



RESTRUCTURING PLAN

*Analysis and Documentation of the MTA's Financial and
Managerial Ability to Complete North Hollywood Rail
Construction and Meet the Terms of the Bus Consent Decree*

Adopted by MTA Board of Directors on
May 13, 1998

Submitted by the
Los Angeles County
Metropolitan Transportation Authority

to the

Federal Transit Administration

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TABLE OF CONTENTS

*Major Changes from May 4, 1998 version noted by
straight line in the right-hand margin*

	<u>Page</u>
Executive Summary	4
I. <u>Introduction</u>	10
II. <u>Background</u>	14
A. Project Histories For MOS-2 and MOS-3	14
B. MOS-2 FFGA, ISTEA Authorization for MOS-3, and MOS-3 FFGA	16
C. MOS-3 North Hollywood Extension Restated, and Restated Full Funding Agreement	19
III. <u>Evaluation of MTA Rail Program</u>	23
A. Role and Background New CEO and Management Team	23
B. Overview of Newly Adopted Financial and Budgetary Analysis and Policies	25
C. CEO's Recommendation to Suspend the East Side, Mid-City and Pasadena Rail Projects	33
IV. <u>Forecasting Model and MTA Revenue</u>	35
A. Forecasting Model	35
B. MTA Revenues	40
C. MTA Funding Source Eligibility	42
V. <u>Overview of The Restructuring Plan</u>	50
A. Introduction	50
B. Capital and Operating Programs	51
C. Description of Key Financial Assumptions	60
D. Adjustments To The Capital And Operating Summary Schedules And Solutions To The Budget Shortfalls	65



VI. <u>Project-By-Project Financial Plans</u>	84
A. Metro Rail Red Line - Segment 2	84
B. Metro Rail Red Line - Segment 3 - North Hollywood	88
C. Rail Capital Projects	95
D. Bus Acquisitions	100
E. Bus Capital Projects	103
F. Alameda Corridor	106
G. Other Administration Projects	109
H. Bus Operations	112
I. Bus Consent Decree	113
J. Rail Operations	122
K. Debt Service and Bonding Assumptions	126
VII. <u>Strategies For Suspended Projects</u>	136
A. Metro Rail Red Line - Segment 3 - East Side	136
B. Metro Rail Red Line - Segment 3 - Mid-City	141
C. Blue Line Pasadena	144
D. Regional Transit Alternatives Analysis	147
VIII. <u>Institutional/Organizational Matters</u>	152

Appendices:

A. Summary of Key Financial Assumptions	
B. Funding Sources and Eligible Uses	
C. Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source	
D. Prior Five Years of Revenue to MTA & Distribution	
E. Rail Program Status (January 1998)	
F. Funding Matrix	
G. Board Report on Demobilization Plan	
H. Resolution on Demobilization Plan	
I. Capital Reserve for Metro Rail Red Line MOS-3 North Hollywood Budget Authority Sheets	
J. Corrective Plan to Address MTA's Inspector General's Internal Management Controls Report	
K. Consolidate Procurement Organization	



RESTRUCTURING PLAN

Analysis And Documentation Of The MTA's Financial And Managerial Ability To Complete North Hollywood Rail Construction And Meet The Terms Of The Bus Consent Decree

EXECUTIVE SUMMARY

The Restructuring Plan is being submitted to satisfy the Conference Report language accompanying the \$61.5 million appropriation provided to the MTA in the FY 1998 Department of Transportation Appropriations Act. The Conference Report required that none of the funds would be available until after the MTA produces a "financially constrained rail recovery plan, which complies with the Consent Decree for enhanced bus service." ¹

The MTA intends to document in the Restructuring Plan that it meets the requirements of the Conference Report by demonstrating its financial and managerial ability to complete the two federally funded rail projects now in construction, i.e. MOS-2 and MOS-3 North Hollywood, and operate its bus system in compliance with the Consent Decree.

The Plan describes the history of the MTA's rail construction program including the successful completion of the state and locally funded Blue Line to Long Beach and Green Line between Norwalk and El Segundo light rail projects. The third completed and operational rail line is the Metro Red Line Minimal Operable Segment known as MOS-1 and the Wilshire portion of MOS-2. The Vermont and Hollywood portions of MOS-2 are still under construction and a revised budget for the entire segment has been forecasted.

¹ While the MTA's submission on these issues was identified in the committee language as a rail recovery plan, the MTA has redesignated it as a Restructuring Plan to more accurately reflect its comprehensive picture of the agency's programs and finances.

The terms of the Full Funding Grant Agreement for MOS-3, the extension of the Red Line to North Hollywood, the Mid-City Extension and the East Side Extension are summarized in Chapter II.

The MOS-3 project and the MTA's additional locally funded rail project known as the Pasadena Blue Line, as well as the overall MTA budget situation were the challenges facing the new interim CEO when he assumed his responsibilities at the MTA in August 1997. The actions the CEO and the MTA Board have taken are discussed in Chapter III. Under the direction of a newly appointed Deputy CEO experienced in financial restructuring, the MTA's operating budget was re-forecast and sound and conservative budgetary principles were adopted. A \$50.6 million budget deficit for the current fiscal year was identified and immediate steps were taken to reduce staff, cut overhead and capture available funding sources. These steps were implemented in October 1997 and enabled the CEO to bring the current fiscal year budget into balance.

The budget re-forecast process also demonstrated major shortfalls in the Mid-City, East Side, and the Pasadena project capital budgets, and existing rail and bus capital programs. These shortfalls led to the CEO's recommendation, fully supported by the Board in January, 1998 to suspend and demobilize rail construction on all of the rail projects other than MOS-2 and MOS-3 North Hollywood.

Chapter IV presents an agency wide financial model of the Restructuring Plan. The yearly outlays are forecasted for each project or line of business in a six year period through 2004. Available revenues to meet expenditures are projected. The financial model demonstrates that the MTA can fully fund the Red Line MOS-2 and MOS-3 North Hollywood rail projects and its bus acquisition and

Alameda Corridor commitments. Forecasting methods or assumptions used to derive revenue forecasts are discussed in this Chapter.

Chapter V provides a set of summary tables showing annual operating and capital costs and revenues by line of business and by funding source. This financial model projects an operating shortfall of \$643.1 million through 2004. Appendix C describes details on annual capital and operating breakout by source. However, in Chapter V numerous reductions are proposed that reduce the shortfall to \$189.5 million.

Chapter VI is a project by project analysis. The basis for the expenditure assumptions for each construction project or line of business is discussed and the risks of overruns are identified. The risks associated with each major project revenue source are listed and programs or contingencies for meeting project shortfalls are presented.

With respect to the Red Line MOS-2 and Red Line MOS-3 North Hollywood projects, the Plan shows that funding sources are firm and delay in payments under the Full Funding Grant Agreement schedule is an additional risk for MOS-3 North Hollywood. Timing problems of this nature and cost overruns, while burdensome to MTA, can be covered by short term borrowings and do not threaten project schedules. With respect to project budgets, the Plan notes that since heavy civil construction is nearing completion, risks of large overruns are low and are adequately covered by budget contingencies. Project budgets could be impacted by larger than projected claims settlements and unforeseen events. However, the MTA believes the contingencies are adequate given the short construction period left for this segment. The Restructuring Plan should clearly satisfy the FTA's and Congress' concerns about the ability of the MTA to complete construction of MOS-2 and MOS-3 North Hollywood.

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The Plan acknowledges that the MTA continues to struggle with a structural deficit in its operating and its rail and bus capital budgets. Projected capital shortfalls are common among urban transit properties in United States and the MTA is no exception. In the MTA's case, however, it has the additional obligation of improving bus service to its transit dependent customers under the terms of the Consent Decree.

The Plan describes the terms of the Consent Decree and the MTA's compliance with each of its specific obligations including load factor reduction requirements. The MTA also intends to maintain its commitment to each of the eight principles and objectives of the Consent Decree, despite its budgetary problems, by tailoring its financial and operational work out programs to the guidelines provided by the Special Master and through discussions and negotiations with the Joint Working Group.

While the Restructuring Plan does not attempt to provide a detailed quantitative plan to solve these shortfalls, the processes being used to work out the deficits in the capital program and operating budget are presented. The intensive examination of structural inefficiencies at the MTA by ten employee workout teams supported by subject matter experts is described. Implementation of the recommendations of these teams can be expected to significantly reduce the operating and capital shortfalls. The Plan includes a schedule showing the specific accomplishments which have already reduced the operating deficit by over two-thirds, such as flattening the organization, administrative cost reductions, and increased revenue trends.

Since management and the Board are now committed to restoring the MTA's long-term financial soundness and credibility, any remaining shortfalls will have to be resolved by adjusting fares and service levels to available resources. The Plan discusses recent interpretations by the Special Master appointed by the

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Federal District Court overseeing the Consent Decree which provide a framework for addressing fare increases and/or service reductions. Essentially, the Special Master confirmed the MTA's discretion to achieve economies as long as there is an overall improvement in service to the transit dependent bus riders. This interpretation offers the MTA a wide variety of options to reduce costs by, for example, eliminating lines which are adequately served by municipal operators or adjusting scheduled service to demand. The workout teams are addressing these options.

The MTA believes that the qualitative discussion presented in the Plan, the accomplishments of the CEO and his team during the past seven months, and the Board's commitment to more responsible financial governance as evidenced by its action to demobilize and suspend activities on planned rail projects, should satisfy the FTA and Congress that its financial house is being put in order. The Plan also includes a discussion of the MTA's debt structure and borrowing capacity to demonstrate that (while not preferable) the MTA has the ability to sustain small annual operating deficits for an extended period. Overall, this analysis is intended to comply with the requirement to present a "financially constrained" Plan.

Chapter VII discusses current status of the three demobilized rail projects. The principles which will govern the CEO's recommendation to either re-mobilize work or terminate these projects are listed. Management's view is that these projects should not be remobilized until sufficient local funds exist to access federal matching funds without the existence of a capital maintenance shortfall. Moreover, it is management's understanding that the FTA will not lift its suspension of funding for these projects without a financially constrained remobilization plan proffered for each affected project. A similar situation exists between the MTA and the California Transportation Commission regarding the restarting of the Pasadena light rail project. Further, the contracting, design,

alignment, safety and funding issues for these projects must be re-thought and re-justified. While there is no fixed timetable for this process, the CEO is attempting to preserve funding commitments so that option of resuming these projects is preserved.

Pursuant to a recent Board action, the Plan also includes a plan to identify and analyze a full range of L.A. County transportation development options, with particular attention to the three corridors whose projects were suspended. The objective of this analyses is to determine what alternative modes and/or services can be provided to the most under served and transit dependent neighborhoods within the MTA's funding limitations. Since none of the options contemplate new MTA funding from its sales tax revenue base, any new development will not affect the capital and operating schedules and analyses in the Plan.

The final chapter is a general discussion of other institutional and organizational changes to improve the governing structure and performance of MTA.

CHAPTER I

INTRODUCTION

The Los Angeles County Metropolitan Transportation Authority (MTA) hereby submits its Restructuring Plan to the Federal Transit Administration (FTA) in accordance with the Conference Report accompanying the Department of Transportation and Related Agencies Appropriations Act for Fiscal Year 1998 (FY 1998 DOT Appropriations Act; P.L. 105-66).

This Restructuring Plan is being submitted to satisfy the Conference Report language accompanying the New Starts appropriations funding provided to the MTA in the FY 1998 DOT Appropriations Act. In earmarking \$61.5 million in FY 1998 new fixed guideway funds for the Los Angeles Minimum Operable Segment 3 (MOS-3) project, the Conference Report provided as follows:

Los Angeles MOS-3 Project. -- The conference agreement provides \$61,500,000 for the Los Angeles MOS-3 project, of which \$24,000,000 shall be available for the East Side extension, together with the required local matching funds. The conferees agree that none of the funds in this Act shall be available until (1) after the LACMTA produces a financially constrained rail recovery plan which complies with the consent decree for enhanced bus service; (2) the FTA conducts a final review and accepts the plans and certifies to the House and Senate Committees on Appropriations that the fiscal

management of the project meets or exceeds accepted U.S. Government standards; (3) the General Accounting Office and the Department of Transportation's Inspector General conduct an independent analysis of the plans and provide such analysis to the House and Senate Committees on Appropriations within sixty days of FTA accepting the plan; (4) the House and Senate have concluded their review of the analysis within sixty days of the transmittal of the analysis to the Committees; and (5) after the FTA has re-negotiated parts 1A and 1B of the MOS-3 full funding grant agreement.

The MTA intends to document in the following submission that it has developed and plans to implement a financially constrained Restructuring Plan² which complies with the federal Bus Consent Decree. This Plan includes the MTA's financial plans for MOS-2, the North Hollywood Extension, and other major projects, and describes the MTA's overall capital and operating budget picture. The Restructuring Plan also describes the demobilization status of the MOS-3 East Side and Mid-City Extensions and the Pasadena Blue Line, and discusses the key issues relating to remobilizing those projects.

This Plan demonstrates the MTA's funding commitments to the major federal projects and documents the MTA's financial capacity to complete those projects. However, the MTA also intends to more clearly identify its projected capital and operating shortfalls, and to describe the process by which it intends to address these shortfalls.

² While the MTA's submission on these issues was identified in the above language as the "Rail Recovery Plan," the MTA has redesignated it as the "Restructuring Plan" to more accurately reflect the current status of the agency's budgetary reviews and plans.

The material that follows this Introduction (Chapter I), is as follows:

- **Chapter II – BACKGROUND** – This chapter discusses the project histories of Metro Rail Red Line MOS-2 and MOS-3, and describes the MOS-2 project and Full Funding Grant Agreement (FFGA), the ISTEA authorization for the MOS-3 project and FFGA, and the Revised and Restated FFGA for the MOS-3 North Hollywood Extension
- **Chapter III – EVALUATION OF MTA RAIL PROGRAM** – This chapter discusses the role and background of the new CEO, provides an overview of the newly adopted financial and budgetary analysis, reviews the MTA capital program and budget shortfalls, and discusses the January 1998 MTA Board action to suspend the East Side, Mid-City, and Pasadena projects.
- **Chapter IV – FORECASTING MODEL AND MTA REVENUES** – This chapter discusses the forecasting model, MTA revenues, eligibility for using funding sources, and anticipated revenues during the Restructuring Plan period.
- **Chapter V – OVERVIEW OF THE RESTRUCTURING PLAN** -- This chapter presents the agency wide financial model of the Restructuring Plan. The yearly outlays are forecasted for each project or line of business in a six-year period through 2004. Available revenues to meet expenditures are projected and shortfalls are identified. This chapter also explains the key financial assumptions used, and describes the MTA's process for addressing capital and operating shortfalls.
- **Chapter VI – PROJECT-BY-PROJECT AND YEAR-BY-YEAR FINANCIAL PLANS** -- This chapter provides cost and funding tables for MOS-2, the MOS-3 North Hollywood Extension, bus

capital projects (including the bus consent decree), Alameda Corridor, and the bus and rail operating budgets. The basis for expenditure forecasts is discussed and risk of overruns are identified. The risks associated with each major project revenue source are discussed and programs or contingencies for meeting shortfalls are presented.

- **Chapter VII – STRATEGIES FOR SUSPENDED PROJECTS –**
This chapter describes the shortfalls, current demobilization status, and remobilization principles and issues relating to the East Side, Mid-City, and Pasadena projects.
- **Chapter VIII – INSTITUTIONAL/ORGANIZATIONAL MATTERS –**
This chapter describes the institutional/organizational changes under review at the MTA to implement the provisions of the Restructuring Plan, including any potential changes to the governing structure.

CHAPTER II

BACKGROUND

A. PROJECT HISTORIES FOR MOS-2 AND MOS-3

The MTA is responsible for the planning, design, and construction of transportation projects in Los Angeles County. A major part of this responsibility has been the management of the rail construction program, which consists of the locally funded Metro Rail Green and Metro Rail Blue lines and the federally funded Metro Rail Red Line.

The Green Line is a 20 mile, 14-station, light rail line that runs east-west from Norwalk to El Segundo. The MTA constructed the Green Line entirely with local funds and currently operates the line. The Long Beach Blue Line is also a light rail line, running north-south from Long Beach to downtown Los Angeles. The MTA also constructed the 22-mile, 22-station, Long Beach Blue Line with entirely local funds and currently operates the line (which in fact, is exceeding ridership projections). Combined, the two projects cost approximately \$1.6 billion. The Pasadena Blue Line, which is a locally funded light rail project, is one of the three projects that the MTA Board of Directors voted to suspend in January 1998 (as described in Chapter VII.) More detailed project scope and funding information on all the MTA rail projects is shown in Appendix A through J.

