RIVERSIDE COUNTY TRANSPORTATION COMMISSION

Testimony of Anne Mayer

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Before the U.S. Senate Environment and Public Works Committee

The Use of TIFIA and Innovative Financing in Improving Infrastructure to Enhance Safety, Mobility and Economic Opportunity

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Chairman Barrasso, Ranking Member Carper, and Members of the Committee. My name is Anne Mayer and I am the Executive Director of the Riverside County Transportation Commission (RCTC). I appreciate the opportunity to testify before you today about the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, our experience with the program, and our recommendations for the future of the program. As a strong supporter of the TIFIA program, I welcome the opportunity to tell you about a smart federal investment and the value of a partnership between the United States Department of Transportation (US DOT) and local agencies that are faced with the daily responsibility of building and maintaining transportation infrastructure.

On behalf of the Riverside County Transportation Commission, I would like to start by thanking this Committee and Congress for your work on the FAST Act. The passage of the FAST Act in 2015 was critical to our area in California and the nation as a whole. Your continued leadership on transportation issues is very much appreciated by me, the members of my agency, and the residents of California. The FAST Act built on important policy reforms in MAP-21 that made TIFIA a more user-friendly program so that self-help regional agencies, such as RCTC, can better leverage our local taxes and tolls to build more infrastructure that improves the nation's critical infrastructure and our communities.

TIFIA provides a flexible and low-cost source of financing that allows state and regional governments to put less money into debt repayments and more money into pavement, tracks, and capital improvements that benefit society. The federal government's ability to provide affordable financing tools that are not otherwise available on the private market is a savings for taxpayers as well as an accelerator of job-creating transformative infrastructure improvements. The alternatives are higher-priced financing tools that squeeze limited budgets or pay-as-you-go funding that defers improvements for years or decades. There are many governments around the country, such as RCTC, that have their own revenue streams that can use this program, which is why the expansion of TIFIA in MAP-21 and the FAST Act was so critical to meet the demand to upgrade our nation's infrastructure.

Yet, while TIFIA is an essential tool to have in the federal infrastructure toolbox, it is only one tool that benefits a narrow category of projects and should not be seen as a panacea to the nation's infrastructure deficit. As my testimony will detail, TIFIA has been the cornerstone of the two flagship express lane (toll) projects at RCTC over the last decade, however a vast majority of the projects in my agency's 30-year local sales tax measure cannot use TIFIA or public-private partnerships (P3) and must have adequate sources of traditional grant funding from our state and federal governments. Congress must continue its strong support of TIFIA and encourage innovative financing while simultaneously increasing its grant funding commitments, just as many states throughout the nation, including California, have done in recent years.

Riverside County and the Riverside County Transportation Commission

Let me start by telling you about Riverside County. Riverside County is both geographically and economically diverse - spanning over 7,000 square miles with both urban and rural areas. We have the population of New Mexico in an area the size of New Jersey.

To the west and south are Orange, Los Angeles, and San Diego counties while to the north and east are San Bernardino and Imperial counties and the state of Arizona. A wide array of industries and employers thrive in Riverside County, including but not limited to: public and private higher education institutions, leading technology firms, medical and healthcare facilities, vineyards and wineries, farming, music festivals, state and national parks and monuments, tourism, and goods movement.

Located adjacent to Los Angeles County, which has two of the largest port complexes in the world, Riverside County is home to some of the largest warehousing and distribution centers in the country. Transportation in Riverside County is severely impacted by goods being distributed all over the United States. Primary rail and highway freight corridors, including Interstates 10 and 15 and Burlington Northern Santa Fe (BNSF) and Union Pacific (UP) rail lines, bisect the county. These corridors facilitate the distribution of economically vital goods, but not without leaving a large air quality and congestion impact on Riverside County.

In 1976, California Governor Edmund G. Brown created RCTC as a county transportation commission and regional planning agency with the intent to enhance public transit, prioritize highway and transit projects, improve air quality, and other related goals. Today, RCTC plans and implements transportation and transit improvements, assists local governments with funding for local streets and roads, facilitates goods movement, provides commuters with congestion relief on local highways, operates tolled express lanes, and ensures everyone has access to transportation.

