



Metro

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IRS Releases Interim Guidance on Lease Transactions by Transit Agencies and Local Governments

Yesterday, the U.S. Internal Revenue Service (IRS) issued interim guidance pertaining to a provision in 2006 tax legislation that may have the effect of levying retroactive excise taxes on governmental entities, including local governments and transit properties such as Metro that entered into lease transactions in prior years. The release of interim guidance by IRS constitutes the agency's initial interpretation of the provision in question. Metro's tax counsel indicates that the guidance appears to be favorable to transit properties that engaged in lease transactions in the past and that such guidance, if ultimately upheld via final regulation, will not result in the retroactive application of excise taxes. However, Metro and other transit properties are seeking further clarification on a range of technical issues, and discussions with Treasury and IRS officials will continue into the spring. Depending on IRS' final interpretation of the statute, the financial impact to Metro could be anywhere from zero (best case scenario) to over \$300 million (worst case scenario). We will keep you informed of new developments on this issue in the weeks ahead.

Hollywood Walk of Fame

In advance of the Oscars, the *Los Angeles Times* may do a story tomorrow to link Metro Red Line construction to cracks on the Hollywood Walk of Fame at

Hollywood and Highland (home of the Kodak Theater where the awards show will be broadcast). The *Times* reporter relayed that members of the Hollywood community have told him there is an underground river at Hollywood and Highland and they allege that Metro didn't properly grout the subway tunnels. Thus, air pockets in the soil have occurred when it has been dry and hot which has caused the sidewalk to crack. The reporter was told that there is absolutely no engineering basis for the allegations. For starters, there is no underground river at that location. Additionally, the subway tunnels are below the street, not the sidewalk. Finally, there has been no measurable subsidence in the area.

Metro Construction and Media Relations staff explained to the reporter that the City of Los Angeles, the Hollywood Chamber of Commerce, Metro, and the owners of the Hollywood/Highland Center have determined through core samples obtained by City Engineering staff and the findings of a terrazzo consultant that the damage was caused by thermal expansion and improper installation. The four parties agreed to equally share the cost of up to \$80,000 to do test repairs that are in progress along a small portion of the Walk of Fame at Hollywood and Highland. Metro underscored that we are working cooperatively with the City, the Chamber and the Hollywood/Highland owner to facilitate the process of the test repairs which are being performed by a terrazzo installer that was hired by the Hollywood Chamber of Commerce under inspection by the City of Los Angeles.

San Fernando Valley Service Sector Public Hearing Recap

Last night, the San Fernando Valley Service Sector held a public hearing on proposed June 2007 service changes and route restructuring in the area. The event was attended by over 50 individuals, 23 of whom offered public comment. According to Richard Hunt, San Fernando Valley General Manager, the individuals who spoke were well informed and many offered alternatives to the proposed changes. Staff began reviewing the comments and recommended changes this morning.

Channel 4 also interviewed Mr. Hunt this morning about the public reaction and specifically questioned the proposed changes to lines 168 and 239. Parts of the interview were aired throughout the morning on KFWB.

Los Angeles' Southwest College Joins Metro's I-Pass Program Today

1,384 students from Southwest College will soon enjoy riding Metro to campus everyday with their new I-Pass as part of a partnership between the Los Angeles City College District and Metro. Los Angeles City College was the first enrollee in Metro's I-Pass program nearly 2 ½ years ago, and has since been followed by UCLA, Los Angeles Trade Tech and Rio Hondo College. Since Metro's I-Pass

program began, revenues have exceeded \$1 million. Currently 11,815 students are enjoying the transit benefits of Metro's I-Pass program.

David Fleming *Daily Journal* Profile

Yesterday, a *Daily Journal* reporter requested my comment on David Fleming's recent installation as the Chair of the Los Angeles Area Chamber of Commerce. I told the reporter that I am excited about his appointment and that I look forward to strengthening our working relationship through Mobility 21 (the Metro/Chamber collaborative aimed at creating a unified voice for transportation in Southern California). I believe that with David at the helm of this effort, the next few years hold a wealth of possibility for improving surface movement in the region. A story is expected to run next week.

Hollywood/Vine Joint Development

Earlier today, a Los Angeles *Daily News* reporter interviewed Roger Moliere, Metro's Chief of Real Property Management & Development, about the Hollywood/Vine Joint Development project. Staff explained that this new development in the heart of Hollywood will be the catalyst for other growth in the area. A story is expected to run next Monday.

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