The Metro Rail Red Line project is a federally funded, heavy rail subway project. The Red Line has been divided, in terms of project development and phasing, into Minimal Operable Segments, known as MOS-1, MOS-2, and MOS-3. Each of these three segments has been the subject of a Full Funding Grant Agreement (FFGA) entered into between the MTA (or one of its predecessor agencies) and the Federal Government, acting through the Federal Transit Administration (FTA). The MOS-3 project, as defined in the Intermodal Surface

Transportation Efficiency Act of 1991 (Public Law 102-240) (ISTEA) and in the December 1994 FFGA, consists of three extensions – North Hollywood, East Side, and Mid-City.

The history and background of the Los Angeles Metro Rail project has been well documented over the years, and is cogently summarized in the February 1998 GAO Report to the Chairman of the House Appropriations Subcommittee on Transportation and Related Agencies, entitled "Surface Infrastructure—Costs, Financing and Schedules for Large-Dollar Transportation Projects" (The Los Angeles Metro Rail Red Line Project is reviewed in Appendix II of that report). This Restructuring Plan does not provide a detailed project history or revisit particular project events, nor does it offer a debate on the merits of the criticism that has often been leveled against the project. The MTA has certainly learned from these past events, and believes the more appropriate focus of this Restructuring Plan should be to establish the credibility and validity of the MTA's current capital and operating budget programs.

While this Restructuring Plan does not go into great detail regarding the Metro Rail project history, it is fair to say that MOS-1 and MOS-2 are relatively successful projects, designed and constructed on or reasonably close to schedule and budget (particularly when compared to public works projects of comparable magnitude). Any excess costs incurred for these projects have been funded from non-federal sources. These projects clearly have benefited from the fact that federal, state, and local funding has been provided in a timeframe, as well as in total contribution amounts, that is generally consistent with the funding schedules and financial plan originally adopted for the projects. The same statements cannot be made about MOS-3 of Metro Rail. The MOS-3 project has experienced well documented design and construction issues, cost increases, and schedule delays. Shortfalls in funding from state and local sources have compounded the project's well documented challenges as has a substantial

shortfall (approximately \$300 million through FY 1996-97) in the amount of Section 5309 (formerly Section 3) Federal funds obligated, as compared to the funding scheduled through that period under the MOS-3 FFGA.

This MOS-3 project history, as well as the overall MTA budget situation, was the primary challenge facing new Chief Executive Officer (CEO) Julian Burke when he assumed his responsibilities at the MTA in August 1997. The CEO's budgetary review processes and the actions that the CEO and the MTA Board have taken are described in Chapter III.

B. MOS-2 FFGA, ISTEA AUTHORIZATION for MOS-3, and MOS-3 FFGA

1. *MOS-2 Of Metro Rail* -- In the Surface Transportation and Uniform Relocation Assistance Act of 1987 (Public Law 100-17), which was the major highway and transit authorization legislation before ISTEA, Congress directed the Secretary of Transportation to complete supplemental environmental work and enter into a Full Funding Contract with the Southern California Rapid Transit District (the RTD, one of the predecessor agencies of the MTA) for constructing MOS-2 of the Los Angeles Metro Rail project. The statutory language, found in Section 338 of the Act, provided that the Federal share of the cost of construction of MOS-2 would be \$667 million. Section 338 also provided a schedule for the Federal funding of the project from 1987 through 1991, and authorized the grantee to utilize advanced construction authority to construct any portion of the MOS-2 project.

Acting pursuant to these statutory provisions, the FTA and the Los Angeles County Transportation Commission (the LACTC, which served as the grantee for the MOS-2 Full Funding Contract) entered into an FFGA for MOS-2 of the Metro Rail project on April 10, 1990. Under that FFGA, the FTA agreed that its

maximum contribution³ to the MOS-2 project would be \$667 million in funds from Section 3 of the Act (now codified at Section 5309 of title 49, United States Code). The FFGA also provided that non-federal funds in the amount of \$779,431,671 were committed for the MOS-2 project, derived from funding from the State of California, the City of Los Angeles, and the LACTC. The scope of the MOS-2 project, as described in the FFGA, is 6.7 miles of heavy rail subway with eight stations, consisting of the Wilshire corridor and the Vermont/Hollywood corridor.

2. ISTE A Authorization for MOS-3 – Section 3034 of ISTE A established detailed authorization provisions for MOS-3 of the Los Angeles Metro Rail project, also referred to as the Metro Rail Red Line, and directed the Secretary of Transportation to negotiate and enter into a FFGA for the MOS-3 project. The MOS-3 project was defined as that portion of the Metro Rail project consisting of seven stations and approximately 11.6 miles of heavy rail subway on three different extensions: one running west and northwest from the Hollywood/Vine Station to the North Hollywood Station (known as the North Hollywood Extension); one running west from the Wilshire/Western Station to the Pico/San Vicente Station (known as the Mid-City Extension); and one running generally east from Union Station for a distance of approximately three miles (known as the East Side Extension).

Section 3034 provided a total project authorization of \$1.23 billion in Section 5309 funds for MOS-3. This authorization was divided into a federal share for Fiscal Years 1993-1997 in the amount of \$695 million, and advance construction authority of an additional \$535 million that was to be made available (together with any unobligated portion of the \$695 million) in fiscal years 1998, 1999, and 2000.

³ Under the MOS-2 FFGA, (unlike the Model FFGA now used by the FTA), the FTA agreed that it would, under certain circumstances, pay amounts to the grantee in excess of the maximum federal share to cover Extraordinary Costs as defined in Section 11 of that Agreement

In addition to directing that the Secretary enter into the initial MOS-3 FFGA by a date certain (October 15, 1992), Section 3034 required two additional amendments to the FFGA. First, the Secretary was required to negotiate and execute an amendment to the FFGA, no later than June 1, 1994, in order to include the construction of the East Side Extension. This provision reflected the fact that when ISTEA was enacted, the MTA had not yet completed its alternatives analysis, preliminary engineering process, and environmental review processes for the East Side Extension. As a result, the Secretary was directed, upon the completion of those processes, to amend the FFGA to include the full scope of the East Side construction in the scope of the MOS-3 FFGA.

Section 3034 also required a second amendment to the FFGA, to be executed no later than October 15, 1996, in order to provide federal funding for MOS-3 for fiscal years 1998 through 2000. This amendment was specifically intended to include provisions for the use and reimbursement of the advanced construction authority expended by the MTA, as provided in Section 3034(b)(5). While there were some initial discussions on this matter, this FFGA amendment was never entered into, and now has been overcome by events relating to the progress of the overall MOS-3 project.

3. MOS-3 FFGA -- Acting pursuant to Section 3034 of ISTEA, the FTA and the MTA negotiated and entered into an FFGA for MOS-3 in May 1993 under which the FTA agreed to support the project up to a maximum federal contribution of \$695 million for fiscal years 1993 through 1997, and to authorize the MTA to use advance construction authority in an amount not to exceed \$535 million according to with Section 3034(b) of ISTEA. The May 1993 FFGA included a detailed scope and construction budget for the North Hollywood and Mid-City Extensions of MOS-3, but only a pro forma budget for the East Side because, as noted above, that extension was still undergoing the alternatives analysis,

preliminary engineering, and environmental processes. In this FFGA, the parties agreed to enter into a subsequent amendment to incorporate the East Side construction scope and schedule once the necessary environmental reviews were completed.

Accordingly, on December 28, 1994, the parties executed an FFGA amendment to incorporate the detailed scope and construction budget for the initial line of the East Side Extension. That FFGA amendment also included, in addition to the original federal commitment of \$1.23 billion (which consisted of \$695 million current authorization and \$535 million in advance construction authority), an additional \$186 million of contingent commitment authority pursuant to 49 U.S.C. § 5309(g). Thus, the total amount of federal funds provided in the December 1996 FFGA for the MOS-3 project was **\$1.416 billion**, which reflected an increase of \$186 million over the ISTEA authorization of \$1.23 billion.

C. MOS-3 NORTH HOLLYWOOD EXTENSION: REVISED AND RESTATED FFGA

In correspondence dated April 9, 1997, the FTA notified MTA that the MTA's initial recovery plan was not acceptable. Also in that letter, the FTA informed the MTA that the FTA intended to restructure the December 1994 MOS-3 FFGA (which covered all three extensions) into three separate full funding grant agreements with separate budgets, scopes of work, and schedules.

1. Full Funding Grant Agreement – Following up on that new direction, MTA and the FTA entered into a Revised and Restated FFGA, Part I-A, for the North Hollywood segment of MOS-3 on July 22, 1997. The scope of the North Hollywood Extension, as described in Attachment 1-A of the FFGA, is a line running 6.3 miles northwest from the MOS-2 North Hollywood/Vine Station, with intermediate stations at Hollywood/Highland, and Universal City, and ending at

the North Hollywood Station near Lankershim and Chandler. This scope is consistent with the description of this extension in Section 3034 of ISTEA, which identifies one line of MOS-3 as "running west and northwest from the Hollywood/Vine Station to the North Hollywood Station, with two intermediate stations". (See Section 3034(i)(3)(A) of ISTEA.)

The key substantive provisions of the North Hollywood FFGA are as follows:

- a. *Maximum Federal Discretionary Funds*⁴ -- The maximum amount of Section 5309 (formerly Section 3) discretionary funds available for the North Hollywood project is \$681,037,000. Attachment 6-A of the FFGA identified the pre-FY 1997 funds for the project and Section 5309 amounts for fiscal years 1997-2002. Of the total section 5309 amount, \$471.2 million has been appropriated through FY 1998 (including \$37.5 million from the FY 1998 appropriation of \$61.5 million), leaving a Section 5309 balance due for the project of approximately \$209 million.
- b. *Local Funding Commitment* -- The local share committed for North Hollywood under the FFGA is \$511,877,000. Since the date of execution of the FFGA, the specific "mix" of state and local funding sources has changed, although the MTA commitment to provide the total amount of local share remains intact and binding on the MTA. In this regard, it should be noted that under section 9(e) of the FFGA, the MTA may, with FTA's consent, change the amounts to be received from the non-federal sources and from Title I of ISTEA. Such changes could be made so long as the MTA total local share is not decreased and adequate funds remain available to keep the project on schedule. (The specific changes being proposed to the local share sources,

⁴ The FFGA also includes an additional \$118 million in federal formula funding programmed to Metro Rail Red Line MOS-3 North Hollywood. These formula funds are not included in the "Maximum Federal Financial Contribution" for purposes of the FFGA -- that "Maximum" applies only to Section 3 discretionary funds.

and evidence of the commitment of those funds to the project, are described in more detail in Chapter VII.)

- c. *Revenue Operations Date* – Under section 5 of the FFGA, the MTA agreed to achieve revenue operation of the project by December 31, 2000. The current project schedule shows that the MTA will meet that date.
- d. *Capital Reserves* – Under section 9A of the FFGA, the MTA agreed to establish Capital Reserves for the project, and to use those Reserves to pay any additional costs (costs in excess of the estimated amounts) necessary to complete the project. Attachment 6-A-1 to the FFGA describes these reserves in greater detail, and states that the MTA will allocate to the North Hollywood project \$50 million in reserves, consisting of cash reserves in the amount of \$10 million and \$40 million in debt instruments (which may include letter-of-credit facilities). The MTA's reforecasted FY 97-98 budget (in Appendix I) reflects this Capital Reserve.

2. Future federal funding – In the FY 1997 Federal Appropriations process, the MTA requested \$100 million in new fixed guideway funds, \$76 million of which was intended to be for the MOS-3 North Hollywood Extension (consistent with the funding schedule in the FFGA) and \$24 million for the MOS-3 East Side Extension. Congress appropriated \$61.5 million, and in the Conference Report, \$24 million of that amount was allocated to the East Side. Given that allocation, as well as the direction from the MTA Board to preserve funding for the suspended projects (East Side, Mid-City, and Pasadena) and to consider feasible funding options for the remobilization of those projects, the MTA believes that currently the amount of \$37.5 million will be available for North Hollywood from the FY 1998 Appropriations earmark. This results in a shortfall in federal funding for FY 1998 in the amount of \$38.5 million, which is the difference between the FFGA scheduled amount of \$76 million and the \$37.5 million available.

The MTA intends to address this shortfall in its FY 1999 Appropriations request to the Appropriations Committees of the Congress. To that end, the MTA is seeking an earmark in the FY 1999 DOT Appropriations bill in the amount of \$100 million for the North Hollywood Extension, which is approximately equal to the sum of the \$62 million scheduled in the FFGA for 1999 and the \$38.5 million FY 1998 shortfall. It should be noted that this request is consistent with the Administration's FY 1999 budget submission to Congress. That submission included a request for \$100 million in Section 5309 funding for the Los Angeles Metro Rail Red Line subway.

If the MTA receives this full \$100 million in funding for North Hollywood for FY 1999, then MTA would be "caught up" through FY 1999 under the schedule in Attachment 6-1-A of the North Hollywood FFGA. This would leave a balance due for North Hollywood of approximately \$109 million in Section 5309 funds, which, under the FFGA schedule, is to be provided as follows: \$50 million in FY 2000, \$50 million in FY 2001, and \$9.3 million in FY 2002. While the MTA has requested \$100 million for FY 1999, it should be noted that the North Hollywood Financial Plan (see p. 77) does not assume the receipt of this full \$100 million in FY 1999.



CHAPTER III

EVALUATION OF MTA RAIL PROGRAM

After assuming responsibility for the management of the Los Angeles County MTA in August 1997, CEO Julian Burke and his management team commenced a thorough review of the capital and operating budgets of the MTA. The review specifically focused on the financial capacity of the MTA to complete the pending rail projects and concurrently satisfy the MTA's significant bus program obligations, particularly relating to compliance with the federal Bus Consent Decree. In November 1997, the CEO presented the MTA Board of Directors a re-forecast of the FY 1997-98 Operating Budget and implemented a cost reduction and revenue enhancement program. In December 1997, the CEO presented to the MTA Board of Directors a re-forecast of the FY 1997-98 Capital Budget and a six-year Capital Improvement Program which demonstrated that the MTA did not have the financial capacity to sustain the rail construction program on its present schedule (See Appendix E).

A. ROLE AND BACKGROUND OF NEW CEO AND MANAGEMENT TEAM

The MTA has come under substantial criticism over the past few years, both for its overall financial management and performance and for the management and implementation of its rail construction programs. During this period, the MTA also has experienced frequent turnover at the senior management levels. After the FTA rejected the MTA's second recovery plan and after its own review of the MTA's financial practices, the MTA Board decided to bring in a new management team with particular expertise in financial restructuring and business reorganization.

In August 1997, *Julian Burke* was appointed as acting CEO of the MTA. Mr. Burke is an expert in business crises and turnaround management, serving for over 20 years as a senior executive with the Palmieri Company, one of the nation's largest and most respected turnaround management companies. In that role, Mr. Burke was involved in several major corporate turnarounds, including the rehabilitation of the Mutual Benefit Life Insurance Company, the Confederated Life Insurance Company, and the Penn Central Transportation Company. Before his work with the Palmieri Company, Mr. Burke practiced law in Los Angeles for a number of years, after starting his legal career as a Supreme Court law clerk in the 1950's. Mr. Burke was appointed to a two year term as CEO of the MTA by the MTA Board in April 1998.

Allan G. Lipsky joined Mr. Burke in these efforts at the MTA as Deputy Chief Executive Officer. Mr. Lipsky, who was also a senior executive at the Palmieri Company as well as at another large turnaround company, the J.E. Robert Company, has over 25 years experience in managing the work-out and reorganization of underperforming and financially threatened businesses. Immediately before joining the MTA, Mr. Lipsky was President of Bridge Asset Management, Inc., a company he organized to provide asset management and marketing services to private and government clients.

Mr. Burke and Mr. Lipsky have brought their wealth of business knowledge and years of turnaround experience to the MTA at a critical time in the agency's history, and are dedicated to restoring financial credibility to the MTA so that it can move forward to carry out its vital role in improving transportation in Los Angeles County.

Another important new member of the management team, *Sharon L. Landers*, joined the MTA as Deputy Chief Executive Officer in January 1998. Ms. Landers has over 20 years of experience in the transportation industry, working as both a

lawyer and a manager. She has held key positions with the New Jersey Department of Transportation, the State of New York Governor's Office, the City of New York Mayor's Office, the New York City Department of Transportation, the New York State Department of Transportation, and Orange and Rockland Utilities, Inc.

This new management team is complemented by a group of capable and dedicated career professionals at the MTA, who share the goal of restructuring and revitalizing the agency and restoring its financial health and credibility. The MTA's efforts in this regard are described in the following sections of this Chapter.

