by the South/North Steering Committee on February 4, 1997 and included herein as Exhibit A.

2. Excludes State Transportation Improvement Program funding from Fiscal Year 1998-2001 from the South/North Finance Plan with the exception of the $55 million of Regional STP funds committed to the project.

3. Requests that the South/North Steering Committee develop and adopt revisions to the South/North Light Rail Project Financial Plan as required in order to respond to the federal

reauthorization process and/or to the adoption of the "locally preferred strategy" at the end of the Draft Environmental Impact Statement process.

ADOPTED by the Metro Council this 20th day of February, 1997

Jon Kvistad

Jon Kvistad, Presiding Officer

Approved as to Form:

Daniel B. Cooper

Daniel B. Cooper, General Counsel

February 12, 1997

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STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 97-2460 FOR THE PURPOSE OF ENDORSING THE SOUTH/NORTH LIGHT RAIL PROJECT FINANCE PLAN

Date: February 11, 1997 Presented by: Andrew Cotugno

PROPOSED ACTION

This resolution endorses the South/North Light Rail Project Financial Plan as adopted by the South/North Steering Committee on February 4, 1997. The resolution also excludes State Transportation Improvement Program funding from Fiscal Year 1998-2001 from the South/North Finance Plan. Finally, the resolution requests that the South/North Steering Committee develop and adopt revisions to the South/North Light Rail Project Financial Plan as required in order to respond to the federal reauthorization process and/or to the adoption of the "locally preferred strategy" at the end of the Draft Environmental Impact Statement process (DEIS).

FACTUAL BACKGROUND AND ANALYSIS

Background

The South/North Finance Plan was adopted by the South/North Steering Committee on February 4, 1997 in response to Resolution No. 96-2442 (for the purpose of endorsing a regional position on reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA)) approved by Metro Council on January 23, 1997. Specifically, Exhibit A of Resolution No. 96-2442 calls for the adoption of a detailed financial plan that would propose local and federal funding shares for a South/North Phase One project to form the basis of the Region's request for federal Section 3 "New Starts" funds to be included within the reauthorization of ISTEA.

On January 28, 1997, a joint work session of the South/North Steering Committee and the South/North Citizens Advisory Committee was held. At the work session, members of the committees discussed various conceptual cost-cutting measures being developed by project staff. Those cost-cutting measures, while conceptual and preliminary, could provide the opportunity to reduce project costs by approximately one-third. The committees discussed several project segments and their preliminary costs and ridership estimates as a result of those measures.

Specifically, a potential Phase I project from the Clackamas Regional Center to the vicinity of Lombard Street in North Portland was discussed as having the highest ridership potential with the lowest cost per mile if a funding plan for approximately $1.3 billion could be developed. It was explained that the Phase I project would need to be divided into two construction segments. The first construction segment (or Interim Operable Segment (IOS)) would be funded under the pending ISTEA reauthorization. The second construction segment would be funded under the subsequent ISTEA reauthorization.

Summary of the Finance Plan

Subsequent to the work session, a draft finance plan for the South/North Project was discussed at the January 30, 1997 meeting of the Finance Committee of the Joint Policy Committee on Transportation (JPACT). The JPACT Finance Committee recommended the adoption of the draft finance plan to the South/North Steering Committee reflecting further consideration by JPACT of a resolution concerning a potential light rail extension to the Portland International Airport.

The South/North Finance Plan includes the following key elements:

- The Phase I South/North Light Rail Project would run between the Clackamas Regional Center and Lombard Street in North Portland. The Phase II South/North Project would complete the Downtown Portland North Mall light rail extension between Pioneer Square and the Steel Bridge and extend the project to Clark County and Oregon City.

- The Phase I South/North Project would be constructed in segments (see Figure 1). The first "interim operable segment" (IOS-1) would run between the Clackamas Regional Center and the Rose Quarter. The second segment (IOS-2) would extend the line from the Rose Quarter to Lombard Street.

- The funding request for the upcoming reauthorization of ISTEA is for the construction of IOS-1 and final design for IOS-2.