The agency is governed by a board with elected representatives from all 28 cities in Riverside County, the five County Supervisors, and one Governor's appointee. Riverside County is currently the 10th most populous county in the country with over 2.1 million residents.

Riverside County is what we call a "self-help" county. While we are very supportive of the federal transportation program and the funding we receive from it, we know that we have to do more to meet the transportation needs of our residents.

In 1988, as the population of Riverside County was increasing, the agency proposed a half-cent sales tax measure to Riverside County voters. This sales tax measure, known as Measure A, required a two-thirds approval of the voters, of which 78.9 percent voted yes. The original Measure A was a 20-year plan that promised to deliver critically important mobility improvements throughout Riverside County.

I am proud to say that RCTC delivered on those promises to the voters and because of our commitment to fulfilling our promises, the voters in the county have approved an extension of Measure A for another 30 years with a new expiration date of 2039.

RCTC's role has become increasingly challenging as Riverside County's population continues to boom. Our continued population increases have created long commutes for Riverside County residents and has placed an unprecedented demand on the transportation network. An abundance of affordable housing and a lack of well-paying jobs creates a transportation conundrum many of the neighboring counties in southern California do not experience. Residents are drawn to more affordable and newer housing in Riverside County, which has a price differential that is approximately 51 percent lower than in neighboring Orange County. This results in commutes that often begin before 5 o'clock in the morning. A similar phenomenon occurs in the southwestern region of Riverside County relative to commutes into San Diego. The residents of one of our cities, Lake Elsinore, are occasionally cited by some surveys as having the longest average commute (by time spent driving) in the nation.

What's more, the California Department of Transportation (Caltrans) published an economic forecast in 2015 that estimates Riverside County's population will approach 3.5 million in 2040. These projections force us at RCTC to constantly plan for the future and to be creative in doing so – which is why we need an equally creative federal partner.

Shortly after the adoption of our voter-approved sales tax program, RCTC developed a plan to deliver transformative projects in Riverside County. We were already on the leading edge of integrated planning with our Riverside County Integrated Project (RCIP). This integrated plan focused on the balance between quality of life; community identity, form, and focus; choice; refining and redefining the development process; incentives; stakeholders as part of the team; and collaboration. Our commitment to these critical components set the stage for innovation. In 2004, local governments in Riverside County established the Western Riverside County Regional Conservation Authority and developed the largest, most comprehensive multiple species habitat conservation plan (MSHCP) in the United States. Since its creation, more than 403,000 acres of habitat have been preserved and numerous transportation projects have benefited from streamlined environmental approvals using Riverside County's advance mitigation plan. As a result of this plan, we are achieving key quality of life goals: protecting our environment and delivering needed transportation projects. The plan has proven that growth and conservation can co-exist.

Two recently completed projects are the Perris Valley Line (PVL) commuter rail extension and the State Route 91 Corridor Improvement Project (91 CIP). Both projects were able to advance in part due to federal investment in transportation.

The PVL project was a 24-mile extension of commuter rail service that previously originated in Riverside and terminated in Los Angeles, but now originates further south in Riverside County in the city of Perris. This project is not only an extension of a critical rail backbone system but also allows for expanded transit services connecting residents to local and regional jobs. Completion of this project would not have been possible without an investment from a US DOT Federal Transit Administration (FTA) Small Starts grant.

The 91 CIP was an extension of the first tolled express lanes in the United States – the very successful SR-91 Express Lanes in Orange County, owned by the Orange County Transportation Authority (OCTA). Similar to the PVL project, the 91 CIP would not have been possible without a significant partnership with US DOT. This project was also significant in that it marked the first time RCTC pursued alternative forms of financing, including tolling, to finance a major infrastructure project. The key to making this work was being able to utilize a TIFIA loan.

Success on State Route 91

The 91 CIP has been RCTC's largest undertaking to date. With a cost of $1.4 billion, the project was delivered using the design-build procurement and project delivery method. The TIFIA program was a critical piece of our financing puzzle and is the reason for our success, providing a loan of $421 million, which primarily funded construction. With the exception of a $39 million state of California contribution, this $1.4 billion project was solely funded by RCTC; no additional federal or state grants. This project and RCTC had no other sources of funding which made the TIFIA loan absolutely essential.