B. OVERVIEW OF NEWLY ADOPTED FINANCIAL AND BUDGETARY ANALYSIS AND POLICIES.

1. *Description of the MTA budget* –The MTA's \$2.5 billion annual budget combines three income and expenditure programs, reflecting the MTA's responsibilities as a *transit operator, builder of transit systems, and regional transportation planner.*

- The Operating Budget of approximately \$1 billion consists of bus and rail operations (the Enterprise Fund), commuter services, and debt service.
- The Capital Budget of approximately \$800 million includes expenditures for the rail construction program and operating capital for transit operations and agency needs.
- The Subsidies Budget of approximately \$600 million covers funds from federal and state transportation programs and a part of

County sales tax revenues that the MTA allocates to a variety of projects and programs throughout Los Angeles.

2. Past practice -- In August 1997, then-incoming Board Chair Mayor Richard Riordan formed a committee of budget staff from the City of Los Angeles and the MTA that initiated an independent review of the historical budgetary practices of the agency. The review disclosed five major areas of concern:

- *Inadequate Financial Reporting:* The Committee found that financial information had not been presented in a form that could be easily comprehended by the reader, and in many instances, had not been accurately disclosed.
- *Unrealistic Revenue Forecasts:* The MTA had traditionally utilized only one source to forecast its revenues. As a result of a significant shortfall in projected revenues for the FY 1997-98 period, the Committee recommended that the MTA develop revenue projections by utilizing both historical data and multiple economic forecasts.
- *Operating Budget Gaps:* As a result of incorporating unrealistic revenue and expenditure assumptions into the budgeting process, the annual gaps between revenues and expenditures were actually much greater than forecasted. The Committee warned that this annual greater than expected funding gap would be further exacerbated if the MTA continued to issue additional debt to finance its capital program.
- *No Debt Policy:* By continually capitalizing its interest payments, the MTA had severely constrained its future debt capacity. The Committee strongly disagreed with this practice as it was inconsistent with the effort to finance a major, long-term capital program.

- *Lack of Meaningful Long-Term Financial Plan:* The result of the MTA's failure to incorporate sound financial practices into its budgeting process had led to severely flawed funding plans, which in turn, had led unrealistic long term capital goals. The Committee recommended that any incoming CEO should present to the Board an assessment of what operating and capital programs could realistically be afforded.

3. Problems resulting from budget practices – As a result of poor budgeting practices, the MTA collected chronically lower revenues and experienced higher expenditures than budgeted. Budgetary shortages were usually resolved by short-term “fixes,” such as additional borrowing and expense deferrals. The Annual budget presented to the Board included unneeded reserves and unfilled positions, resulting in poor expense control and an inaccurate picture of cost center performance. Finally, and perhaps most importantly, the form of presentation made it almost impossible to identify shortfalls in capital programs and “line of business” surplus or shortage.

4. Examination and re-forecast of the operating budget -- Immediately after accepting his appointment, the new CEO directed staff to update the adopted FY 1997-98 budget using realistic estimates of income and expenses and more conservative and conventional government budgetary practices. Overall responsibility for the effort was assigned to a new Deputy CEO with experience in financial restructuring and financial statement presentation. The initial phase of this effort produced the following results:

- The Proposition A, Proposition C, and Transportation Development Act (TDA) annual sales tax growth rate was re-forecasted from 7% down to 4%. Annually, this translated into \$26 million less operating revenue.

- The Budget was re-forecasted based on cash requirements, identifying non-cash items and converting reserve budgets to a cash basis. The net impact was a \$3.5 million increase to cash expenditures.
- The Budget was re-forecasted to include current year interest on cash balances. Previously, Proposition A and Proposition C interest was not applied to the operating budget as part of the annual budget or included the Formula Allocation Plan (FAP). The FAP is a system of allocating revenues to and between the MTA and municipal transit operators based on state legislated formulas and Board adopted policies. The MTA share increased the revenue forecast by \$13.1 million.

The net combined impact of the above changes offset the sales tax revenue shortfall by \$15.6 million.

- Miscellaneous revenues were reduced by \$4.3 million.
- Staff re-forecasted the Operations unit salaries and the associated fringe benefits to be \$26.5 million over the adopted budget.
- Workers compensation cash payments increased to \$35 million in FY 1996-97. As a result of the continuing increases in this cost item, staff adjusted the budgeted method of charging out workers compensation. This cost previously was included in the total agency fringe rates. Costs are now charged directly to the unit where actual liabilities are incurred. This caused a shift of costs from capital and overhead departments to operating divisions for a net annual increase of \$6.5 million.

The total increase to re-forecasted expenses, based on reviewing FY 1996-97 preliminary financial results, amounted to \$37.1 million.

FY 1997-98 events were reviewed in the subsequent step. First quarter results validated the above expense re-forecast. Additionally, public liability expenses were forecasted to be \$1.2 million over budget, and budgeted savings from changes to the fare commissions structure were reduced by \$1.7 million due to implementation delays. These two factors increased the expense forecast by \$2.9 million.

The re-forecasted budget variances are summarized in the chart below:

\$ Millions	Revenue	+ / (-) to Expense	Change in Surplus/Deficit
Revenue Assumptions Changes	(\$26.0)	\$ -	(\$26.0)
Mayor's Office Recommendations	19.1	3.5	15.6
Impact of FY 97 Actuals	(4.3)	33.0	(37.3)
Impact of First Quarter FY 98	-	2.9	(2.9)
Total:	(\$11.2)	(\$39.4)	(\$50.6)

The re-forecasted operating budget was formatted to clearly show the composition of the \$50.6 million deficit by line of business. This presentation demonstrated the large structural deficit from continuing operations and the need to improve the efficiency of transit operations to bring the MTA's operations to financial soundness.

The next step was to develop a budget "workout program" that identified new revenues and reduced expenditures. Each department head reviewed their FY 1998 operating budget, and then proposed reductions. Extensive discussions ensued regarding these budget reductions. In addition, operating programs

were re-budgeted based on updated FY 1997-98 cash flow needs. The non-represented staff was reduced by almost 10% resulting in a reduction of 160 positions and approximately 80 actual terminations. Most of the terminations were of administrative and overhead positions. The combined impact of these two actions lowered the annual operating budget by \$34 million.

One-time revenues of \$15 million were identified. \$7.9 million FAU and Rideshare as well as \$3.0 million Proposition A and Proposition C interest have been previously discussed. Other prior year balances consisting of \$1.6 million lease revenues, \$2.2 million in administrative sales tax revenues, and \$600,000 in other MTA revenues were applied.

Cash expense reductions and one-time revenues reduced the forecasted deficit by \$49 million. Together with the improvements resulting from changes in transit operations described below, the re-forecasted budget is now in balance.

5. Cash Balances In MTA Funds And Accounts -- The MTA has programming authority of transportation funds for Los Angeles County in accordance with California State law. As the Regional Transportation Planning Agency (RTPA), MTA programs millions of dollars in funds. In addition, MTA administers the local sales tax initiatives receiving the collected funds from the State of California. By having such programming and management of funds authority, it is not uncommon for large amounts of funds to be in MTA accounts. Such large balances, however, are not indicative of those funds actually available to the MTA for its own operations and projects. It is possible for the MTA to trade funds with local municipalities and other jurisdictions.

Balances shown in MTA accounts such as the Proposition C 25% - Highway are awaiting disbursement for prior year's Call for Projects awards (applicants have up to 36 months to draw funds down) including payments to Caltrans for work

expected to occur within the next 48 months. Other special revenue accounts have unencumbered fund balances but the funds can only be used for specified purposes such as security (Prop C 5%) or regional transportation (Prop C 10%). All of the funds received by MTA and their restrictions are discussed in Appendix F (Funding Sources Matrix of the MTA).

6. Examination And Re-Forecast Of The Capital Budget -- Following the November 1997 presentation of the Operating Budget, the Fiscal Year 1997-98 Capital Budget was analyzed, re-forecasted, and presented to the Board in December.

The funding assumptions for all capital projects included in the FY 1997-98 Adopted Budget were re-assessed. The review of funding assumptions involved re-forecasting the Proposition A and Proposition C sales tax revenues and assessing the resulting impact on bonding capacity, a major component of capital funding. The status of federal and state capital grant applications to determine when these funds were projected to become available for current year expenses also were reviewed. The terms and conditions of the Metro Rail Red Line MOS-3 Financial Contribution Agreement with the City of Los Angeles were also reviewed because of changing engineering design and construction schedules.

The re-forecasted FY 1997-98 Capital Budget is based on the following major revenue assumptions:

- The FY 1998 federal appropriation for rail construction has been reduced from \$100 million to \$61.5 million.
- The availability of FY 1998 federal appropriation has been delayed until FY 1998-99.

- The FY 1997 federal appropriation of \$69.5 million for Metro Rail Red Line MOS-3 is available in FY 1997-98, based on the City of Los Angeles resolution of Federal Aviation Administration issues.
- Funds expected from the City of Los Angeles' Red Line funding agreement have been removed from the budget pending re-negotiation.
- Proposition A and Proposition C sales tax revenue forecast have been reduced from 7% to 4%, thereby reducing projected bonding capacity.

The expenditure plans of all capital projects included in the FY 1997-98 Adopted Budget were reviewed. This review involved adjusting project expenditure plans to conform with the most current project implementation plans. The re-forecasted FY 1997-98 Capital Budget is based on the following expense assumptions:

- The Bus Procurement schedule is maintained.
- The award of new contracts for Metro Rail Pasadena Blue Line and Red Line MOS-3 East Side projects has been put on hold.
- Funding for bus facility improvement projects is delayed to conform with revised project schedules.
- Preliminary engineering work for the San Fernando Valley East/West and Mid-City has been deferred.

- The scope of systemwide projects has been reduced and most vacant Construction unit positions are eliminated.

The results of the review of FY 1997-98 revenues and expenses resulted in a re-forecasted budget of \$812 million for FY 1997-98 capital projects compared to an Adopted Capital Budget of \$1.137 billion.

The FY 1997-98 Capital Budget has a shortfall of \$179 million. The budget assumes that this shortfall will be covered by selling \$38 million of Proposition A 35% rail bonds and \$141 million of Proposition C 40% bonds.

The FY 1997-98 Capital Budget was presented to the MTA Board of Directors and other interested parties in a spreadsheet summary which allocated expenditures and funds available into four categories-Bus Capital, Rail Capital, Rail Construction and Other. Presentation of this format demonstrated the unmet needs by program and was also used to present the Six-Year Capital Budget.

C. CEO'S RECOMMENDATION TO SUSPEND THE EAST SIDE, MID-CITY AND PASADENA RAIL PROJECTS

Based on the review of the Capital Budget described in the preceding section, the CEO advised the Board in December 1997 that he intended to recommend suspension of construction activities on the East Side and Mid City extensions of the Metro Rail Red line and on the Pasadena Blue Line. The CEO also indicated that he was developing a plan for an orderly demobilization of the three projects proposed for suspension. The objective of such a plan would be to conserve the large investment on these three projects and to complete design and property acquisition activities where appropriate.

Following up on this December presentation, the MTA Board held a Special Board meeting on January 14, 1998 to consider suspending of construction of these three projects (Appendix G is the MTA Board Report Item). At this meeting, the CEO submitted a proposal identified as "Management's Proposed Board Resolution for Item SP1" (Appendix H - minutes of proceedings with adopted resolution contained therein). This resolution, adopted by the MTA Board at the special Board meeting, provides that the CEO is authorized to suspend for **at least six months** the East Side Extension of the Metro Rail Red Line project, the Mid City Extension of the Metro Rail Red Line Project, and the Metro Rail Pasadena Blue Line project. The resolution also directs the CEO to implement a Demobilization Plan for each suspended line, (the status of the implementation of these Plans is described in more detail in Chapter VII of this Restructuring Plan). In this resolution, the Board emphasized its continuing directive to complete the East Side, Mid City, and Pasadena projects, and indicated its strong desire that every effort be made to preserve federal, state, and local funding for the projects. To that end, the Board directed the CEO to report monthly on the MTA's ability to preserve the federal and state programmed funding and on all developments relating to the restarting of one or more of these projects. The resolution also requires the CEO to return to the MTA Board in six months or less with a report of any feasible funding options for remobilizing of any of the suspended projects.

Chapter VII of this report provides a detailed explanation of how the CEO will analyze opportunities to construct any of the suspended rail lines (e.g., on alternative schedules, with alternative financing structures, in alternative configurations) and/or the implementation of alternative, lower cost projects to serve these corridors and other transit dependent areas of the County, within MTA's projected financial resources.

CHAPTER IV

Forecasting Model and MTA Revenues

A. FORECASTING MODEL

The Long Range Transportation Plan Financial Model is micro-computer-based. It was recently converted from DOS/Lotus 1-2-3 to Windows/Excel 97 software. It is composed of 25 workbooks containing more than 150 inter-linked worksheets. The front-end consists of auto-loading, interactive, Visual Basic Macros which provide a menu system for model loading, printing, and navigating between the 150 worksheets. Revenues are assigned to projects and programs using the classical accounting double-entry method. Project sheets are grouped and aggregated into Highway, Bus, Rail, operating and capital summaries. A financing module integral to the model is utilized to achieve a balance between revenues and costs as the final step in balancing. Model consistency is confirmed through spreadsheets which counter-balance revenues and costs.

Two additional models which are independent of the Financial Model, feed Operating and Maintenance data that is incorporated into model projections. The "Peskin Model" was developed using historical data from similar rail lines in the United States. It was created by Robert Peskin, a nationally recognized expert, and provides indices used in the model for estimating urban rail rehabilitation and replacement (R & R) costs. For each respective rail line completed, under construction, and proposed by the MTA, the Peskin model projects R & R costs annually for thirty years after opening, as a percentage of total construction costs. The financial model adjusts these indices for opening date, applies inflation, then multiplies by total construction cost.

Operations and maintenance (O & M) costs for transit operations are projected by the "Padron Model." This model was developed by the national consulting firm of Manual

Padron & Assoc. exclusively for the MTA. It projects total O & M costs desegregated into three categories; direct, indirect, and security costs in constant dollars, for each rail line and the bus system. The entire MTA budget gets input into the Padron model line-by-line. O & M costs are estimated by this model based upon projected system-wide operations changes as bus and rail lines are added, modified, and eliminated. Subsequently, the Long Range Transportation Plan (LRTP) financial model adjusts for specific timing of operating changes, then applies inflation, and finally aggregates these estimates.

WHAT THE FINANCIAL MODEL DOES AND DOES NOT DO

THE FINANCIAL MODEL...

- **Provides a comprehensive tool** for the analyst to determine the MTA's financial capacity to fund bus, rail and highway projects.
- **Balances revenues & expenditures** using the best available information about future transportation revenues and costs in Los Angeles County.
- **Includes important assumptions** about future costs and revenues.
- **Uses conservative estimates** for costs and revenues.
- **Provides a snapshot view** of the funding picture. Accuracy is maintained through an annual financial update and a formal review every two years.
- **Shows the interactive effects** of individual revenue or project changes on all projects and programs in the Plan.

THE FINANCIAL MODEL *DOES NOT*...

- **Automatically calculate costs and revenues.** This information is input to the model from other sources.
- **Automatically issue debt** to balance the cash flows. The analyst programs the model to issue a specific amount of debt in a specific year.
- **Contain "built-in" decisions about MTA priorities and policies.** The analyst, working with other staff, determines the project scheduling or revenue availability.
- **Provide a funding or cost guarantee.** It does provide the best estimate of financial capacity, based on the information available.
- **Replace separate, specific Board action** on any project or program included in the Plan.

SUMMARY OF MAJOR INFORMATION SOURCES FOR THE FINANCIAL PLAN FORECASTING MODEL

<u>ELEMENT</u>	<u>MAJOR INPUTS</u>
MTA Bus Capital & Ops	<ul style="list-style-type: none"> - MTA Budget - MTA analysis to project capital requirements (needs based)
Muni Operators/ADA Bus Capital & Ops	<ul style="list-style-type: none"> - Operators' Short Range Transit Plans (SRTPs) - MTA analysis to project capital requirements (needs based)
Incentive Program/Service Expansion	<ul style="list-style-type: none"> - MTA Budget
Rail Capital	<ul style="list-style-type: none"> - MTA Budget - Current Projects: Rail Construction cash flows - Future Projects: Multimodal Planning estimates - Rehab/Replacement: Industry standards
Rail Operations	<ul style="list-style-type: none"> - Current: MTA Budget - Future: MTA Cost Model & Operating Plans (Peskin Model)
Highway Projects & Programs	<ul style="list-style-type: none"> - Call for Projects/Transportation Improvement Program - Highway Systems Integration Plan - State Transportation Improvement Program (STIP)
Local Revenues	<ul style="list-style-type: none"> - Local Sales Tax: TDA, Propositions A & C - Inflation Rates: UCLA Long Term Forecasting for LA County - Fare Revenues: MTA Demand Model Patronage Forecasts & MTA Cost Model & Operating Plans (Consent Decree limitation)
State Revenues	<ul style="list-style-type: none"> - County Transportation Improvement Program(CTIP): STIP Fund Estimates of County Minimums - Transportation System Management: Discretionary & ISTEAs Match - Rail Bonds: STIP/State Allocation Plan
Federal Revenues	<ul style="list-style-type: none"> - Section 3: ISTEAs Authorization, Full Funding Grant Agreements - Formula Funds (STP, CMAQ, Sect. 9): ISTEAs Authorized.*

* ISTEAs reauthorization is assumed in future years, with revenues increasing generally by the growth rate of the Highway Trust Fund which is currently 1.4% annually (except Section 3 Rail New Starts and Section 9 Operating Funds).