- The region has committed $540 million for the Phase I project from voter approved general obligation bonds and other locally controlled funds. In order to keep the Section 3 request as low as possible, locally controlled funds would be advanced into IOS-1.

- The Section 3 request for the upcoming reauthorization bill is $487.1 million. The federal share would be 49 percent for the initial IOS-1 request and 58 percent for the overall Phase I South/North Project.

- Federal funding for IOS-2 would be requested in a subsequent federal authorization bill. The local overmatch in IOS-1 (plus the non-federal funds used to construct the Airport Light Rail, if appropriate) would be used to match the federal share for IOS-2.

The finance plan is based upon the assumption that approximately $500 million in cost reductions (approximately one-third) would be made (compared to the November 1996

Clackamas Regional Center to Rose Quarter representative alignment). However, the finance plan does not stipulate which cost-cutting measures should be adopted to reach that target.

Finally, the finance plan and resolution note that the plan may be amended to respond to the results of the federal reauthorization process and/or to the adoption of the "locally preferred strategy" at the end of the DEIS process.

Related Activities

The process to amend the range of alternatives to be studied further in the DEIS will be initiated in March 1997. The purpose of the amendments will be to address possible cost-cutting options within the DEIS, in order to provide comparative information on costs, benefits and travel demand. Following publication of the DEIS, the region will adopt the locally preferred strategy (LPS). The LPS will adopt the length and alignment for the preferred Phase I project, the first construction segment and the specific cost-cutting measures to incorporate into the design of the project.

Extensive public involvement activities have and will continue to be incorporated into the South/North Light Rail Project. Following the November 1996 election, project staff and Steering Committee members met with various citizen and business groups and with the South/North Citizens Advisory Committee (CAC) as the project worked to determine which next steps the project should take. The CAC also discussed and unanimously recommended the adoption of the ISTEA position paper. In addition, participating jurisdiction staff, CAC members and elected officials have been participating in presentations and discussions with established community groups throughout the region. The next steps in the public involvement process will be to tally the results of a mailer/questionnaire (over 100,000 have been distributed to date). In March 1997, the project will implement a public involvement program supporting the process to amend the DEIS alternatives. And finally, an extensive public process will be incorporated into the adoption of the LPS report, including a 45-day public comment period immediately following publication of the DEIS.

The South/North Steering Committee forwarded the adopted finance plan to members of the Oregon congressional delegation. In addition, the project will be submitting responses to several questions asked by the House Committee on Transportation and Infrastructure, Subcommittee on Surface Transportation. The subcommittee, which is considering elements of the ISTEA reauthorization bill, requested that all members of Congress seeking funding through the bill respond to fourteen specific questions by February 25, 1997. The project's response to those questions will be based on the adopted finance plan and on-going environmental and travel demand forecasting analysis.

REGIONAL SERVICES

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EXHIBIT A

METRO

February 4, 1997

The Honorable Ron Wyden
259 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Wyden:

On February 4, 1997, the South/North Steering Committee adopted the attached funding plan for the South/North Light Rail Project. The funding plan was recommended to the Steering Committee by the Joint Policy Advisory Committee on Transportation (JPACT) Finance Committee. Based on this plan, we request $487.1 million in federal funds in the upcoming Intermodal Surface Transportation Efficiency Act (ISTEA) reauthorization bill for the initial segment of the South/North Light Rail Project. The plan may be amended to respond to the results of the federal reauthorization process and to the adoption of the "locally preferred strategy" at the end of the Draft Environmental Impact Statement (DEIS) process.

FUNDING PLAN

Following are the major elements of the adopted finance plan:

- The Phase I South/North Light Rail Project would run between the Clackamas Regional Center and Lombard Street in North Portland. The Phase II South/North Project would complete the Downtown Portland North Mall light rail extension between Pioneer Square and the Steel Bridge and extend the project to Clark County and Oregon City.

- The Phase I South/North Project would be constructed in segments (see Figure 1). The first "interim operable segment" (IOS-1) would run between the Clackamas Regional Center and the Rose Quarter. The second segment (IOS-2) would extend the line from the Rose Quarter to Lombard Street.

