Developments, Financial Forecast, Fare Review, Solar Panels on October Committee Agendas

In this report:

(Oct. 17, 2006) Proposed developments at three Metro stations, a stark financial forecast, a review of Metro's fare policy and a massive solar panel installation at Division 18 are among items on Board committee agendas in October.

October Board Committee Meetings

Wednesday, Oct. 18
Planning and Programming, 1 p.m.
Finance and Budget, 2:30 p.m.
Thursday, Oct. 19
Executive Management and Audit, 9 a.m.
Construction, 10:30 a.m.
Operations, 12 Noon
Board of Directors Meeting
9:30 a.m., Thursday, Oct. 26

Item 9, Lankershim Depot Restoration. The Planning and Programming Committee and the Construction Committee will consider a motion to approve a "life of project" budget of $3.6 million for restoration of the Lankershim Depot Transit Center in North Hollywood.

The motion, which includes reprogramming some funds and changing sponsorship of the project from the Community Redevelopment Agency to Metro, calls for restoring the historic train depot for potential future use as a customer service center, a small café or concession stand, restroom facilities for Metro staff and bike racks.

The Lankershim Depot Transit Center would link the Metro Orange Line, the Metro Red Line, local bus service, the adjacent transit plaza, the Chandler Bikeway and the neighboring NoHo Arts District.

Item 10, Westlake / MacArthur Park Development. A motion before the Planning and Programming Committee could lead to the development of a residential and retail development on 2.75 acres at the Westlake/MacArthur Park Metro station. The motion would authorize the CEO to enter into a joint development agreement and ground lease with the developer, MacArthur Park, LLC.

The agreement calls for construction over two phases of 199 affordable, for-rent apartments, 53,200 square feet of commercial space and a 186-space parking structure with a minimum of 100 spaces for use by Metro riders, employees and contractors during normal service hours.

Under the agreement, the number of apartments eventually could reach 210 and the parking structure could include between 370 and 495 spaces.

Item 11, Victory Boulevard Development. A developer is proposing to build a 31,000 square foot office building on a 1.9-acre Metro-owned parcel near the Metro Orange Line's Balboa station, according to a motion before the Planning and Programming Committee.

The motion would authorize the CEO to enter a joint development agreement with the developer, Remett, LLC, for a ground lease of the property along Victory Boulevard, west of Balboa Boulevard and about a half-block from the Orange Line station.

The building and 150-space parking lot would become a part of Remett's existing four-building Encino Office Park at Balboa and Victory.

Item 15, 10-Year Financial Forecast. A 10-year financial forecast, prepared by the Office of Management and Budget, indicates that Metro's bus and rail operating and capital programs are "financially challenged." The report calls for a combination of reducing costs and raising revenues in order to balance the agency's operating and capital expenses and revenues.

Citing "an aggressive cost-containment strategy begun in FY 2003 and continuing in FY 2007," the report says, "Periodic fare changes are required to bring the farebox ratio up to an acceptable level" in line with federal and state transit industry standards. Without fare changes, the report says, the farebox recover ratio will remain in the mid- to low-20 percent range.

The 10-year forecast indicates that annual deficits in bus and rail operating and capital programs will grow from the $104.6 million forecast for FY 2008 to $245.7 million in FY 2016. The total deficit for the 10-year period is expected to reach $1.87 billion.

Capital expenditures for FY 2007 are forecast at $627.1 million, but annual expenditures for capital programs are expected to range from a low of $495.3 million in FY 2009 to a high of $867.2 million in FY 2014. Total capital expenditures for the 10-year period are forecast to total $6.16 billion.

Item 21, Metro Fare Policy Review. A "peer review" report on Metro's fare revenues by a committee of transit executives appointed by APTA concludes that the reliability of Metro service is being impacted negatively by the federal Consent Decree and the Formula Allocation Policy (FAP), which determines how local and state sales tax funds are distributed among regional transit agencies.

"Because the FAP limits the ability of Metro to raise revenues and the Consent Decree limits Metro's ability to adequately conform service with demand, Metro for many years, has had to use funds designated for improving its capital plant to cover operating shortfalls," says the report. "If continued, this diversion of funds will limit Metro's ability to maintain its fleet and infrastructure (to) industry standards."

The peer review report is on the agenda of the Executive Management and Audit Committee. Among other things, it recommends restructuring fares with the "recognition that transit users must pay a reasonable portion of services provided." It offers such possible alternatives as an energy or security surcharge on each fare, an increase in the price of the $3 Day Pass and the elimination of weekly and semi-monthly passes.

Item 31, Division 18 Solar Panel Project. The Operations Committee will consider a report authorizing the CEO to set a “life of project” budget of $5 million for installation of a massive solar panel installation at Carson Division 18.

Metro would locate a total of about 1,600 solar panels at the division, dividing them among an installation on the roof of the maintenance building and on a “shading structure” that would cover the employee parking lot behind the transportation building.

The 417-kilowatt system would be expected to generate enough power to save Metro about $300,000 a year in electricity costs. With those cost savings and figuring in rate increases, the staff estimates that the system would pay for itself in 10 or 11 years.

Metro already has reserved a $1.2 million rebate from The Gas Company for the project which will be used to offset the $5 million cost of the Division 18 installation and will reduce Metro’s out-of-pocket cost to $3.8 million.

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