TYPES OF ASSUMPTIONS USED IN THE FINANCIAL PLAN FORECASTING MODEL

<u>TYPE</u>	<u>EXAMPLE</u>
<ul style="list-style-type: none"> • Major Revenue Source Assumptions 	<p><u>Sales Tax</u> - Growth projections compared to actual receipts and average of varying projections from throughout Southern California.</p>
<ul style="list-style-type: none"> • Financing Assumptions 	<p><u>Use of Debt</u> - Senior lien bonds will be issued in each year they are needed to meet capital requirements for major projects, constrained by debt service coverage ratio limitations.</p>
<ul style="list-style-type: none"> • Highway Program Assumptions 	<p><u>Freeway Incident Management</u> - This program, funded primarily with Prop. C 25% revenues, will continue to be funded at current levels.</p>
<ul style="list-style-type: none"> • Multimodal Program Assumptions 	<p><u>TDM</u> - The funding level focuses on leveraging local and private sector efforts. Lower funding levels are set in the early years as the program is evaluated for its effectiveness. Moderate funding levels begin concurrent with the opening of additional rail and HOV facilities.</p>
<ul style="list-style-type: none"> • Bus Program Assumptions 	<p><u>Bus Capital Program</u> - Bus procurement figures include related support equipment and follow a 12 year replacement cycle for the MTA and municipal operators.</p>
<ul style="list-style-type: none"> • Rail Program Assumptions 	<p><u>Project costs</u> - Costs for rail projects that have MTA approved plans and budgets are shown as an annual cash flow based on the approved budgets. Costs for rail projects with no existing budgets are calculated based on MTA's cost estimation guidelines.</p>



B. MTA REVENUES

1. Background - Description Of MTA Funding Sources And Eligible Uses Of Funds -- In analyzing the MTA Budget, particularly the budgets for major projects, it is important to start with an understanding of the state and local revenue sources. The MTA utilizes a variety of fund sources and institutional arrangements to operate, maintain, and improve the regional transportation system. These fund sources and arrangements are summarized in Appendices A (Summary of Key Financial Assumptions) and B (MTA Funding Sources and Eligible Uses). Also included at the end of this section is the MTA Funding Source Eligibility chart which details those MTA's revenues that have been allocated or are eligible to be allocated to either the rail, bus, or highway mode.

The MTA is responsible for the operation of one of the largest bus and rail systems in the nation while at the same time serving as the multi-modal regional transportation planning agency for Los Angeles County. When examining revenues available from the prior five years (FY 1992-93 through FY 1996-97), as set forth in Appendix D, it is critical to remember that the MTA serves in this unique, dual role capacity. The revenues available to the MTA are as much influenced by this dual role capacity as they are from standard fluctuations in the economy and the ability of the state and federal governments to allocate or appropriate funds. This influence arises from the fact that the MTA must divide or entirely forego many of the sources of funds it administers with other public agencies such as municipal transit operators, Caltrans, cities, and the County of Los Angeles.

The dual MTA roles of transportation planner and transit operator also influence the anticipated revenue that the MTA can expect to receive for its own projects and services over the budget year and the next six years (FY 1997-98 through FY 2003-04). The MTA is as much committed to continuing the subsidy programs that arise from its transportation planning role as it is with continuing to operate its transit systems. In

fact, the MTA's commitment to its subsidy programs are often mandated by local ordinances, and state and federal statutes. (See complete discussion in Appendix D)

MTA Funding Source Eligibility - Based On Financial Update March 1998

5/14/98

REVENUE SOURCES	Rail		Bus		Highway/Multimodal	
	Capital	Operations	Capital	Operations	Highways	TDM
LOCAL REVENUES						
Proposition A						
Proposition A 35%	A	A				
Proposition A 40%	E	E	E	A		
Proposition A 25% (Local Return)			E	A		E
Proposition C						
Proposition C 5%	E	A	E	A		
Proposition C 10%	A ₍₉₎	A	E ₍₁₎			
Proposition C 25%	A		E ₍₂₎		A	A
Proposition C 40%	A	A	A	A		
Proposition C 20% (Local Return)			A	A	E	E
Bus & Rail Revenue						
Farebox	E	A	E	A		
Other Funds						
Local Funds	A ₍₅₎	E	E	E	A ₍₃₎	A
Private	A ₍₆₎					
Advertising and Auxillary Revenues				A		
Bonds/Financing Mechanisms						
Benefit Assessments	A	E				
Financing	A		A			

MTA Funding Source Eligibility - Based On Financial Update March 1998

5/14/98

REVENUE SOURCES	Rail		Bus		Highway/Multimodal	
	Capital	Operations	Capital	Operations	Highways	TDM
STATE REVENUES						
TDA Article 3					A ₍₇₎	
TDA Article 4	A	A	A	A		
TDA Article 8				A ₍₈₎	A ₍₈₎	
Flexible Congestion Relief	A		E ₍₁₎		A	
State Rail Bonds	A					
State Transit Assistance (STA)	E	A	E	A		
Transit Capital Improvement (TCI)	A		E ₍₁₂₎			
State TSM Match	A		E ₍₁₎		A	E
State & Local Partnership	E				A	
Inter-Regional Roads					A	
State Highway Operation and Protection Program					A	
FEDERAL REVENUES						
FTA - Section 3	A		A ₍₁₁₎			
FTA - Section 9	E	E	A	A	E ₍₁₀₎	
ISTEA - CMAQ	A	A ₍₄₎	A	A ₍₄₎	A	A
ISTEA - STP	A		A	A ₍₁₃₎	A	A
ISTEA - STP Trans Enhance	E		A		A	
Federal Highway Demo. Projects					A	

- Notes:**
- A - Revenues allocated to these modes.
 - E - Eligible for these uses although none allocated.
 - 1 - Transit center uses only.
 - 2 - Proposition C 25% is eligible for construction of transit ways including bus ways, carpool lanes, and operational and interchange improvements.
 - 3 - Ports and Port user fees on the Alameda Corridor are allocated for highway uses in the Long Range Transportation Plan.
 - 4 - Revenue eligible and allocated for first three-years of new service only.
 - 5 - Local Funds, allocated to Rail Capital, are from LA City Funds only.
 - 6 - Private Funds are Local Agency Funds and Public/Private JV Funds.
 - 7 - TDA Article 3 is restricted to Regional Bikeway projects.
 - 8 - Limited portion of TDA Article 8 fund is allocated to Transit, based on unmet needs in specified areas of the County.
 - 9 - Rail Capital's funding source, Proposition C 10%, includes Park & Transit Ctr and Metrolink.
 - 10 - Used for fixed guideways in highways.
 - 11 - Specific allocation for ATTB research and design.
 - 12 - Eligible for bus rehabilitation, mass transit guideways, rolling stocks, and transit center uses.
 - 13 - Paratransit services-funds converted to Section 16.

2. Anticipated Revenue -- A comprehensive table of revenue projections is shown at the end of this section, entitled "Anticipated Annual Revenue by Source through FY 2004," it includes expanded revenue sources from that shown in Appendix D "Major Revenue Sources and Distribution for Past Five Years." With these additional revenue sources, the total annual revenues programmed by the MTA averages approximately three billion dollars (\$3 billion) per year. These additional revenue sources will be described in the ensuing discussion.

Prudent revenue projections were developed for each source individually. Most projections were developed by studying historical trends and conservatively forecasting future revenues. Some revenues were projected by presuming that existing agreements, such as Full Funding Grant Agreements, continue unchanged. New revenue sources were not assumed. Funds which are not programmed, MTA reserve, and those funds going to other organizations are grouped into the columns entitled "Others/TBD" (TBD is an abbreviation for To Be Determined).

Annual revenues programmed to MTA operations grow each year from just below \$1.1 billion in Fiscal Year 1998 to just below \$1.3 billion in FY 2004. Interestingly, while state revenues for MTA operations remain essentially stable, federal revenues diminish to nearly zero, meaning that local funds increase every year. Conversely, MTA capital revenues decrease as a result of the suspension of rail construction. Federal revenues decrease from a high of \$318 million in FY 1998 to \$80 million in FY 2004, state revenues spike to a high of \$275 million in FY 1999 then rapidly diminish to \$2.4 in FY 2004, and local revenues start at \$403 million in 1998 then drop rapidly to approximately \$35 million per year in FY's 2002, 2003, and 2004.

Local revenues make up approximately 70% of the total revenues shown. The remaining 30% is almost evenly split between state and federal sources. Local revenue sources included in this table but not in prior years are: Fares, Local Agency, Other-Advertising, Auxiliary & Charter, Interest Earnings, and Lease Revenues. More than

half of the local revenues, 61.3%, are programmed to MTA Capital, (6.7%), and MTA Operations, (54.6%). Cash collections and debt secured against sales taxes collected from TDA, and Propositions A and C, along with fares are the primary sources of local revenues.

Most State revenues, 76.5%, fall into the Others/TBD category. Only 5.9% go to MTA Operations, while approximately three times that, 17.6%, go to MTA Capital. State revenues included here but not in prior years are: SHOPP, SAFE, Proposition 116, and some other minor sources. Senate Bill Number SB 45, passed by the State Legislature of California during FY 1998, eliminated and consolidated many State revenue sources, resulting in the formation of the County Transportation Improvement Program (CTIP). The CTIP is projected to be the largest single source of State revenues. The MTA believes that passage of SB 45 has made a positive impact on State revenues and how they are programmed by the MTA.

Section 5309 (formerly Section 3) and Section 5307 (formerly Section 9) are the largest Federal revenue sources projected. In making these projections, the MTA has not included the significant percentage increases in federal funding reflected in the House and Senate ISTEA bills currently being considered in the Congress (See chart on following page for potential increased funding). Federal revenue sources included in this table but not in prior years are: ISTEA/Other Federal Funds (primarily for ACTA), Section 26 and some other minor sources. Most federal revenues (59.8%) fall into the Others/TBD category. Approximately one third, 33.5%, go to MTA Capital while only 6.7% of these funds go to MTA Operations. Federal funds contribute less than 2.5% of total MTA Operations; however, almost all of the Federal MTA Operations funds are projected to be discontinued during the forecast period .

Los Angeles County Metropolitan Transportation Authority

Comparison of Projected Federal Revenues¹

ISTEA II (S 1173), BESTEA (HR 2400), and MTA Assumptions (\$ millions)

As of April 28th 1998

	BESTEA (HR 2400)	ISTEA II (S 1173)	MTA Assumptions ³
Highway			
Highway Specific Reference (Earmark)	\$268.6	\$0.0	\$0.0
CMAQ	510.0	459.2	283.7
RSTP	1,125.9	1,038.3	441.6
Highway Subtotal	\$1,904.5	\$1,497.5	\$725.3
Transit			
Transit Specific Reference (Earmark)	15.0	0.0	0.0
Section 3 ²			
Rail New Starts	600.0	600.0	561.5
Fixed Guideway Modernization	21.7	21.7	21.7
Bus Capital	50.0	50.0	0.0
Section 9 Formula	1,268.7	1,152.4	789.5
Transit Subtotal	1,955.4	1,824.1	1,372.7
Grand Total	\$3,859.9	\$3,321.5	\$2,098.0

Notes:

1. Tabulation is based on estimates and best available data. Figures can and will change after House/Senate Conference Committee develops ISTEA II bill.
2. Section 3 is estimated from Full Funding Grant Agreements, MTA requests, prior ISTEA amounts and is subject to annual appropriations process.
3. MTA Assumptions are for all of L.A. County including municipal bus operators and are derived from Appendix A of the draft Restructuring Plan dated May 4, 1998, pertaining to key financial indices through 2004.



1998 Financial Plan Forecasting Model (\$ millions) march scenario

	— Fiscal Years 1998 - 2004 ¹ —			— FY 1997 - 1998 ¹ —			— FY 1998 - 1999 —			— FY 1999 - 2000 —		
	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD
Local												
Proposition A	2,234.1	0.0	1,229.7	281.8	0.0	151.6	290.2	0.0	159.1	302.3	0.0	166.9
Proposition C	2,039.3	0.0	1,464.9	250.6	0.0	233.7	285.5	0.0	162.3	287.7	0.0	179.8
TDA	1,163.4	81.6	575.5	164.0	21.6	74.5	147.8	10.0	76.7	154.7	10.0	79.9
Benefit Assessment	0.0	3.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4	0.0
Local Agency	0.0	0.0	799.1	0.0	0.0	25.4	0.0	0.0	278.9	0.0	0.0	402.5
LA City	0.0	100.3	0.0	0.0	61.1	0.0	0.0	37.0	0.0	0.0	2.2	0.0
Fare Revs	1,880.1	0.0	391.6	220.6	0.0	49.0	235.0	0.0	51.5	258.9	0.0	54.0
Financing: Hwy (Prop. C 25%)	0.0	94.9	899.7	0.0	28.1	242.5	0.0	18.1	34.3	0.0	0.0	196.3
Financing: Rail Cap (Prop. C 40%, 10%, A 35%)	0.0	434.5	7.7	0.0	251.7	0.0	0.0	36.5	7.7	0.0	79.2	0.0
Financing: Bus Cap (Prop. C 40%)	0.0	106.2	0.0	0.0	29.5	0.0	0.0	15.6	0.0	0.0	44.2	0.0
Financing: Admin (Prop. C 40%)	65.4	130.8	0.0	5.0	10.1	0.0	9.0	18.1	0.0	10.6	21.2	0.0
Other - Advertising, Aux. & Charter	194.9	0.0	55.0	25.1	0.0	12.6	25.9	0.0	8.8	26.8	0.0	6.9
HOV Violation Fund	2.6	0.0	0.0	0.8	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0
Interest Earnings	54.8	(0.1)	43.5	17.5	(0.0)	25.0	10.9	(0.0)	2.7	11.0	(0.0)	2.8
Lease Revenues	72.4	0.0	0.0	10.7	0.0	0.0	9.4	0.0	0.0	9.7	0.0	0.0
Total Local Revenues	7,707.1	951.1	5,466.7	976.1	402.7	814.4	1,014.1	135.7	780.1	1,061.9	157.2	1,089.0
	54.6%	6.7%	38.7%									
State												
STIP/CTIP ²	0.0	508.5	1,623.4	0.0	90.5	13.9	0.0	240.2	326.4	0.0	58.4	314.7
TP&D/STA	164.1	0.0	23.5	22.4	0.0	3.3	22.6	0.0	3.3	23.1	0.0	3.3
TSM (ISTEA Match)	0.0	5.0	2.2	0.0	5.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Environ Enhance & Mit	0.0	0.0	7.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0
SHOPP	0.0	0.0	744.4	0.0	0.0	33.5	0.0	0.0	75.5	0.0	0.0	60.0
Other State	0.0	0.0	3.0	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	0.2
Prop 116	0.0	44.4	30.0	0.0	11.3	14.0	0.0	33.1	13.8	0.0	0.0	2.2
SAFE	0.0	0.0	64.3	0.0	0.0	13.8	0.0	0.0	8.9	0.0	0.0	8.5
Fwy Service Patrol-State Hwy Account (SHA)	27.3	0.0	0.0	6.3	0.0	0.0	3.5	0.0	0.0	3.5	0.0	0.0
SCAQMD-AB2766	0.0	16.7	0.0	0.0	4.7	0.0	0.0	2.0	0.0	0.0	2.0	0.0
Total State Revenues	191.4	574.6	2,497.8	28.7	111.5	83.1	26.3	275.2	430.3	26.8	60.4	389.9
	5.9%	17.6%	76.5%									
Federal												
Sect 3 New Starts	0.0	316.8	314.2	0.0	69.5	0.0	0.0	37.5	24.0	0.0	62.0	38.0
Section 3 Rail Mod	0.0	43.1	0.0	0.0	21.4	0.0	0.0	3.5	0.0	0.0	3.5	0.0
Sect 9	180.7	554.3	322.5	33.2	174.6	40.2	32.8	70.0	44.3	32.3	51.4	45.2
CMAQ	16.9	23.6	292.6	16.9	3.6	28.9	0.0	20.0	29.8	0.0	0.0	45.5
Regional Surf. Trans. Prog.	0.0	65.0	461.7	0.0	41.8	43.3	0.0	23.2	54.4	0.0	0.0	70.8
ISTEA/Other Fed. Funds (Alameda Corridor)	0.0	0.0	398.9	0.0	0.0	238.1	0.0	0.0	138.0	0.0	0.0	12.3
ISTEA-Transp. Enhance (See State CTIP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITI-Bus Preferential Signal. System	0.0	0.0	21.0	0.0	0.0	3.0	0.0	0.0	3.0	0.0	0.0	3.0
Section 16 (capital)	0.0	0.0	3.5	0.0	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.5
Section 26	0.0	12.6	0.0	0.0	7.5	0.0	0.0	5.1	0.0	0.0	0.0	0.0
Misc. Grants	4.7	0.0	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Federal Revenues	202.2	1,015.5	1,814.3	54.7	318.4	354.0	32.8	159.3	294.0	32.3	116.9	215.2
	6.7%	33.5%	59.8%									
Total Revenues	8,100.8	2,541.2	9,778.9	1,059.5	832.6	1,251.5	1,073.2	570.2	1,504.4	1,120.9	334.5	1,694.2
	39.7%	12.4%	47.9%									

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NOTES:

1. Includes starting balances.
2. Includes 1996 STIP carryover into 1998 CTIP.
3. TBD is an abbreviation for "To Be Determined".
4. Prior five years funding chart is contained in Appendix E.