- The funding request for the upcoming reauthorization of ISTEA is for the construction of IOS-1 and final design for IOS-2.

- The Region has committed $540 million for the Phase I project from voter approved general obligation bonds and other locally controlled funds. In order to keep the Section 3 request as low as possible, locally controlled funds would be advanced into IOS-1.

- The Section 3 request for the upcoming reauthorization bill is $487.1 million. The federal share would be 49 percent for the initial IOS-1 request and 58 percent for the overall Phase I South/North Project.

- Federal funding for IOS-2 would be requested in a subsequent federal authorization bill. The local overmatch in IOS-1 (plus the non-federal funds used to construct the Airport Light Rail, if appropriate) would be used to match the federal share for IOS-2.

AIRPORT LIGHT RAIL EXTENSION

The region is considering pursuing an "undertaking" consisting of the Phase I South/North Light Rail Project and the Airport Light Rail Project, if such an undertaking helps to secure congressional approval of the Section 3 request for the South/North Light Rail Project. The Airport Light Rail Project would be fully funded with non-federal funds and would be pursued in a manner that does not compete for funding with the South/North Light Rail Project. The resulting federal share for the South/North Light Rail-Airport Light Rail "undertaking" would be 52 percent. If referencing the Airport Light Rail Project in the ISTEA language is ill-advised, the proposed ISTEA language would focus solely on the South/North Light Rail Project.

ASSUMPTIONS

Following are key assumptions of the adopted finance plan:

- Approximately $500 million in cost reductions, compared with the November 1996 Clackamas Regional Center to Rose Quarter representative alignment, will be adopted through the DEIS process and "locally preferred strategy" decision.
- The Full Funding Grant Agreement or a Letter of No Prejudice will be executed in mid-1999.
- Construction will be expedited within a five-year schedule by using local funds for advanced design prior to the execution of the Full Funding Grant Agreement or Letter of No Prejudice.
- Appropriations will run about $100 million per year and more than $120 million of interim borrowing capacity will be available. Lower levels of annual appropriations will necessitate higher levels of interim borrowing.

Attachment: Funding Plan, Tables One and Two.

Ed. Washington
Councilor Ed Washington
Metro
Chair, South/North Steering Committee

Commissioner Ed Lindquist
Clackamas County

Commissioner Charlie Hales
City of Portland

Mayor Dan Fowler
Oregon City

Mayor Craig Lomnicki
City of Milwaukie

Donald S. McClave
Tri-Met Board of Directors

Don Wagner, ODOT
Region 1 Administrator

Commissioner Gary Hansen
Multnomah County

South North Light Rail
Finance Plan
February 4, 1997

I. South/North Project Description

This finance plan is based upon a Phase I South/North Light Rail Project which would run between the Clackamas Regional Center and Lombard Street in north Portland. This plan, which was recommended by the Joint Policy Advisory Committee on Transportation (JPACT), was adopted unanimously by the South/North Steering Committee on February 4, 1997.

II. Segmentation

Under the finance plan, the Phase I Project would be built in two construction segments called Interim Operable Segments (IOS)–see Figure 1. The first construction segment (IOS-1) would be built between Clackamas Regional Center and the Rose Quarter. IOS-1 includes funding for the final design of IOS-2. The construction of the Rose Quarter to Lombard Street segment (IOS-2) would immediately follow IOS-1. From an outside perspective, the project would appear seamless, although the initial Full Funding Grant Agreement (FFGA) would only fund IOS-1 and the final design of IOS-2. The FFGA would have to be amended to incorporate the construction of IOS-2 when federal funds are authorized for this segment during ISTEA-3. The initial FFGA would state an intent to construct the full-length project.

III. ISTEA-2 Authorization Needs

The Section 3 authorization needed in ISTEA-2 is derived from the funding plan for IOS-1 shown in Table 2 (again, this plan includes funding for the final design of IOS-2). The funding plan includes a five-year construction schedule beginning on the FFGA execution date. This would require that advanced design for IOS-1 be prepared concurrently with Preliminary Engineering/Final Environmental Impact Statement activities which could be funded with $15 million of local funds from the 1990 General Obligation Bond (G.O. Bond). Since this effort occurs prior to the construction schedule shown in Table 1, these activities are not included in Table 1.