The 91 CIP added approximately 10 miles of two tolled express lanes in both directions of the existing freeway, a general purpose lane in each direction, numerous interchange and bridge improvements, and enhanced public transit options along one of the busiest commuter corridors in the nation. See Attachment 1.

The project opened to traffic on-time in March 2017 and the results have been overwhelmingly positive. The toll lanes are averaging more than 250,000 cars per week – 40 percent higher than our original projections at project opening. Revenues generated from toll users are also exceeding expectations – and are as much as 60 percent higher than we expected. Toll revenues will pay down debt as well as cover operations and maintenance of the facility. This is a true user-pay project with any excess revenues being used to provide additional transportation benefits within the corridor.

More importantly, the overall project has delivered the promised improvements. The overall level of congestion on the freeway has improved, resulting in significant quality of life benefits that will be quantified in the near future in terms of time savings, air quality, and safety improvements.

Moreover, the economic impact of the project cannot be overstated. A study conducted by Beacon Economics prior to construction projected the creation of more than 12,800 jobs and a $3.5 billion economic and time savings benefit. Additionally, a 2.3 percent permanent increase in base taxable sales is expected as a result of the project. Given the initial success of the project, we believe we will exceed the projections.

The TIFIA program enabled a project that increased transportation capacity, created jobs and economic opportunity, and thanks to the tolling component of the project, provides a sustainable form of funding to maintain the infrastructure it created.

Interstate 15 Tolled Express Lanes Project

Given our commitment to Riverside County residents and our experience with the 91 CIP, RCTC is seeking to do even more with the TIFIA program. Even with the 91 CIP and PVL in progress, we remained focused on providing additional infrastructure improvements to our residents. We made a promise to our residents that as soon as we completed the 91 CIP we would roll right into improving the connecting Interstate 15 (I-15) corridor. In fact, we awarded a design-build construction contract for the I-15 Express Lanes Project (I-15 ELP) only three weeks after opening the 91 CIP to traffic.

We sought and have received an invitation to apply for another TIFIA loan for the $471 million I-15 ELP – which will add two tolled express lanes to approximately 15 miles of the I-15 in northwest Riverside County. See Attachment 2. This application for a $152 million loan, which will primarily fund construction, received support from the US DOT Council on Credit and Finance within the last three weeks and, in fact, we appear on schedule to close our financing next week on July 18. Prior to financial close, we await the final step in the TIFIA loan process: signature and approval from Transportation Secretary Elaine Chao.

For both the 91 CIP and the I-15 ELP, TIFIA is an invaluable tool. The $573 million in federal loans translates into a total combined investment of nearly $2 billion in critically needed infrastructure in one of the nation's fastest growing regions.

Our experiences and lessons from the TIFIA program

RCTC's experience with the TIFIA program on two major infrastructure projects within the last five years is positive and confirms that this is an important tool for regional governments to use to meet their transportation financing needs. Our experience confirms that US DOT's creation of the Build America Bureau (BAB), and the subsequent expansion of its role through the FAST Act, has created a more user-friendly experience. US DOT is fortunate to have the career professionals who work on this program and act in the interest of federal taxpayers.

While we have had a positive experience with this program, we have also learned some lessons that we hope can serve as a basis for continued improvements to the TIFIA program. The challenges and risks to the SR-91 and I-15 projects have not come from the financial, engineering, or technical realm. Instead, the majority of our challenges have come from factors in Washington beyond our control.

When we first started working on the 91 CIP, we faced uncertainty and anxiety. In 2011, when we first expressed formal interest in the TIFIA program, the TIFIA program was funded at a much lower level than it is today – which was far less than what was needed to finance the many creditworthy projects being proposed throughout the country. US DOT held annual competitions for its limited TIFIA budget, meaning that billion-dollar projects that took years, even decades, to develop were subjected to a complex process here in Washington, D.C. Even with this uncertainty, our Commission took the financial and political risk of advancing the 91 CIP, not knowing if we would ever be one of the fortunate few to receive limited TIFIA funding. Knowing we might not succeed the first time, we began to apply for TIFIA earlier than we really needed to, theorizing that applying early and often would put us in a "pipeline" and make us more familiar to the staff overseeing the TIFIA program. The pressure to compete and overcome the uncertainty created by TIFIA's limited budget and political selection process was expensive in time and money. Thankfully, after four attempts, the 91 CIP was accepted into the TIFIA program and the project was financed on-schedule.

