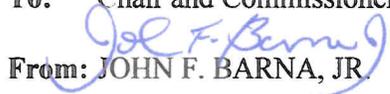


Memorandum

To: Chair and Commissioners

Date: July 21, 2008

From:  JOHN F. BARNA, JR.

File: Book Item 4.3

Ref: LA Metro HOT Lane AB 1467 Application – Determination of Eligibility

ISSUE: Should the Commission, in accordance with the requirements of AB 1467 and the Commission's Public Partnership HOT Lane Guidelines, find the LA Metro Application for the Los Angeles Region Express Lanes Project eligible for consideration by the Legislature?

RECOMMENDATION: Commission staff recommends that the Commission, in accordance with the requirements of AB 1467 and the Commission's Public Partnership HOT Lane Guidelines, find the LA Metro Application for the Los Angeles Region Express Lanes Project eligible for consideration by the Legislature. Staff also recommends that the Commission direct staff to hold public hearings, one in Northern California and one in Southern California, as required by AB 1467. Further, staff recommends that the Commission direct the Executive Director to submit the eligible application and any public comments made during the hearings to the Legislature.

BACKGROUND: Assembly Bill 1467 (Nunez), approved by the Governor May 19, 2006, authorizes that, until January 1, 2012, Regional Transportation Agencies, in cooperation with the Department of Transportation (Department), may apply to the Commission to develop and operate high-occupancy toll lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit, as specified. The number of projects that may be approved is limited to four, two in Northern California and two in Southern California.

AB 1467 provides that the Legislature will select the HOT lane project(s). The Commission's role in implementing this legislation is limited to establishing eligibility criteria, determining whether each HOT lane application is eligible, holding public hearings in both Northern and Southern California for each eligible application, and submitting eligible application(s) and any public comments to the Legislature for approval or rejection. Approval is achieved by enactment of a statute.

On October 27, 2007, the Commission adopted the Public Partnership High Occupancy Toll (HOT) Lane Guidelines and Application to implement the requirements of AB 1467.

On March 31, 2008 LA Metro submitted their Application for the Los Angeles Region Express Lanes Project (Application) to the Commission. On April 25, 2008, the U.S. Department of Transportation awarded an Urban Partnership Grant of \$213.6 million to LA Metro to implement a dynamic pricing High Occupancy Toll (HOT) lane demonstration project. LA Metro is proposing to convert existing High Occupancy Vehicle (HOV) lanes on the I-110, I-10 and I-210 freeways to HOT lanes. Caltrans

District 7 is a partner with LA Metro in the development and implementation of the demonstration project.

In order to secure the federal grant funding, LA Metro must demonstrate to U.S. DOT that it has enabling HOT lane legislation signed by October 15, 2008. LA Metro is in the process of seeking that legislative authorization, the first step of which is an eligibility finding by the Commission. In addition, the federal grant requires that the demonstration project be operational by December 2010.

LA Metro proposes to convert existing HOV lanes on the I-110, I-10 and I-210 to HOT lanes that facilitate greater throughput of rapid buses, vanpools, and HOVs with three or more passengers. LA Metro intends to charge a toll, dynamically priced by time of day and congestion levels, to solo drivers and HOVs with two passengers. The objective of this approach is to maximize overall throughput with enhanced transit service, while “selling” excess lane capacity to solo drivers and HOVs with two passengers willing to pay for the time savings through those corridors.

Commission staff evaluated the Application for compliance with the Public Partnership HOT Lane Guidelines (Guidelines) adopted by the Commission and AB 1467. Eligibility objectives included obtaining evidence to determine whether the project is consistent with the Streets & Highways Code Sections 149-149.7; whether there is cooperation with the Department of Transportation (Department) and consistency with state highway system requirements; whether the project is technically and financially feasible; whether the project is consistent with the Regional Transportation Plan; and whether there are performance measures established for project monitoring and tracking.

To address the issues of cooperation with the Department, compliance with the Streets & Highways Code Sections 149-149.7, consistency with the state highway system requirements, consistency with the Regional Transportation Plan, and technical feasibility, the Department reviewed the Application. Based on this review, the Department submitted a letter to the Commission stating that the Application is consistent with state highway system requirements, is consistent with regional priorities, is technically feasible, and was submitted in cooperation with the Department.

To assist Commission staff in the review of the Application, the Commission retained a financial consultant. The consultant provided Commission staff with an independent review and opinion on the reasonableness of the financial data included in the LA Metro Application and whether the Application met the financial eligibility requirements stated in the Commission’s HOT Lane Guidelines and AB 1467. Specifically, the consultant reviewed the Application to determine whether LA Metro submitted adequate evidence that the project is financially feasible; that the Application includes a reasonable financial plan demonstrating financial guarantees; that the Application includes a documented commitment to provide sufficient equity; that the Application documents reasonable funding for project development and operations; and that the projected rate of return and life cycle cost estimates are reasonable. The consultant determined that the Los Angeles Region Express Lanes Project is financially feasible.

Attached for your information are the following documents:

- The Department's Letter in support of the Application.
- The consultant's financial feasibility report, "Financial Analysis of Public Partnership High Occupancy Toll (HOT) Lane Project Proposals".
- The LA Metro Application in its entirety is posted on the Commission's website, www.catc.ca.gov.