As shown in Table 1, the Section 3 authorization request for the upcoming reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA-2) is proposed to be $487.1 million. The Section 3 match ratio for IOS-1 would be 48.6%. This results from advancing all available G.O. Bond funds toward the construction of IOS-1. However, no FY 2005 (or later) Surface Transportation Program (STP) funds would be advanced into IOS-1–these would be used for IOS-2.

It should be noted that, given the appropriation level assumptions (e.g., Section 3 funds would be appropriated at 50% of project needs up to $100 million), $118.6 million of (end-of-year) interim borrowing would be needed for IOS-1 (see footnotes on Table 1 and Table 2). It is assumed that these funds would be repaid as soon as and to the extent that subsequent Section 3 appropriation levels exceed annual project funding requirements.

IV. Total Project Match Ratio

Table 1 shows the total project finance plan (IOS-1 and IOS-2 together). The total estimated cost of the project is $1.3 billion in year-of-expenditures dollars (based upon the expenditure flow within this plan). The total Section 3 authorization requirement, which would be requested over two authorization cycles, would be $760 million–$487.1 million in ISTEA-2 and $272.9 million in ISTEA-3.

Viewed on a percentage basis, 58% of the total (IOS-1 and IOS-2) project would be funded by Section 3 funds, 4% by STP funds, 1% by development-related sources (tax increment) and 37% by the G.O. Bonds.

V. Assumptions

The plan is based upon a FFGA execution date in mid-1999 and on a schedule that would use the $15 million of 1990 G.O. Bonds for "advanced design" activities during the PE/FEIS stage. Both of these elements of the funding plan schedule are needed to achieve the aggressive construction schedule used herein.

This finance plan is also based on capital cost estimates that would incorporate about $500 million in cost savings to be derived from decisions to accept cost reduction actions. This plan does not stipulate which of those reductions is taken.

It is important to note that there is no slack in the finance plan–a $487.1 million authorization is needed in ISTEA-2 to execute an FFGA which covers a CRC to Rose Quarter IOS-1 and final design for the Rose Quarter to Lombard Street segment. Additional funding would be needed if a more expensive alignment option–for example, Caruthers Bridge, Interstate Avenue, etc.–was selected than assumed in this base finance plan. Also, note that annual appropriation levels may be less than those assumed in the plan (even if the authorization request is approved). Lower than anticipated annual appropriations would have a major impact on the amount of interim borrowing that would be needed.

If the Section 3 authorization is roughly $30 million less than requested, then the CRC to Rose Quarter segment can be built, but the final design for IOS-2 would not be included in IOS-1 (and, as a result, the cost of IOS-2 would increase). An authorization below $457 million implies that additional local funding and/or cost reductions would have to be found to construct the CRC to Rose Quarter segment. Even with additional local funds and cost savings, Congress may authorize Section 3 funding below what is needed for IOS-1. In that case, the scope of IOS-1 would have to be changed from CRC to Rose Quarter to a shorter segment, such as Milwaukie to Rose Quarter. A revised financing plan would be produced if this situation arises.