Another crucial factor in our 91 CIP financing and project success was the very high-level federal focus placed on the project delivery process. Then Federal Highway Administration (FHWA) Administrator Victor Mendez placed the 91 CIP project in the Enhanced Environmental Review Process, which, combined with the FHWA Every Day Counts program, set a positive tone in cutting red tape and making timely decisions. Federal reviews were expedited and returned promptly. This set a positive tone of importance among other federal agencies and with Caltrans. As a result, our Environmental Document was approved in only 63 months. This was made possible thanks to the leadership and efforts of FHWA staff.

Around the same time, Congress passed MAP-21, which increased the TIFIA program budget ten-fold, allowing US DOT to accept TIFIA applications on a rolling basis rather than once every fiscal year. The change in law relieved creditworthy applicants such as RCTC from the burden of uncertainty, meaning that we could focus our resources on getting projects ready to go. With the leadership of this Committee, MAP-21 and the FAST Act made much needed improvements to the TIFIA program – providing a more stable and predictable application and approval process. Now, the focus is on the timeliness, readiness, and creditworthiness of the project.

In the years between financing SR-91 and I-15, we have noticed a decreased appetite for financial risk out of the TIFIA office. In the interest of protecting federal taxpayers, professional US DOT staff have looked at our financial numbers with a higher degree of scrutiny and skepticism. At RCTC, we also have a very limited appetite for risk, especially when it comes to billions of local taxpayer dollars. Therefore, RCTC's financial policies and strategies are more conservative than might be necessary. Layering our conservative financial approach over that of the TIFIA program can create significant issues. While we welcome rigorous federal review to ensure the sustainability and integrity of the TIFIA program, we encourage US DOT to monitor its lending requirements to ensure they proportionally balance risk among local and federal taxpayers and fulfill the objective of the program to provide a flexible, subordinate financing source.

At only one point during the 91 CIP or I-15 ELP TIFIA applications did RCTC ever consider abandoning the program in favor of more expensive traditional financing. This occurred a few months ago near the end of several months of successful negotiations of the I-15 ELP TIFIA loan agreement. RCTC became concerned when considerable uncertainty emerged about the ability of US DOT to move our application to the US DOT Council on Credit and Finance. The Council on Credit and Finance is comprised of political appointees, many of whom at this time are either not yet nominated or confirmed. The prospect of not having the approval body installed to move our TIFIA loan forward in order to keep our project on schedule presented the most significant risk in the entire process. Delaying our approval by the Council on Credit and Finance and Secretary of Transportation, even by one month, means halting an active construction contract worth hundreds of millions of dollars and incurring significant penalties our local taxpayers would owe to that contractor as a result. Further, delaying approval would mean missing a construction season and potentially delaying completion of the project by up to one year.

Deeming this delay risk to be unacceptable, RCTC aggressively began to develop a Plan B that did not include TIFIA late in the game. We estimated that financing the I-15 ELP without TIFIA and using more traditional bonds would cost RCTC an additional $25 million in premiums. That is $25 million that would not be available to build other needed infrastructure in Riverside County. However, if it meant keeping the I-15 ELP on-schedule and avoiding the costs of delay, it was a cost we would have to accept. Thankfully, the Council on Credit and Finance was able to convene two weeks ago and approve our TIFIA loan, which now awaits Secretary Chao's decision.

Despite the difficulty of getting into the TIFIA program the first time and some late-breaking unexpected uncertainty on our second loan, I am pleased to say that from day one, every member of the TIFIA and Build America Bureau staff has demonstrated the highest degree of professionalism and commitment to their jobs. I commend every employee who works on this program for the integrity with which they carry out their responsibility to protect federal taxpayers and invest in infrastructure that improves communities throughout the United States. They have negotiated with RCTC in good faith and with transparency. When we have had challenges, we have addressed them head-on together as a team.