Anticipated Annual Revenue by Source through FY 2004
 1998 Financial Plan Forecasting Model (\$ millions) march scenario

	--- Fiscal Years 1998 - 2004 ¹ ---			--- FY 2000 - 2001 ---			--- FY 2001 - 2002 ---		
	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD
Local									
Proposition A	2,234.1	0.0	1,229.7	316.0	0.0	174.8	331.2	0.0	183.1
Proposition C	2,039.3	0.0	1,464.9	291.1	0.0	197.9	299.0	0.0	213.5
TDA	1,163.4	81.6	575.5	159.2	10.0	82.3	167.4	10.0	86.0
Benefit Assessment	0.0	3.0	0.0	0.0	0.4	0.0	0.0	0.4	0.0
Local Agency	0.0	0.0	799.1	0.0	0.0	56.6	0.0	0.0	11.5
LA City	0.0	100.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fare Revs	1,880.1	0.0	391.6	281.0	0.0	56.0	281.0	0.0	58.1
Financing: Hwy (Prop. C 25%)	0.0	94.9	899.7	0.0	48.7	116.3	0.0	0.0	129.4
Financing: Rail Cap (Prop. C 40%, 10%, A 35%)	0.0	434.5	7.7	0.0	62.3	0.0	0.0	4.7	0.0
Financing: Bus Cap (Prop. C 40%)	0.0	106.2	0.0	0.0	7.5	0.0	0.0	2.1	0.0
Financing: Admin (Prop. C 40%)	65.4	130.8	0.0	9.7	19.5	0.0	9.6	19.1	0.0
Other - Advertising, Aux. & Charter	194.9	0.0	55.0	27.7	0.0	6.8	28.8	0.0	7.1
HOV Violation Fund	2.6	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0
Interest Earnings	54.8	(0.1)	43.5	4.0	(0.0)	3.0	3.9	(0.0)	3.1
Lease Revenues	72.4	0.0	0.0	10.1	0.0	0.0	10.5	0.0	0.0
Total Local Revenues	7,707.1	951.1	5,466.7	1,099.1	148.4	693.6	1,131.5	36.3	691.9
	54.6%	6.7%	38.7%						
State									
STIP/CTIP ²	0.0	508.5	1,623.4	0.0	98.2	279.5	0.0	10.4	340.3
TP&D/STA	164.1	0.0	23.5	23.4	0.0	3.3	23.8	0.0	3.4
TSM (ISTEA Match)	0.0	5.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Environ Enhance & Mit	0.0	0.0	7.0	0.0	0.0	1.0	0.0	0.0	1.0
SHOPP	0.0	0.0	744.4	0.0	0.0	180.0	0.0	0.0	180.0
Other State	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Prop 116	0.0	44.4	30.0	0.0	0.0	0.0	0.0	0.0	0.0
SAFE	0.0	0.0	64.3	0.0	0.0	8.2	0.0	0.0	8.4
Fwy Service Patrol-State Hwy Account (SHA)	27.3	0.0	0.0	3.5	0.0	0.0	3.5	0.0	0.0
SCAQMD-AB2766	0.0	16.7	0.0	0.0	2.0	0.0	0.0	2.0	0.0
Total State Revenues	191.4	574.6	2,497.8	26.9	100.2	472.0	27.3	12.4	533.1
	5.9%	17.6%	76.5%						
Federal									
Sect 3 New Starts	0.0	316.8	314.2	0.0	50.0	50.0	0.0	50.0	50.0
Section 3 Rail Mod	0.0	43.1	0.0	0.0	3.6	0.0	0.0	3.6	0.0
Sect 9	180.7	554.3	322.5	31.9	52.7	46.0	31.4	54.1	47.0
CMAQ	16.9	23.6	292.6	0.0	0.0	46.1	0.0	(0.0)	46.8
Regional Surf. Trans. Prog.	0.0	65.0	461.7	0.0	0.0	71.8	0.0	0.0	72.8
ISTEA/Other Fed. Funds (Alameda Corridor)	0.0	0.0	398.9	0.0	0.0	10.5	0.0	0.0	0.0
ISTEA-Transp. Enhance (See State CTIP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITI-Bus Preferential Signal. System	0.0	0.0	21.0	0.0	0.0	3.0	0.0	0.0	3.0
Section 16 (capital)	0.0	0.0	3.5	0.0	0.0	0.5	0.0	0.0	0.5
Section 26	0.0	12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Grants	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Federal Revenues	202.2	1,015.5	1,814.3	31.9	106.3	227.9	31.4	107.7	220.1
	6.7%	33.5%	59.8%						
Total Revenues	8,100.8	2,541.2	9,778.9	1,158.0	354.9	1,393.6	1,190.2	156.5	1,445.0
	39.7%	12.4%	47.9%						

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NOTES:

1. Includes starting balances.
2. Includes 1996 STIP carryover into 1998 CTIP.
3. TBD is an abbreviation for "To Be Determined".
4. Prior five years funding chart is contained in Appendix E.

Anticipated Annual Revenue through FY 2004
1998 Financial Plan Forecasting Model (\$ millions) march scenario

	— Fiscal Years 1998 - 2004 ¹ —			— FY 2002 - 2003 —			— FY 2003 - 2004 —		
	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD	MTA Ops	MTA Cap	Others/TBD
Local									
Proposition A	2,234.1	0.0	1,229.7	347.7	0.0	192.3	365.1	0.0	201.9
Proposition C	2,039.3	0.0	1,464.9	307.4	0.0	230.7	318.1	0.0	246.9
TDA	1,163.4	81.6	575.5	180.4	10.0	85.9	189.8	10.0	90.2
Benefit Assessment	0.0	3.0	0.0	0.0	0.5	0.0	0.0	0.5	0.0
Local Agency	0.0	0.0	799.1	0.0	0.0	11.9	0.0	0.0	12.4
LA City	0.0	100.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fare Revs	1,880.1	0.0	391.6	301.8	0.0	60.2	301.8	0.0	62.8
Financing: Hwy (Prop. C 25%)	0.0	94.9	899.7	0.0	0.0	92.5	0.0	0.0	88.4
Financing: Rail Cap (Prop. C 40%, 10%, A 35%)	0.0	434.5	7.7	0.0	0.0	0.0	0.0	0.0	0.0
Financing: Bus Cap (Prop. C 40%)	0.0	106.2	0.0	0.0	3.4	0.0	0.0	3.8	0.0
Financing: Admin (Prop. C 40%)	65.4	130.8	0.0	10.3	20.5	0.0	11.2	22.3	0.0
Other - Advertising, Aux. & Charter	194.9	0.0	55.0	29.8	0.0	7.3	30.9	0.0	7.6
HOV Violation Fund	2.6	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0
Interest Earnings	54.8	(0.1)	43.5	3.8	(0.0)	3.3	3.7	0.0	3.5
Lease Revenues	72.4	0.0	0.0	10.8	0.0	0.0	11.2	0.0	0.0
Total Local Revenues	7,707.1	951.1	5,466.7	1,192.4	34.4	684.1	1,232.1	36.6	713.6
	54.6%	6.7%	38.7%						
State									
STIP/CTIP ²	0.0	508.5	1,623.4	0.0	10.4	137.1	0.0	0.4	211.5
TP&D/STA	164.1	0.0	23.5	24.1	0.0	3.4	24.4	0.0	3.5
TSM (ISTEA Match)	0.0	5.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Environ Enhance & Mil	0.0	0.0	7.0	0.0	0.0	1.0	0.0	0.0	1.0
SHOPP	0.0	0.0	744.4	0.0	0.0	105.8	0.0	0.0	109.6
Other State	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Prop 116	0.0	44.4	30.0	0.0	0.0	0.0	0.0	0.0	0.0
SAFE	0.0	0.0	64.3	0.0	0.0	8.2	0.0	0.0	8.3
Fwy Service Patrol-State Hwy Account (SHA)	27.3	0.0	0.0	3.5	0.0	0.0	3.5	0.0	0.0
SCAQMD-AB2766	0.0	16.7	0.0	0.0	2.0	0.0	0.0	2.0	0.0
Total State Revenues	191.4	574.6	2,497.8	27.6	12.4	255.5	27.9	2.4	333.9
	5.9%	17.6%	76.5%						
Federal									
Secl 3 New Starts	0.0	316.8	314.2	0.0	47.8	52.2	0.0	0.0	100.0
Section 3 Rail Mod	0.0	43.1	0.0	0.0	3.7	0.0	0.0	3.8	0.0
Secl 9	180.7	554.3	322.5	9.8	75.1	49.5	9.3	76.5	50.4
CMAQ	16.9	23.6	292.6	0.0	0.0	47.4	0.0	0.0	48.1
Regional Surf. Trans. Prog.	0.0	65.0	461.7	0.0	0.0	73.8	0.0	0.0	74.8
ISTEA/Other Fed. Funds (Alameda Corridor)	0.0	0.0	398.9	0.0	0.0	0.0	0.0	0.0	0.0
ISTEA-Transp. Enhance (See State CTIP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ITI-Bus Preferential Signal. System	0.0	0.0	21.0	0.0	0.0	3.0	0.0	0.0	3.0
Section 16 (capital)	0.0	0.0	3.5	0.0	0.0	0.5	0.0	0.0	0.5
Section 26	0.0	12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Grants	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Federal Revenues	202.2	1,015.5	1,814.3	9.8	126.6	226.4	9.3	80.3	276.8
	6.7%	33.5%	59.8%						
Total Revenues	8,100.8	2,541.2	9,778.9	1,229.8	173.4	1,166.0	1,269.3	119.3	1,324.3
	39.7%	12.4%	47.9%						

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NOTES:

1. Includes starting balances.
2. Includes 1996 STIP carryover into 1998 CTIP.
3. TBD is an abbreviation for "To Be Determined".
4. Prior five years funding chart is contained in Appendix E.



CHAPTER V

OVERVIEW OF THE RESTRUCTURING PLAN

A. INTRODUCTION

Chapter V presents an agency wide picture of the Restructuring Plan. Following the presentation principles which enabled the CEO to effectively explain the MTA's complex three part budget, the Plan presents separate tables for the six-year capital revenue, expenditure projections, and the operating revenues and expenses.⁵

The six year Capital Program demonstrates that the two continuing rail construction projects, MOS-2 and MOS-3 North Hollywood, are fully funded, as are the bus acquisition program and the Alameda Corridor commitment. The shortfalls on the capital side are for portions of the capital improvements needed to keep the existing bus, rail, and administrative systems in proper working order. Generally, capital facilities maintenance and support are the areas of concern in the projected capital improvement program as detailed in this Chapter.

The next part of this Chapter presents an annual summary of operating costs and revenue for the same six year period, and an annual combined summary of the capital and operating plan. The revenue and cost assumptions leading to the identification of the capital and operating shortfalls are examined. On the revenue side, a general examination of the assumptions used to project the availability of funds is necessary and will be discussed first. On the cost side, the examination of assumptions is reserved for the project by project descriptions in the following Chapter.

⁵ The Subsidies Budget, which is essentially a pass through of committed revenues and expenditures and is therefore always in balance, is not incorporated in the presentation.

The MTA continues to struggle with an operating and capital budget structural deficit that will require short term (one-time) solutions and long term (ongoing) solutions. Projected capital shortfalls are common among urban transit properties in the United States and the MTA is no exception. The MTA will provide qualitative methods for solving the shortfalls herein and identify the processes being used to workout the deficits in the capital and operating program and budgets. The MTA management believes that the strength of the processes and qualitative methods to be used, in conjunction with the commitments made to fund the consent decree and the Metro Rail Red Line MOS-2 and North Hollywood projects, will be sufficient to demonstrate the ability of the agency to meet its statutory obligations and Full Funding Grant Agreement commitments to the Federal Government. The MTA will not provide quantitative, line by line solutions to each of the shortfalls, as these items are under development but will identify the solutions currently proposed for the FY 99 budget.

In addition, a conservative estimate of the increased revenues and decreased expenses expected from the new management's workout and restructuring program is applied to further reduce the FY 99 estimated deficit and the aggregate deficit for the Plan period.

The MTA's plan for meeting its obligations in the event a deficit remains is also described herein. To the extent the MTA's cannot meet its operating and capital obligations through the workout process described below, it will have to reduce its expenditures by reducing transit services and/or raising fares.

B. CAPITAL AND OPERATING PROGRAMS

1. Capital Improvement Program Summary -- The MTA is projecting \$3.0 billion in capital expenses for the projects under review in this Restructuring Plan, against which there are only \$2.5 billion in forecasted funds available. The revenues and expenses for each capital project are those that are anticipated to occur from FY 1997-98 through

FY 2003-04. For the purposes of the following discussion, projects are described as fully funded if, in the opinion of the MTA, the funds are substantially committed by the MTA, the CTC, or the FTA. There is always the possibility that commissions or legislative bodies will not allocate or appropriate funds in a timely manner, and the MTA can make no assurances that this will not occur. However, the MTA does commit that it will do every thing in its power to see that these allocations and appropriations do occur.

The capital projects that can be considered fully funded under the definition provided above are as follows:

- Bus Acquisitions
- Metro Rail Red Line MOS-2 to Hollywood and Vine
- Metro Rail Red Line MOS-3 to North Hollywood
- Alameda Consolidated Freight Corridor

The cost and revenue side risks of these projects are discussed in the following part of this Chapter.

The capital programs for which the MTA has not yet identified sufficient revenues or cost reductions to be described as fully funded under the above definition are as follows:

- Bus Operations Capital Support
- Rail Operations Capital Support

- Demobilized rail projects – Metro Rail Red Line East Side and Mid-City Segments and the Pasadena Blue Line

The bus and rail operations capital support shortfalls are key areas of focus for the MTA management and will be discussed later in this Chapter.

THE MTA RESTRUCTURING PLAN
Annual Summary of Capital Costs & Revenues
By Project and By Funding Source

ANNUAL CAPITAL PROJECT COSTS
by Fiscal Year (\$M)

Segment/Item	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Red Line Seg. 2	\$150.0	\$89.6	\$67.5	\$26.8	\$20.6	\$0.0	\$0.0	\$354.4
Red Line Seg. 3 N. Hlywd. *	\$245.6	\$273.9	\$116.6	\$67.5	\$38.8	\$0.0	\$0.0	\$742.3
Rail Capital Projects	\$67.5	\$83.5	\$48.9	\$28.0	\$13.6	\$24.1	\$23.2	\$288.9
Bus Acquisition	\$100.0	\$92.2	\$78.9	\$65.7	\$68.6	\$69.9	\$74.2	\$549.5
Bus Capital Projects	\$93.1	\$87.2	\$93.5	\$98.9	\$70.2	\$65.8	\$69.4	\$578.0
Alameda Corridor	\$24.3	\$71.4	\$57.3	\$141.4	\$0.0	\$0.0	\$0.0	\$294.4
Other Admin. Projects	\$59.4	\$40.3	\$12.1	\$7.8	\$4.4	\$4.4	\$4.6	\$133.0
Totals	\$739.8	\$738.1	\$474.8	\$436.1	\$216.2	\$164.3	\$171.3	\$2,940.5

The MTA Restructuring Plan
Summary of Capital Revenues By Project and By Funding Source

Segment/Item	Federal	State	Local	Total Costs
Red Line Seg. 2	\$2.5	\$0.0	\$351.9	\$354.5
Red Line Seg. 3 N. Hlywd.	\$336.8	\$279.7	\$205.4	\$821.9
Rail Capital Projects	\$46.0	\$59.1	\$33.0	\$138.2
Bus Acquisition	\$437.3	\$1.3	\$110.9	\$549.5
Bus Capital Projects	\$121.0	\$14.5	\$65.2	\$200.7
Alameda Corridor	\$44.8	\$200.9	\$48.7	\$294.4
Other Admin. Projects	\$13.2	\$11.2	\$61.7	\$86.1
Totals	\$1,001.7	\$566.8	\$876.8	\$2,445.3

The MTA Restructuring Plan
Annual Summary of Capital Shortfalls By Project

Segment/Item	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Red Line Seg. 2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Red Line Seg. 3 N. Hlywd.	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)
Rail Capital Projects	\$0.0	(\$60.5)	(\$44.6)	(\$16.0)	\$30.1	\$38.3	(\$18.4)	(\$71.1)
Bus Acquisition	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0
Bus Capital Projects	\$10.0	(\$53.8)	(\$67.1)	(\$96.0)	(\$68.0)	(\$48.8)	(\$53.5)	(\$377.3)
Alameda Corridor	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Admin. Projects	\$0.0	(\$13.6)	(\$12.1)	(\$7.8)	(\$4.4)	(\$4.4)	(\$4.6)	(\$46.9)
Totals	\$10.0	(\$127.9)	(\$123.7)	(\$119.8)	(\$42.3)	(\$15.0)	(\$76.5)	(\$495.2)

* The North Hollywood capital reserve pursuant to the Full Funding Grant Agreement is not reflected in these figures but is maintained by MTA controller as a separate reserve (see Appendix I).