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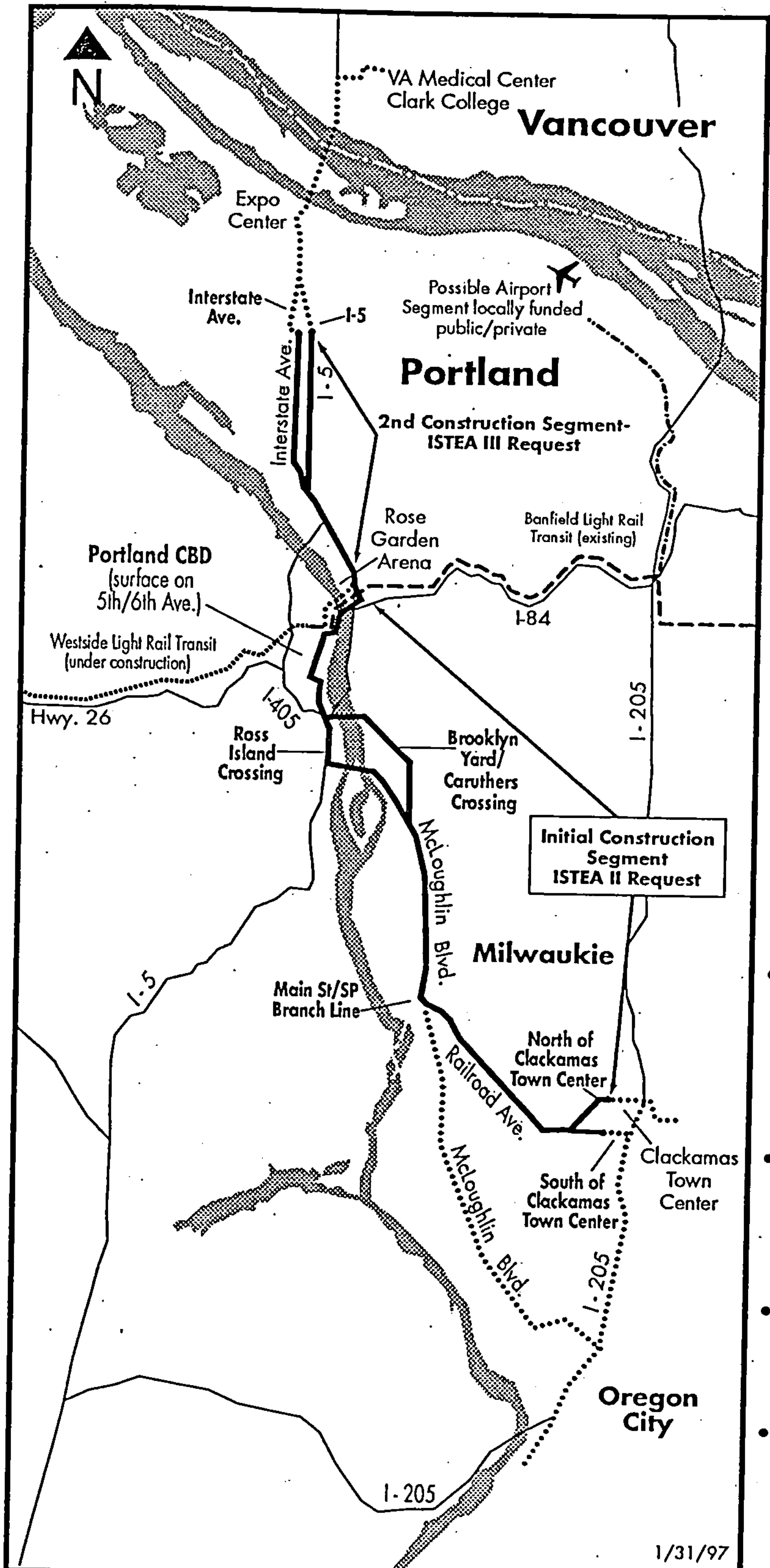

South/North LRT

Phase One Project

Phase Two Extension

East/West MAX

Banfield LRT

Possible Airport Extension

Westside LRT

Figure 1

South/North Transit Corridor Study "Snapshot"

Need

- It is estimated that approximately 700,000 more people will live in the Portland Metro area by the year 2015.

- Congestion will increase and air quality will deteriorate.

The Project

- A Full-Length Bi-State Project connecting Clackamas, Multnomah and Clark Counties.

- A 15 Mile Phase One Project starting in Clackamas Town Center in the south and ending near Lombard Street in North Portland. Phase Two extensions to Clark County and Oregon City.

Benefits

- By the year 2015, 40,000 rides per weekday would be taken on Phase One South/North Light Rail. The Full-Length Bi-State project would carry over 68,000 rides.

- Travel by light rail during rush hour between major points like Clackamas Town Center and the downtowns of Portland, Milwaukie and Vancouver would be faster than by car or bus.

- South/North LRT will add the equivalent long-term capacity of a six-lane freeway from Clackamas Town Center through downtown Portland at approximately one-third the cost.