By accessing the TIFIA program, we have learned many lessons. The 91 CIP, a user-funded project utilizing a TIFIA loan, was a new experience for the professionals at Caltrans and Federal Highway Administration's California Division. RCTC, Caltrans, and FHWA worked collaboratively to integrate the TIFIA program's unique structure with traditional approval processes for large projects as best we could. Many of these conversations between agencies were difficult and required all of our organizations to change the way we thought about doing business. Despite the discomfort brought by change, we all agreed that the 91 CIP was too important to California and the federal-aid highway system to allow bureaucracy and traditional process to stand in the way. Communication between state, federal, and local agencies was frequent at all levels, including my regular communication with the Director of

Caltrans and the FHWA Administrator. All of us were "all in." I am confident that without this level of collaboration, the 91 CIP would not have been completed on-schedule or on-budget. It is this continued level of collaboration that we look forward to with the I-15 ELP as well.

Recommendations for Congress

Given our experiences with the TIFIA program, I would like to highlight several recommendations for your consideration.

1. *Continue to provide funds for the TIFIA program.* Fully funding the FAST Act authorized levels for the TIFIA program will enable the program to provide the financing needed to advance qualified projects. Stable and reliable funding for the program will limit disruptions to the application process and just as important, will limit costs associated with project approval delays due to lack of sufficient program funding.

2. *Maintain mode neutrality for the TIFIA program.* Projects applying for TIFIA assistance should be judged on their financial feasibility, repayment capability and their ability to move forward once financing is approved – and not be selected based upon any arbitrary desire to advance one transportation mode or outcome over another.

3. *Continue the current rolling application process*. It is important to encourage project sponsors to apply for assistance when their project is ready – by establishing their creditworthiness and their readiness to proceed. Project sponsors should not have to rush to apply prematurely in order to get in the queue for financial assistance. It is also important that projects be scrutinized by US DOT on a continuous basis and not a limited basis. This allows proposed projects to continue to advance and avoids unnecessary and costly delays.

4. *Maintain a high bar for financial feasibility for TIFIA projects – but not so high that project sponsors cannot afford the time or cost to apply*. It is important that the federal government protects the taxpayer investments made by the TIFIA program. At the same time, is important that the steps necessary to show creditworthiness and financial feasibility not be so stringent as to discourage the use of the program.

5. *Put into practice Congress' allowance for up to 49% of project costs to be financed by TIFIA*. Although MAP-21 and the FAST Act provide that up to 49% of project costs can be financed by TIFIA, BAB has indicated to RCTC and other applicants that they prefer to limit TIFIA to 33 percent of project costs, which was the limit under SAFETEA-LU. Congress' intent with raising TIFIA's share was to make projects more affordable and assist project sponsors to stretch their programs further. Putting this intent into practice will accelerate infrastructure investment in urban and rural areas.

6. *Continue the Build America Bureau and FHWA efforts to address permitting issues with other regulatory agencies.* It can be daunting and intimidating for project sponsors to navigate the maze of federal agencies and permitting requirements. While at RCTC we have substantial experience in

these areas, expanding the pool of interested TIFIA program participants will require continued assistance from USDOT to successfully apply to the program.

7. *Encourage integration of TIFIA requirements into other approval processes*. TIFIA is a unique tool that is not a part of the approval process for most projects. Therefore, many US DOT procedures do not contemplate how the TIFIA process impacts other aspects of funding or project development. This can lead to conflicting directions to applicants from different offices within US DOT. The Build America Bureau can assist with reconciling these intra-agency differences.

8. *Streamline the Letter of Interest process in order to provide greater schedule certainty for TIFIA loan applicants.* Congress established clear deadlines for project sponsors and USDOT to follow with regard to TIFIA applications. While an important part of the application process, more can be done to reduce the uncertainty that exists under the current Letter of Interest process. The Build America Bureau should help ensure that applicants do not face unnecessary delays – allowing better planning, procurement, and implementation of TIFIA projects.

Conclusion

Congress' leadership and commitment to passing the FAST Act, which provides five years of stable transportation funding, was critical to agencies like RCTC that plan multi-year, billion-dollar capital improvement projects years in advance. RCTC thanks the Senate Committee on Environment and Public Works and all members of Congress for passing the FAST Act.