** An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

THE MTA RESTRUCTURING PLAN
Annual Summary of Capital Costs & Revenues
By Project and Funding Source

ANNUAL CAPITAL PROJECT COSTS by Fiscal Year (\$M)								
Segment/Item	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Red Line Seg. 2	\$150.0	\$89.6	\$67.5	\$26.8	\$20.6	\$0.0	\$0.0	\$354.4
Red Line Seg. 3 N. Hlywd. *	\$245.6	\$273.9	\$116.6	\$67.5	\$38.8	\$0.0	\$0.0	\$742.3
Rail Capital Projects	\$67.5	\$83.5	\$48.9	\$28.0	\$13.6	\$24.1	\$23.2	\$288.9
Bus Acquisition	\$100.0	\$92.2	\$78.9	\$65.7	\$68.6	\$69.9	\$74.2	\$549.5
Bus Capital Projects	\$93.1	\$87.2	\$93.5	\$98.9	\$70.2	\$65.8	\$69.4	\$578.0
Alameda Corridor	\$24.3	\$71.4	\$57.3	\$141.4	\$0.0	\$0.0	\$0.0	\$294.4
Other Admin. Projects	\$59.4	\$40.3	\$12.1	\$7.8	\$4.4	\$4.4	\$4.6	\$133.0
Totals	\$739.8	\$738.1	\$474.8	\$436.1	\$216.2	\$164.3	\$171.3	\$2,940.5

REVENUE BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3	\$69.5	\$37.5	\$62.0	\$50.0	\$50.0	\$47.8	\$0.0	\$316.8
Sec. 9	\$145.4	\$99.2	\$51.4	\$52.7	\$54.1	\$74.3	\$72.0	\$549.1
CMAQ	\$2.5	\$20.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$22.5
RSTP	\$37.6	\$23.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$60.9
Sec. 3 Rail Mods	\$12.1	\$8.5	\$3.5	\$3.6	\$3.6	\$3.7	\$3.8	\$38.8
Sec. 26	\$7.9	\$5.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$13.6
State:								
Prop 116	\$11.2	\$32.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$43.4
98 CTIP	\$0.0	\$167.1	\$57.3	\$97.7	\$10.0	\$10.0	\$0.0	\$342.1
STIP (FCR)	\$90.5	\$69.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$160.0
TSM	\$2.8	\$2.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$5.4
SCAQMD AB2766	\$3.8	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$15.8
Local:								
Prop A 35%	\$144.3	\$88.7	\$65.3	\$26.8	\$20.6	\$0.0	\$0.0	\$345.7
Prop C 40%	\$103.2	\$18.9	\$42.8	\$4.8	\$5.6	\$1.5	\$7.0	\$183.7
Prop C 10%	\$0.0	\$6.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.7
Prop C 25%	\$31.3	\$16.4	\$0.0	\$48.7	\$0.0	\$0.0	\$0.0	\$96.4
City of Los Angeles	\$61.1	\$1.9	\$36.8	\$0.0	\$0.0	\$0.0	\$0.0	\$99.8
Commercial Paper	\$0.0	\$0.0	\$20.0	\$20.0	\$18.0	\$0.0	\$0.0	\$58.0
TDA Article 4	\$21.7	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$81.7
General Rev. Bonds	\$4.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$4.9
Other (Advert. & Aux.)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTALS	\$749.8	\$610.2	\$351.1	\$316.3	\$173.9	\$149.3	\$94.8	\$2,445.3
BALANCE	\$10.0	(\$127.9)	(\$123.7)	(\$119.8)	(\$42.3)	(\$15.0)	(\$76.5)	(\$495.2)

* The North Hollywood capital reserve pursuant to the Full Funding Grant Agreement is not reflected in these figures but is maintained by MTA controller as a separate reserve (see Appendix I).

** An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

2. Operating Program Summary - The Annual Summary of Operating Costs and Revenues for the seven year period from FY 1997-98 through 2003-04 combines the current FY reforecasted budget figures with forecasted results for the following six years. The forecasted revenues and costs were developed, as described below, by extending into the future preliminary FY 98-99 forecasts before improvements which will be achieved during the budget process by identifying new revenue sources and lowered expenses. (The new management has already demonstrated its ability to achieve improved results as described in Chapter III.) Therefore, the operating schedules are intended to conservatively describe the challenge facing the MTA before solutions are achieved. The MTA is projecting \$8.1 billion in operating expenses for the projects under review in this Restructuring Plan, against which there are only \$7.5 billion in forecasted funds available. The revenues and expenses for the bus and rail programs and debt service are those that are anticipated to occur from FY 1997-98 through FY 2003-04. The resulting \$643 million shortfalls exist only in the bus and rail operating programs. Of this shortfall, \$75 million is currently being addressed as part of the FY 1998-99 budget process.

The projected \$4.9 billion bus operating expenses includes all of MTA's bus service including consent decree costs. The projected \$1.1 billion rail operating expenses includes: all operating costs associated with all existing rail lines (including Metrolink); MOS-2 to Hollywood Boulevard/Vine with a Revenue Operations Date of June 1999; and MOS-3 North Hollywood with a Revenue Operations Date of May 2000. The projected \$2.3 billion for debt service covers debt issued for rail, bus and highway projects.

The bus and rail operations cost projections are generated by the Padron Model (see further discussion of Padron Model in Chapter IV). Using the line item detail of the current MTA budget and by adjusting for anticipated changes in operations such as new lines, union contracts with wage adjustments, more frequent service, and line

elimination, the Padron Model projects operating costs including the bus consent decree costs.

The cost and revenue side risks of the operating program are discussed later in this text, as well as strategies to address the structural operating shortfall. Those operating projects that can be considered to be fully funded are as follows:

- Bus service provided in compliance with the Consent Decree
- Existing debt service requirements
- Bus service which is provided under contract

THE MTA RESTRUCTURING PLAN
Annual Summary of Operating Costs & Revenues
By Project and By Funding Source

ANNUAL OPERATING PROJECT COSTS
by Fiscal Year (\$M)

Segment/Item	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Bus Operating Budget	\$609.6	\$642.6	\$669.4	\$702.1	\$728.3	\$761.7	\$788.8	\$4,902.5
Rail Operating Budget	\$86.6	\$97.9	\$127.6	\$140.3	\$145.5	\$150.7	\$156.1	\$904.7
Debt Service	\$239.9	\$284.0	\$320.9	\$350.1	\$365.3	\$381.9	\$392.1	\$2,334.2
Totals	\$936.1	\$1,024.5	\$1,117.9	\$1,192.5	\$1,239.1	\$1,294.3	\$1,337.0	\$8,141.4

The MTA Restructuring Plan
Summary of Operating Revenues By Project and By Funding Source

Segment/Item	Federal	State	Local	Total Costs
Bus Operating Budget	\$105.5	\$74.0	\$4,183.4	\$4,362.9
Rail Operating Budget	\$16.9	\$90.0	\$694.2	\$801.1
Debt Service	\$75.2	\$0.0	\$2,259.0	\$2,334.2
Totals	\$197.6	\$164.0	\$7,136.6	\$7,498.2

The MTA Restructuring Plan
Annual Summary of Operating Shortfalls By Project

Segment/Item	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Bus Operating Budget	\$0.0	(\$64.8)	(\$82.4)	(\$89.0)	(\$96.2)	(\$102.4)	(\$104.6)	(\$539.6)
Rail Operating Budget	\$0.0	(\$9.9)	(\$15.8)	(\$17.8)	(\$19.3)	(\$20.2)	(\$20.7)	(\$103.6)
Debt Service	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Totals	\$0.0	(\$74.7)	(\$98.2)	(\$106.8)	(\$115.5)	(\$122.6)	(\$125.3)	(\$643.1)

An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

THE MTA RESTRUCTURING PLAN
Annual Summary of Operating Costs & Revenues
By Project and Funding Source

ANNUAL OPERATING PROJECT COSTS								
by Fiscal Year (\$M)								
Items	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Bus Operating Budget	\$609.6	\$642.6	\$669.4	\$702.1	\$728.3	\$761.7	\$788.8	\$4,902.5
Rail Operating Budget	\$86.6	\$97.9	\$127.6	\$140.3	\$145.5	\$150.7	\$156.1	\$904.7
Debt Service	\$239.9	\$284.0	\$320.9	\$350.1	\$365.3	\$381.9	\$392.1	\$2,334.2
Totals	\$936.1	\$1,024.5	\$1,117.9	\$1,192.5	\$1,239.1	\$1,294.3	\$1,337.0	\$8,141.4

REVENUE BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sec. 9	\$33.2	\$32.8	\$32.3	\$31.9	\$31.4	\$9.8	\$9.3	\$180.7
CMAQ	\$16.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$16.9
RSTP	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sec. 3 Rail Mods	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sec. 26	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State:								
Prop 116	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TSM	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TCI	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
STLPP	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SCAQMD AB2766	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
STA Program	\$22.4	\$22.8	\$23.1	\$23.5	\$23.7	\$24.1	\$24.4	\$164.0
Local:								
Fares	\$220.6	\$235.0	\$258.9	\$281.1	\$281.1	\$301.8	\$301.8	\$1,880.3
Prop A 35%	\$143.1	\$147.6	\$153.8	\$161.5	\$169.3	\$177.8	\$186.7	\$1,139.8
Prop A 40%	\$118.3	\$118.4	\$124.1	\$128.8	\$135.0	\$141.7	\$148.7	\$915.0
Prop C 40%	\$138.2	\$161.1	\$162.3	\$176.2	\$182.2	\$194.7	\$200.9	\$1,215.6
Prop C 5%	\$18.7	\$17.8	\$18.6	\$19.2	\$20.2	\$21.6	\$22.6	\$138.7
Prop C 10%	\$10.4	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$80.0
Prop C 25%	\$24.8	\$34.8	\$59.6	\$70.9	\$79.1	\$84.7	\$91.3	\$445.2
TDA Article 4	\$160.4	\$144.0	\$150.8	\$155.4	\$163.6	\$176.6	\$186.0	\$1,136.8
General Rev. Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other (Advert. & Aux.)	\$29.0	\$23.8	\$24.6	\$25.5	\$26.5	\$27.4	\$28.4	\$185.3
TOTALS	\$936.1	\$949.8	\$1,019.7	\$1,085.7	\$1,123.6	\$1,171.7	\$1,211.7	\$7,498.3

BALANCE	\$0.0	(\$74.7)	(\$98.2)	(\$106.8)	(\$115.5)	(\$122.6)	(\$125.3)	(\$643.1)
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

C. DESCRIPTION OF KEY FINANCIAL ASSUMPTIONS

1. **Overview** – A summary of the revenue and expenditure assumptions used by the MTA for the forecasting model is shown in Appendix A (Summary of Key Financial Assumptions). The key conservative revenue assumptions that were highlighted for the Board in December 1997 when the MTA staff presented the "Six Year Capital Improvement Program Challenge" are as follows:

- a. No new sales tax revenue bonds from Proposition A 35% or Proposition C 40% can be issued for rail construction except for Metro Rail Red Line Segment 2 and Segment 3 North Hollywood Extension. Sales tax bonds are assumed to be available to match Section 5307 funded bus acquisitions.
- b. New State Regional Improvement funds of \$167.1 million for the Metro Rail North Hollywood project and \$40 million in Proposition 116 State Rail Bond funds and 1996 State Transportation Improvement Program (STIP) funds for a total of \$207.1 million.
- c. The City of Los Angeles contribution is 7% of the North Hollywood project (\$34.6 million more in FY 1998-99). Should the East Side project be re-started, at least a 7% City of Los Angeles contribution would be required.
- d. Federal New Starts funding is \$61.5 million in FY 99 and is consistent with the amounts in North Hollywood FFGA thereafter, except that the North Hollywood Financial Plan includes a one year lag time between appropriation and actual availability and does not recover the Section 3 funding shortfall until the last funding year. Additional New Starts funding is assumed during the period only if one or more of the suspended rail projects is restarted.

- e. Sales revenues rise by 4.2% in FY 1998-99 and 4.4% in FY 1999-00. Then they rise by 0.2% each year until reaching 5.0% in FY 2002-03 and beyond.

This last assumption, the sales tax forecast, is a key assumption that will be discussed in more detail below. For complete information on all the of the revenue assumptions used in the plan, please see Appendix A. The chart on the following page (Major Revenue Forecasting Assumptions) details federal, state and local historical growth as well as MTA's current annual growth assumptions.

MAJOR REVENUE FORECASTING ASSUMPTIONS

FINANCIAL PLAN FORECASTING MODEL

Funding Category	Historical Growth Trend	MTA Annual Growth Assumptions	Comments
Federal			
Section 3	Annual Appropriations	\$100 million annually ¹	Full Funding Grant Agreements Federal Highway Trust Fund (HTF) annual projected growth serves as basis for projection
Section 9	1.4% Growth of HTF	1.4% Growth of HTF	
CMAQ	1.4% Growth of HTF	1.4% Growth of HTF	
RSTP	1.4% Growth of HTF	1.4% Growth of HTF	
State			
1998 STIP	STIP Fund est.+2.2% annually	STIP Fund est.+1.4% outyears	Gasoline tax primary source of funds ² Memorandum of Sept. 9, 1997 ³ MTA receives specified amount of funds
Trans. Dev. Act (TDA)	3-7% varies	4.2% increasing to 5%	
Proposition 116 Rail Bonds	Voter Approved Allocation	Voter Approved Allocation	
Local			
Propositions A/C	3-7% varies	4.2% increasing to 5%	Memorandum of Sept. 9, 1997 ³ Consent Decree Governs through 2006 MOS-1, 2 and 3 agreements ⁵
Fares--Bus/Rail ⁴	Consumer Price Index (CPI)	Consumer Price Index (CPI)	
City of Los Angeles	7% of Metro Rail costs	7% of Metro Rail costs	

Notes:

1. Roughly half of these funds through the FY 2002 appropriation are for the Metro Red Line North Hollywood project.
2. State Transportation Fund (federal and state funds mixed) is gasoline tax supported and grows only with increased consumption.
In LA County vehicle registration and consumption constant last five years.
3. Memorandum outlines history of local sales tax growth and previous assumptions and issues within MTA.
Usage of UCLA Business Forecasting Project for sales tax projections has been discontinued.
4. Rail fares are not governed by the Consent Decree and are currently assumed to escalate at CPI until review completed.
5. Agreements with Los Angeles City have entailed contributions of approximately 7% of Metro Rail Red Line costs.



2. Sales tax forecast --A sensitivity analysis was performed on MTA sales tax revenues by staff and external consultants. The consultant team included in this process was composed of nationally recognized economists⁶ who are experts in the field of economic forecasting. They analyzed the vulnerability of local sales tax revenues received by the MTA to determine potential sources of reductions to existing projections. Once the potential sources of reductions were identified, the magnitude of impact upon revenues was assessed. This section summarizes the findings of the sensitivity analysis performed on sales tax revenue projections for Proposition C, Proposition A, and Transportation Development Act (TDA) funds.

There are two distinct risks facing the MTA: 1) the risk of a normal recession, and 2) the risk of a major depression. Unanticipated economic upswings are equally likely to occur but would have the result of generating revenues in excess of projections and are not included in this sensitivity analysis. To assess the risk of a normal recession, sophisticated statistical methodology was applied to study taxable sales for the forty year period 1951 to 1990. Findings were then applied to MTA projections of sales tax revenues for the years 1998 through 2020.