- Approximately 29,000 full-time family-wage jobs would be created by the project during the construction period.

- In the year 2015, The Phase One South/North Project would reduce total air pollution by approximately 400 tons per year.

ISTEA II Request

- $487.1 million in Section 3 Funds for the Initial Construction Segment.

Table 1
South/North Funding Plan

Federal Fiscal Year:	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	Total
Requirements										
IOS-1 Construction Costs	$ 30.2	$103.4	$282.2	$299.4	$247.3					$962.4
Finance Costs	$3.5		$6.0		$2.3					$11.8
IOS-1 Total Obligations	$33.7	$103.4	$288.2	$299.4	$249.6					$974.3
IOS-2 Construction Costs					$27.9	$106.5	$112.0	$63.4		$313.8
Finance Costs						$4.7	$4.8	$4.4	$2.0	$11.9
IOS-2 Total Obligations					$27.9	$111.2	$116.8	$67.8	$2.0	$325.7
Total Obligations	**$33.7**	**$103.4**	**$288.2**	**$299.4**	**$277.5**	**$111.2**	**$116.8**	**$67.8**	**$2.0**	**$1,300.0**
Revenues										
Section 3 Funds Approp.[1]	$16.9	$51.7	$100.0	$100.0	$100.0	$100.0	$100.0	$100.0	$91.4[3]	$760.0
STP Funds	$6.0	$6.0	$6.0	$6.0	$6.0	$5.0	$10.0	$10.0		$55.0
Tax Increment Funds		$10.0								$10.00
G.O. Bond	$10.8	$35.7	$182.2	$193.4	$52.9					$475.0
Interim Borrowing[2]					$118.6	$6.2	$6.8	[$42.2]	[$89.4]	$0.0
Total Revenues	**$33.7**	**$103.4**	**$288.2**	**$299.4**	**$277.5**	**$111.2**	**$116.8**	**$67.8**	**$2.0**	**$1,300.0**

1 This financing plan assumes that no more than $100 million of Section 3 funds would be appropriated to the project in any one fiscal year.
2 Interim borrowing is used to bridge revenue needs caused by the assumed $100 million limit on federal appropriations.
3 These funds are used to repay the outstanding interim borrowing costs.

Note: All dollar amounts shown in millions. Totals may differ from FY detail due to rounding.

Table 2
South/North Funding Plan: IOS-1

Federal Fiscal Year:	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	Total
Requirements									
IOS-1 Construction Costs	$ 30.2	$103.4	$282.2	$299.4	$247.3				$962.4
Finance Costs	$3.5		$6.0		$2.3				$11.8
IOS-1 Total Obligations	$33.7	$103.4	$288.2	$299.4	$249.6				$974.3
IOS-2 Construction Costs					$27.9				$27.9
Finance Costs					$0.0				$0.0
IOS-2 Total Obligations					$27.9				$27.9
Total Obligations	**$33.7**	**$103.4**	**$288.2**	**$299.4**	**$277.5**				**$1,002.1**
Revenues									
Section 3 Funds Approp.	$16.9	$51.7	$100.0	$100.0	$100.0	$118.6[1]			$487.1[1]
STP Funds	$6.0	$6.0	$6.0	$6.0	$6.0				$30.0
Tax Increment Funds		$10.0							$10.00
G.O. Bond	$10.8	$35.7	$182.2	$193.4	$52.9				$475.0
Interim Borrowing					$118.6	[$118.6][1]			$0.0
Total Revenues	**$33.7**	**$103.4**	**$288.2**	**$299.4**	**$277.5**	**$0.0**			**$1,002.1**

[1] The $487.1 million total Section 3 requirement is an "authorization" number. Assuming the project proceeds with IOS-2, the $118.6 million interim borrowing repayment shown in FY 2005 in this table would not actually occur until the end of IOS-2 in FY 2007 and 2008. Instead, the federal Section 3 appropriation in FY 2005 would be used for IOS-2 and the interim borrowing for IOS-1 would be carried forward. If IOS-2 did not proceed, then these funds would be used to repay the interim borrowing.

Note: All dollar amounts shown in millions. Totals may differ from FY detail due to rounding.