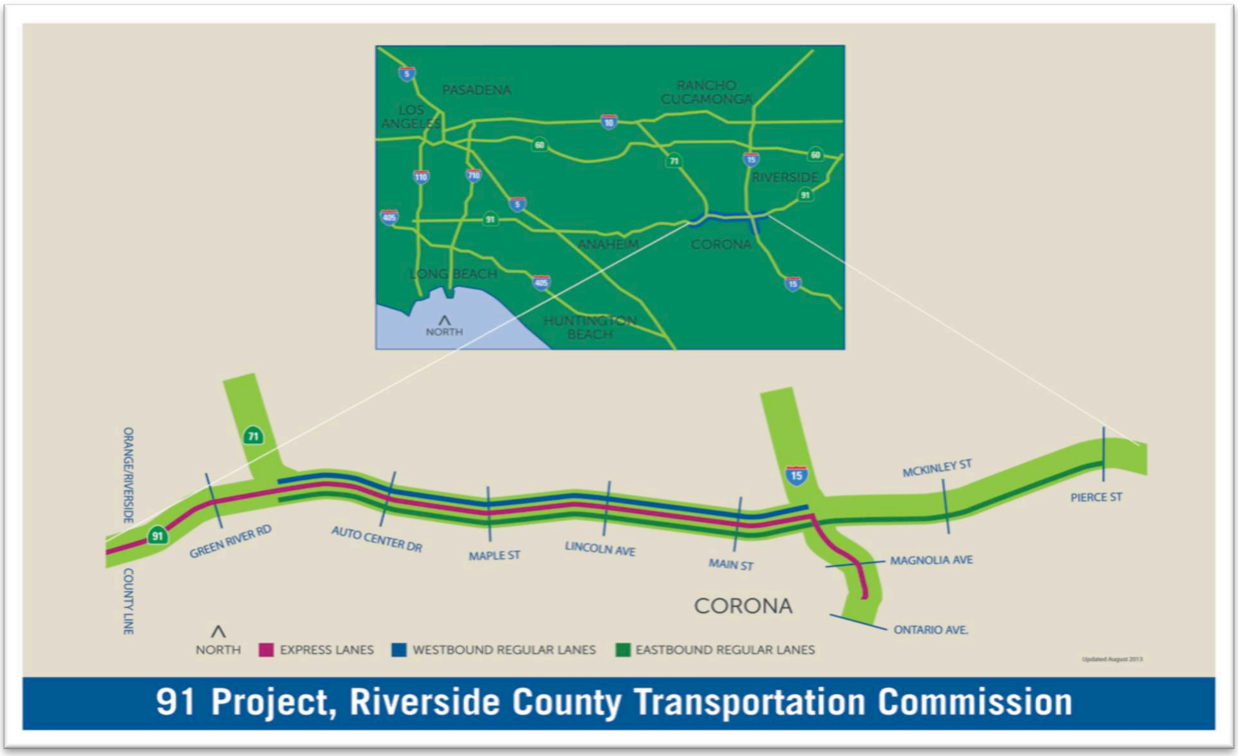
TIFIA must continue as an essential financing source for major revenue-backed transportation projects. The program must remain insulated from politics and focused on objective measures such as creditworthiness and deliverability of projects. Congress should encourage and reward self-help revenue-raising at the state and local levels while simultaneously increasing federal funding levels for infrastructure to match and supplement those self-help efforts. Local governments, whose representatives are closest to the people, and who take responsible financial and political risks to do these projects for the benefit of their communities and the nation, should be rewarded, recognized, and motivated by federal funding and policy to continue doing so. We have much work to do to bring our nation's transportation system into a condition that fulfills our economic, environmental, and quality of life potential – and we can only accomplish that in partnership with one another.

As Congress and the Trump Administration look to pursue an infrastructure initiative and prepare for the reauthorization of the FAST Act in 2020, please look to us at RCTC as a resource. RCTC stands ready to assist you in your efforts.

Thank you again for allowing me to testify today and I look forward to answering your questions.

ATTACHMENT 1

SR-91 Corridor Improvement Project



ATTACHMENT 2

I-15 Express Lanes Project