The table below summarizes these findings. In short, historical taxable sales in real dollars follow the classic probability distribution, a bell curve distribution, with a mean value of 2.2%. The first line indicates 50% of the time sales tax growth in real dollars (i.e. without inflation) will be 2.2%, the mean, or greater. With inflation factored in, the growth in sales tax revenues received will be higher.

This table was designed to understand how to prepare for that half of the time when real sales tax growth (without inflation) will fall short of the mean. Read the first column as "to be prepared for revenues this percentage of the time..." a 50% value means half of the time, 95% means nineteen-out-of-twenty-times, etc.. The second column

⁶ Dr. Larry J. Kimball, Co-Director, UCLA Anderson Forecast, Dr. Tom K. Lieser, Executive Director, UCLA Anderson Forecast, Dr. Patricia Nomura-Feinberg, Economic Researcher, UCLA Anderson Forecast, and Dr. Rajeev Dhawan, Director, Econometric Forecasting, UCLA Anderson Forecast

indicates the amount of deviation from the mean and must be subtracted from the mean, 2.2%. The third column does the arithmetic by subtracting column two from the mean.

Taxable Sales Sensitivity Analysis Table

Probability	Deviation From mean	Deviation in Taxable Sales Growth	FY 1997-98 (millions)	FY 2001-2002 (millions)
50.0%	0.0%	2.2%		
75.0%	3.4%	-1.2%	\$22.4	\$28.2
80.0%	4.2%	-2.0%	27.7	34.8
85.0%	5.2%	-3.0%	34.3	43.1
90.0%	6.4%	-4.2%	42.2	53.1
95.0%	8.2%	-6.0%	54.1	68.0
97.5%	9.8%	-7.6%	\$64.7	\$81.3

The chart is reflective of a conservative risk for future sales tax generation. A high level of certainty that the planned growth rates will be achieved.

In fiscal year 1998 sales tax revenues to the MTA are projected to be \$660 million of the \$1 billion received. Figures in the fourth column are calculated by multiplying \$660 million times the figures in the second column. In short, a reserve of \$54.1 million (fourth column) in FY 1998 appears adequate to absorb a deviation expected once in twenty years (95%), based upon total MTA sales tax revenues of approximately \$660 million dollars (current level). In future years, as the revenue base grows larger, the reserve must also grow. The last column shows how large it must be in fiscal year 2002 when total MTA sales tax revenues of approximately \$830 million dollars is projected.

The second type of risk to the MTA, a major depression such as occurred in the 1930's and again in the 1990's, is rare. They occur perhaps twice every century, which works out to 2%, and lies outside a 95% confidence interval. It is unlikely, however, for two to occur in immediate succession.

The sales tax forecast is key factor in the MTA's capital and operating programs because most operating subsidies and all capital improvement program bonds are supported by sales tax receipts. We will now turn to a summary of the capital program, followed by a detailed, project by project look at cost and revenue risks for each project.

D. ADJUSTMENTS TO THE CAPITAL AND OPERATING SUMMARY SCHEDULES AND SOLUTIONS TO THE BUDGET SHORTFALLS

As discussed above, both the Capital and Operating Summary schedules do not reflect the MTA's expectation of actual future results. The Capital Summary must be adjusted for anticipated reductions in capital expenditures as austerity management practices are applied and capital budgeting improves. The projected revenues available for capital projects must be increased to reflect expanded funding under ISTEA II. The Operating Summary must show reduced operating costs when bus service levels are adjusted to match reduced demand when riders shift to new subway segments. The annual operating shortfalls beginning in FY '99 must be reduced to incorporate workout solutions and efficiencies which are currently being realized and which are conservatively projected to be realized during the Plan period. Within the constraint of conservative presentation principles, the following discussion demonstrates that the operating and capital shortfalls are actually lower than shown in the preceding schedules, and that to the extent the shortfalls are not fully resolved they do not threaten the MTA's continuing ability to operate its transit system and comply with the Consent Decree.

1. Capital Summary Adjustments and Solutions

The MTA's FY '99 Capital Budget is currently nearing completion and the Capital Summary presented on the Plan can be adjusted to reflect actual budget expenditures.

The capital budgets for the Red Line and Alameda Corridor are not changed but bus, rail and administrative capital costs will be reduced by approximately \$37 million. Most of these reductions are to be achieved through deferral of non-critical purchases and elimination of non-essential items. These savings reduce the FY '99 shortfall to approximately \$90 million. In addition, the capital budget staff has identified unspent and unallocated Section 9 funds and matching local funds which will provide an additional \$40 million of revenue. In summary, at this time the FY '99 capital shortfall is estimated to be approximately \$50 million.

The remaining capital budget shortfall in FY '99 and thereafter will have to be met through identification of new revenue sources and borrowings, since the MTA is committed to comply with FTA transit maintenance standards and otherwise continue to provide capital to sustain its operations. Historically, the MTA has financed its operating and administrative capital programs through Prop. A and Prop. C borrowings. As discussed below, the MTA has substantial remaining borrowing capacity.

One important increased revenue source not incorporated into the Annual Summary because the estimates only recently became available is ISTEA II funding. As shown on page 46, the MTA now expects hundreds of millions of dollars of additional federal funding if the current legislative proposals are fulfilled. While the MTA is not yet prepared to modify its capital forecast to include increased funding estimates, it is possible that most of the capital shortfall could be provided from federal sources under ISTEA II.

2. Operating Adjustments and Solutions

The current forecast for the annual operating shortfalls is based on the draft FY '99 budget, service economies and workout solutions. Specific changes are shown on page 68 are as follows:

- The annual summary schedule projects significant increases in the rail operating budget in FY '99, FY '00 and FY '01 due to the opening of additional Red Line segments. However, the bus operating budget was not reduced to reflect the consolidation of bus service which will be required as passengers shift to the subway. Page 69 shows adjusted total bus operating costs incorporating savings when the new rail segment opens. These adjustments reduce the shortfall by \$61.3 million.
- Prop. A and C sales tax revenues are currently running well ahead of the level assumed in the original projection. Based on a higher beginning base \$31.9 million of revenues have been added.
- The MTA has historically realized one time revenue benefits and/or capital gains of \$10 million or more, through actions such as property sales, leases, or one time grants. While it is difficult to specifically identify and therefore budget for these revenues, they are a reliable income source.
- Tightening of expenses has already produced \$10 million of savings in the FY '99 budget.
- Staff reductions have reduced the FY '99 budget by \$5 million.
- A savings of \$5 million has been realized and included in the FY '99 budget as a result of the Workout Team effort described below.



THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
Operating Budget Efficiencies/Shortfall

	FY98	FY99	FY00	FY01	FY02	FY03	FY04	Total
by Fiscal Year (\$M)								

Original Restructuring Projection	\$0.0	(\$74.7)	(\$98.2)	(\$106.8)	(\$115.5)	(\$122.6)	(\$125.3)	(\$643.1)
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Adjustments

MOS 2 and MOS 3 N. Hollywood			9.6	11.7	12.4	13.3	14.1	61.3
Total Adjustments	-		9.6	11.7	12.4	13.3	14.1	61.3

Solutions

Prop A & C Increase Trend		5.0	5.1	5.3	5.4	5.5	5.7	31.9
One-time Revenues/Sale of Property		10.0	10.0	10.0	10.0	10.0	10.0	60.0
Administrative Costs Reductions		10.0	10.3	10.5	10.8	11.0	11.3	63.9
Flattening the Organization		5.0	5.1	5.3	5.4	5.5	5.7	31.9
Workout Team Ideas Implemented		5.0	5.1	5.3	5.4	5.5	5.7	31.9
Total Solutions		35.0	35.6	36.3	36.9	37.6	38.3	219.7

Updated Projection	\$ (0.0)	\$ (39.7)	\$ (52.9)	\$ (58.8)	\$ (66.1)	\$ (71.6)	\$ (72.9)	(\$362.2)
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Solutions

Workout Teams' Recommendations		15.0	30.0	30.8	31.5	32.3	33.1	172.7
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Updated Projection	\$ (0.0)	\$ (24.7)	\$ (22.9)	\$ (28.1)	\$ (34.6)	\$ (39.3)	\$ (39.8)	(\$189.5)
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**Los Angeles County Metropolitan Transportation Authority
Comparison of Bus Operating Assumptions of
MTA Restructuring Plan to Current Service Plan**

MTA Restructuring Plan Assumptions

Fiscal Year	Date	Buses for Load Factor Reduction ⁽¹⁾	Buses for New Service Program ⁽¹⁾	Buses for MTA Baseline Service	Cumulative Total MTA Buses	Total Revenue Service Hours	Total Bus Operating Costs
1998	12/96	53					
	7/97	101					
	12/97	10		1,759	1,923	6,667,960	\$609,600,000
1999	1/99		80	1,759	2,003	6,819,287	\$642,600,000
2000	6/00	44		1,759	2,047	6,898,180	\$669,400,000
2001				1,759	2,047	6,980,460	\$702,100,000
2002	6/02	37		1,759	2,084	6,986,750	\$728,300,000
2003				1,759	2,084	7,055,940	\$761,700,000
2004				1,759	2,084	7,055,940	\$788,800,000
TOTAL		245	80	1,759	2,084	48,464,517	\$4,902,500,000

Current Service Plan Assumptions

Fiscal Year	Date	Buses for Load Factor Reduction ⁽¹⁾	Buses for New Service Program ⁽¹⁾	Buses for MTA Baseline Service	Cumulative Total MTA Buses	Total Revenue Service Hours	Total Bus Operating Costs
1998	7/97 ⁽²⁾	106					
	12/97		11				
	1/98		6				
	2/98	2	44				
	3/98		5				
	6/98	3		1,681	1,858	6,596,000	\$609,600,000
1999	1/99		34	1,681	1,892	6,642,996 ⁽³⁾	\$637,072,000
2000	6/00	44		1,681	1,936	6,628,002 ⁽⁴⁾	\$654,233,015
2001				1,681	1,936	6,698,282 ⁽⁵⁾	\$684,823,366
2002	6/02	37		1,681	1,973	6,704,572	\$710,378,955
2003				1,681	1,973	6,773,762	\$742,825,240
2004				1,681	1,973	6,773,762	\$769,146,710
TOTAL		192	100	1,681	1,973	46,817,376	\$4,808,079,286

MTA Restructuring Plan Minus Current Service Plan Assumptions

Fiscal Year	Date	Change In Buses for Load Factor Reduction ⁽¹⁾	Change In Buses for New Service Program ⁽¹⁾	Change In Buses for MTA Baseline Service	Change In Cumulative Total MTA Buses	Change In Total Revenue Service Hours	Reduction from Restructuring Plan Budget
1998	Various	53	(66)	78	65	71,960	\$0 ⁽⁶⁾
1999	1/99	0	46	78	111	176,291	\$0 ⁽⁶⁾
2000	6/00	0	0	78	111	270,178	\$9,638,984
2001		0	0	78	111	282,178	\$11,748,633
2002	6/02	0	0	78	111	282,178	\$12,393,044
2003		0	0	78	111	282,178	\$13,346,760
2004		0	0	78	111	282,178	\$14,125,290
TOTAL		53	(20)	78	111	1,647,141	\$61,252,712

NOTES:

- (1) Each bus for load factor reduction is assumed to operate 2,040 hours per year and each bus for new service program is assumed to operated 2,676 hours per year.
- (2) Reflects existing 106 buses implemented in two increments during FY 1996-97 pursuant to the consent decree.
- (3) Reduction of 105,000 hours is the net impact of Service Economies Program scheduled for implementation end of June 1998.
- (4) Reduction of 68,000 hours is the net impact of Bus and Rail Interface Plan for MOS 2B scheduled for implementation in June 1999.
- (5) Reduction of 12,000 hours is the net impact of Bus and Rail Interface Plan for MOS 3 North Hollywood scheduled for implementation in May 2000.
- (6) FY 1998 and FY 1999 budgets already assume the reduced operating costs from the Restructuring Plan.

In summary, the FY '99 budget which is currently being finalized will incorporate changes which reduce the shortfall to \$39.7 million compared to the \$74.7 million estimate when the summary schedules were prepared. Extended over the Plan period, the projected shortfall is reduced to \$362.2 million.

The remaining shortfall is being addressed primarily through a "Workout/Cost Reduction/Change Initiative" process. Early in 1998 the new management organized ten small cross-functional MTA employee teams, each supported by a subject matter expert consultant.

Following is a brief synopsis of the preliminary findings of the teams.

1. CAPITAL PLANNING, INVESTMENT AND BUDGET

The Capital Planning, Investment and Budget Workout Team was tasked with reviewing the proposed FY 99 Capital Budget and sequentially ranking all capital project submittals for subsequent OMB processing. The team evaluated each request against critical criteria including a) an examination of the rationale for the capital project estimates; b) the availability of less expensive options; c) investigation of duplicative budget requests; and d) constraining the budget to actual FY 99 cash flow needs. Due to time constraints, the team did not examine the Call for Projects. The team identified substantial savings in the following categories:

a. Project Deferrals

This area included all projects which could be deferred until FY2000 and beyond. These projects include Gateway Transit Center Upgraded Signage, Man-Lift purchase, the "below the line" Technology Call projects, VMS/MMS project and reductions in the scope of work for Transit Operating and Trends System (TOTS).

b. Cash Flow

The team evaluated all FY 99 capital budget submissions for the amounts of funds which would likely be needed for the projects in FY 99. Projects identified for potential cash flow savings include Facility ADA compliance, underground storage tank replacement, and tire leases.



c. Project Cancellation

Projects which could be eliminated or voluntarily cancelled/deferral were also identified. These projects included the Enterprise GIS/Property Management System, and the Ramirez Flyover.

d. Smart Scoping

Scopes of work for all Capital Budget requests were examined for potential scope changes which could result in cost savings. Several scope changes were identified including power plant assemblies, transmissions, and bus painting and window replacements.

The recommendations would reduce FY 99 capital spending by more than \$50 million.

In addition to the Capital Budget review, the team also made the following policy recommendations for future Capital Budget requests and implementations:

- Establish a multi-year capital budget decision framework
- Upgrade capital budget process among MTA priorities
- Establish a culture of analytical budget requests
- Establish a common decision and budget terminology
- Vest budget prioritization authority in the client unit
- Conduct benchmarking for functions and acquisitions

2. FARES

The Fares Workout Team evaluated opportunities and developed recommendations in an effort to either identify fare collection efficiencies or modify the fare structure policy in order to enhance revenue within the constraints set forth in the Consent Decree.

A priority was placed on improvements which could be realized in FY 99, though most opportunities could only be implemented for a partial year.

The Team focused on four major opportunities:

- Immediate implementation of a Consumer Price Index (CPI) based increase in bus cash and token fares as provided for in the Consent Decree
- Implementation of six mile fare zones for rail fares
- Improved fare collection on both bus and rail
- Implementation of machine issued bus transfer program

a. Fare Increase

As the consent decree allows for adjustments to bus cash and token fares consistent with CPI increases, the Team recommended immediate adoption of such an increase. This adjustment is projected to produce an estimated \$3.5 million in FY 99, with a 5-year revenue increase of approximately \$30 million over the next five years.

b. Rail Fare Zones

The Team also recommended modifying the rail fare system to reflect the zone fare structure utilized by most light and heavy rail systems in the United States. Adoption of six mile zones with a grace zone could produce additional \$1.8 million if implemented halfway through FY99.

c. Improved Fare Collection

By increasing operator enforcement of bus fare collections by just two additional cash fares per bus per day, the MTA could increase revenues by over \$1.0 million per year. Additional revenue can be generated by improving enforcement of rail fare collections through improved and increased inspections.

d. Machine Issued Transfers

The FY '97 Fare Survey found that approximately 1.3 million more transfers are used than sold, resulting in \$1.8 million in lost fare revenue annually.

Implementation of machine issued transfers would provide for cost-effective transfer control, as well as for the sale of day passes on MTA buses. While implementation costs are estimated at \$3.0 million, a five year net savings of generally \$6.0 million is anticipated.

3. HUMAN ASSET MANAGEMENT

The Human Asset Management Team examined all aspects of MTA's Human Resource functions and procedures including recruitment, hiring procedures, employee benefits. The team investigated and made findings in the following areas:

- Flattening the Organization
- Bus Operator Ratios
- Training and Development
- Promotional/Demonstration Pay Adjustments
- Commercial Model for Recruitment and Selection
- Highly Compensated Executives
- TOWP No Cash Out

The team originally sought to investigate eleven areas but narrowed their scope to the topics listed above with the potential for major cost savings over the next few years . Following is a brief synopsis of each area:

a. Organizational Flattening

MTA's organization structure and staffing have grown beyond what is required to support the agency's prime three core functions of operating a regional bus and rail system, planning the regional transportation infrastructure and constructing the regional rail system.

Significant savings can be realized by reducing the number of departments and layers by bringing managerial and supervisory spans of control into line with what is common among companies with leading business practices. This would include reducing the number of departments, eliminating layers of management, and increasing the spans of control for managers.

b. Bus Operator Ratios

An analysis was done on the MTA's method for calculating the number of FTEs actually required to carry out the Board approved revenue service hours while taking into consideration vacations, sick leave, contract work rules and other legal requirements, etc. By more efficient assignment, the MTA could realize significant savings. This area was examined in conjunction with the Operations Labor Management Team.

c. Training and Development

Currently training is performed by a diverse group of external consultants and in-house training professionals. The consolidation of training functions currently performed by several MTA departments and the reduction of contracted training programs could lead to significant cost savings.

d. Promotion, Demotion and Across-the Board Pay Adjustments

Currently some of MTA employees receive salaries which exceed the pay range of peers doing the same work and the MTA's established compensation structure. The opportunity exists to establish policies to freeze these salaries to appropriate levels and establish clear policies with regard to how these situations will be handled in the future. This could result in substantial savings.

e. Commercial Model for Recruitment and Selection

Extensive studies have been completed on the process the MTA uses to fill vacant non-represented positions either through new hires or promotions. These studies have shown that it is possible to streamline the existing process and reduce the time-to-hire average by 50%. In order to dramatically reduce the cost of hiring, the fundamental process must be simplified by modeling after the standard recruitment and selection process used in the commercial or private sector. The implementation of a "commercial" model would reduce the cost per hire for non-represented hires by as much as 26%. Design and implantation of the "commercial model" will be in line with the EEOC's Uniform Guidelines on Recruitment and Selection as well as MTA's Affirmative Action/EEO Plan. Outsourcing opportunities could produce other cost savings.

f. Highly Compensated Executives

When organizations are in financial distress it has become somewhat of a common practice for top management to temporarily or permanently make special contributions to savings. Executives who earn salaries in excess of \$100,000 could be required to "tighten their belts" and give up cars, perks and possibly some direct compensation.

g. Cash Out in Lieu of Taking a Vacation and Sick Time

Currently employees who do not choose to take vacation or sick time may opt to receive cash instead. In 1997 approximately 370,000 hours of time were cashed in at a cost of over \$10 million. These hours were paid at their current rate of salary. The elimination or modification of this policy could result in immediate cash savings.

4. INFORMATION TECHNOLOGY SERVICES (ITS)

The ITS workout team was formed to identify cost reductions by modifying current ITS practices and policies, examine pending capital requests, review major applications, and assess their current usefulness, and analyze the status of the Year 2000 remediation program. The team proffered 10 cost reduction recommendations which can be realized through a combination of deferred capital investment, redeployment of ITS personnel, and more efficient incorporation of technology on an authority-wide basis.

a. Deferral of Capital Improvements

After reviewing the list of Authority-wide requested computer related improvements, the team recommended deferral of eight major capital investments with further analysis to determine whether a cheaper standard technology alternative is available, a currently utilized system is already in place which can accomplish the same outcome, or if, in fact, the improvement is actually necessary at this time. The

team estimates that approximately \$10 million in capital costs can be avoided in the coming fiscal year budget while such analysis takes place. The team has, however, reviewed current operating needs to assure that no core function will be hampered as a result of this capital deferral.

b. Operating Efficiencies

The team outlined several strategies to reduce operating costs to the authority through better incorporation of technology on an agencywide basis. For example, by increasing the number of business forms available in an electronic format the authority can reduce costs associated with processing and tracking paper. The team estimates an annual \$250,000 savings through adoption of this recommendation.

5. MAINTENANCE

This team's assignment was to recommend improvements in the MTA's bus, rail, non-revenue vehicle and equipment maintenance practices to reduce costs. The team identified and recommended twelve improvement strategies. The recommendations are summarized as follows:

a. Scheduling

The team studied the agency's heavy maintenance scheduling practices and discovered two areas of possible savings. First, it appears that Operations is not limiting engine and transmission rebuilds to the minimum number required for the fleet operations. The Team recommended fewer engine rebuilds which will reduce the FY '99 capital budget. The team also found that maintenance periodicities were not being managed aggressively. Without sacrificing safety, scheduled maintenance can be done less frequently.

b. Maintenance Improvements For Frequent Service Problems

After reviewing maintenance records to determine the type of service calls which were experienced on a frequent basis, the team recommended modifications to current practices which are aimed at curtailing the cause of the problems, thus reducing their frequency. For example, the team found that door-related problems accounted for a large percentage of road calls. By providing additional training, methods to curtail door related problems, in practice at some divisions, could be implemented on an agencywide basis.

The team also recommended a redeployment of bus towing services which is aimed at decreasing the costs of road calls. The team further recommended plans to reduce the consumption of batteries for CNG buses, and the utilization of improved brake lining materials to extend brake life.

c. Overall Cost Reductions

The team brought to management's attention the fact that several costs currently absorbed solely by the MTA could either be significantly reduced or more equitably shared. Currently, MTA maintains facilities which are utilized by other operators without reimbursement for the use of such facilities. The team has estimated the utilization percentage at the various shared facilities and estimate an annual offset to facility maintenance costs of approximately \$100,000.

The team also recommended reductions in the number of service directors coordinating bus and passenger service at the shared El Monte station, which will save and estimated \$225,000 annually.

Finally after reviewing the number of non-revenue vehicles which the authority maintains, including passenger sedans, mini-vans, trucks and heavy maintenance equipment, the team recommended reduction in the fleet of passenger sedans from 510 by 143 to 367.

6. NEW BUSINESS DEVELOPMENT

The New Business Development Team was chartered with seeking out new sources of revenue (non-farebox) for the MTA to be used in support of its "core business activities" of serving as the regional transportation planning agency, designing and constructing the regional rail system and operating and maintaining the regional bus and rail system.

The team focused its review on the areas of opportunity which would generate these additional revenues within a relatively brief (approximately 24 months) period of time.

The recommendations are as follows:

- Real Property
- Marketing and Advertising
- Services and Skills
- Technology
- Investment
- Finance and Grants

7. OPERATIONS LABOR MANAGEMENT

The Operations Labor Management Workout Team was tasked with examining labor/management practices in the Operations Division, identifying potential cost reductions and productivity enhancements which would mitigate the FY 99 shortfall and assist in the implementation of strategies which would provide long term cost savings. The team examined three opportunities. Following is a brief synopsis of each of the opportunities:

a. Operator Ratio

Labor costs are usually the subject of extensive scrutiny when attempting to lower overall spending at a transit agency. When operators are unavailable for an assignment, the MTA is forced to readjust assignments, pay overtime, cancel service and incur other "avoidable" costs. Unavailability of operators whether due to illness, planned absences or corporate policy can be improved through the implementation of initiatives and enhanced monitoring techniques. Implementation of a comprehensive attendance improvement program which would commence at the applicant screening, expansion of current training efforts to reduce operator pay hour to revenue service hour to minimize the need to call in operators to work on their days off, and reducing the mandatory attendance at the MTA's Transit Institute to one day at their home division could achieve substantial savings.

b. Organizational Restructuring

After careful examination of the current Operations Departments structure it was determined that substantial savings could be realized through organizational restructuring which is consistent with other transit agency structures. Structuring the department in a manner which focuses on the core business of providing bus and rail transit service and reducing the number of sub-units reporting to the Executive Officer of Transit Operations and changing the Transit Operations department organization to a service delivery focus could eliminate costly duplicative functions and result in other efficiencies.

c. Expansion of Business Development Operations Facility (BDOF)

The team recommended that the MTA commit to systematically re-establish candidate bus lines as BDOF service - Lines operated by union drivers paid at a much lower rate as provided for in the current collective bargaining agreement- and take full advantage of the available cost savings. This could be accomplished through the appointment of a BDOF Project Manager with responsibility for coordinating the ongoing efforts of the Operations Planning, Employee Relations, Human Resources and Transit Operations departments regarding BDOF hiring and service implementation. A project manager

who is focused on further development of BDOF issues will ensure the eligible lines are converted to BDOF operation in accordance with the operator attrition rate.

8. OVERHEAD

Overhead is used for functions within the agency that perform services for all segments of the agency. Overhead is broken down into allocated and unallocated i.e. those areas which can be allocated to a particular service or project and those which cannot. The FY '98 budget included nearly \$90 million in unallocated overhead costs.

The Overhead Team was tasked with examining all areas associated with overhead including all departments currently charging to overhead and other overhead related expenses such as professional service contracts, purchasing and accounting efficiencies, cell phones, pagers and other efficiencies. The team initially examined all areas above \$250,000. After a preliminary analysis, the team narrowed its scope to nine functional areas and reported on seven. Those areas included:

- Contract Professional and Technical Services
- Departmental Consolidation, Downsizing ,and Outsourcing Opportunities
- Purchasing and Bookkeeping Efficiencies
- Employee Transit Subsidies
- Elimination of the Library
- Building Leases

Following is a brief synopsis of the some of the most pertinent areas:

a. Reducing Contract Professional and Technical Expenditures

For a variety of reasons, the MTA annually purchases large amounts of outside services which fall into two categories; 1.) Professional and Technical Services; and 2.) Contract Services. These services range in nature from MTA's legislatively mandated annual audits to public relations, advertising, and other specialized services. These types of contracts amounted to over \$9 million in 1997. After careful examination it was determined that while there was no clear pattern of over-spending or abuse by reducing the annual expenditure by 20% , the MTA could realize substantial savings.

b. Consolidation and Downsizing of Departments

The MTA's current challenging financial environment lends itself to looking at the way the agency currently conducts business. This may result in the realigning one or more functional areas into a consolidated department.

c. Communications Department

Consistent with the charge to identify efficiencies, an analysis of the Communications Department was undertaken. The team benchmarked the MTA Communications Department with the communications functions in other transit agencies of like size and scope bearing in mind that the department had already experienced severe cutbacks in 1997. The analysis revealed that the current department could be further streamlined through the elimination of duplicative and non-value-added activities, resulting in significant savings.

d. Purchasing and Accounting Efficiencies

Currently the vast majority of MTA's purchase transactions are for small dollar items under \$5,000. Approximately 80% of these transactions are generated by MTA's inventory systems automatically and require little front end processing to buy items but require substantial back-end processing upon the receipt of the materials. Approximately 20% are generated by staff through check requests or on-line purchase requisition systems which require up-front processing to buy the item and require back end processing upon receipt of and upon invoice to pay. The amount to process a small transaction is very similar to process a large transaction.

The MTA could significantly reduce costs in the 80% group by implementing a "pay-on-receipt" authorization method to eliminate unnecessary accounts payable invoice processing for inventory generated purchases. Electronic Banking could also be implemented to eliminate the cost of processing and mailing paper checks.

For small non-routine transaction a "Purchase Card" system could be implemented to reduce the cost of employee generated transactions of under \$5,000 thereby resulting in significant savings.

e. Gateway Building Custodial Services

While MTA personnel enjoy the comforts of working in a grade "A" commercial high rise building, it is expensive to provide daily custodial and full lighting services. After careful analysis and benchmarking against similar public and private entities it was determined that by reducing the frequency of general cleaning, beginning the evening cleaning shift earlier in the day and installing override switches on most floors could result in substantial savings.

f. Transit Passes

In addition to providing MTA employees with a comprehensive salary and benefits package, MTA employees and their dependents ride free on Metro bus and train services. The MTA also provides employees a monthly transit subsidy to ride other

carriers. In FY 98 this subsidy cost the MTA an estimated \$900,000 plus the equivalent of 1 FTE to administer the program. Reducing or modifying this program could result in substantial savings.

9. TRANSIT SERVICE DELIVERY

The Transit Service Delivery Workout Team reviewed transit operations for the Agency and made recommendations in the area of service delivery. The Team developed objectives, consulted with internal and external stakeholders, and reviewed transit services at other transit agencies. The Team prepared nineteen proposals for improving transit service delivery. The recommendations can be broken into two major categories: The first is a major restructuring of the entire system of bus routes and the second represent incremental modifications to the system.

Overall, the Team recommended that the Agency work with the various stakeholders and focus its energy on improving its core service. Core service was defined as the most utilized third of the Agency's routes which account for carrying 80% of the riders, and almost 70% of operating costs.

The first proposal is a single, large, one-time proposal.

The Team's first recommendation consists of consolidating lines which are inefficient and returning the cost savings to the core routes in order to improve service to the Agency's core ridership base. The degree of savings and return is dependent upon the magnitude of the initial system change. This proposal requires only impact negotiation with the unions and is based on financial constraints which can be understood by the Board and the public.

The remaining eighteen proposals range from closing divisions to cutting specific bus lines and transferring routes. With the exception of one or two of the proposals, each of the eighteen proposals requires formal Board approval, union approval and consultation with the Bus Riders Union.

10. WORKERS COMPENSATION

The Workers Compensation Team was charged with identifying ways to quickly reduce the high cost of workers compensation claims and administration at the MTA with a focus on savings that could be achieved within the next two years.

The team examined the overall process, the way the work is distributed among departments, collected existing summary reports and data, conducted benchmarking surveys and best practice research, and generated new data and analysis. As a result of its preliminary analysis the team identified over 20 potential targets for savings which were consolidated and prioritized into 10 potentially high-payoff hypotheses which were evaluated in detail.

These fell into the following broad categories:

- Administrative costs of Workers Compensation.
- Claims prevention.
- Policies and practices of the MTA and the employees or unions which encourage or fail to discourage high claims frequency and severity.

The team successfully developed the following recommendations that are clearly based in fact and have supportable projections for substantial savings.

a. Integrated Disability Management Program

The MTA's current policies and process for ensuring the earliest possible return to work for its injured workers is not adequate. This project recommends a much more robust approach based on commercial best practices which should return workers to full productive status in 1/3rd less time than currently experienced, and should return workers to partially productive status for an additional 1/3rd of the current average, reducing totally non-productive time to 1/3rd of current.

b. Third Party Administrator Management

Current TPA costs are high by industry standards, and by adopting better management techniques we expect to be able to substantially reduce costs.

c. Better Handling of Equipment Faults on Operating Equipment Which Result in Workers Compensation Claims

Strengthening the collection of data and its analysis will enable the MTA to preemptively repair problems on operating equipment which historically have been associated with Workers Compensation injuries. One such item already repaired as a result of this study are the shock absorber struts on bus engine doors which can fail leading to wrist and hand injuries.

d. Improving Initial Claims Handling Process

A lack of consistency in adherence to current policy, and some weaknesses in the policies can create an atmosphere in which the injured employee feels adversarily toward the MTA. Improving this process will reduce the number of contested or litigated claims.

e. Proactive Emphasis for the Safety Department

The MTA should adopt policies which describe active safety programs in best practice literature which can be correlated to 2% to 3% reductions in claims cost.

f. Stress Claims Reduction

This recommendation specifically targets a high frequency source of claims and addresses its reduction using industry best practices.

g. Fitness for Duty

With over a 1/3rd of claims coming from back, arm, and leg soft injuries to bus drivers as a result of regular bus operation, other properties describe programs to ensure that those hired for this rigorous duty are initially physically qualified to perform these activities and remain so during their career. While this will apply only to new employees and will take time to impact a large percentage of the workforce, it will eliminate claims before they occur.

h. Employee Incentive Programs

This program provides a direct financial incentive paid from Workers Compensation savings and thus reduces costs without investment. Approximately 1/2 of all transit properties use this technique to control costs.

As described above, some of the Workout teams' specific recommendations have already been adopted, resulting in a FY '99 budget savings of approximately \$5 million.

A process is now underway to analyze the remaining recommendations and convert those approved by senior management to actions plans. While these additional recommendations are not refined enough to be incorporated as budgeted savings, a minimum of \$15 million of savings is estimated in FY '99 and \$30 million of savings in FY '00.

A realistic picture of the operating deficit for the Plan period is now about \$189.5 million.

While the new management is committed to bring the budget into balance, annual operating shortfalls of \$25-\$35 million are sustainable throughout the Plan period. These annual deficits would have to be financed by additional borrowings and would be

added to the cumulative operating fund deficit. New borrowings would have to be supported by available Prop. C 40% Discretionary Funds. Prop. C 40% tax revenues are projected to be \$176.4 million in FY '99 and debt service is only \$75.4 million (as shown on page 130) leaving adequate direct funding and borrowing capacity.

A significant deficit will probably still exist when the budget is presented to the Board for adoption in June 1998. The CEO plans to strategically address the remaining structural deficit by proposing fare increases and/or service reductions, while concurrently satisfying the bus Federal Consent Decree's principal objectives of improving service to the transit dependent in Los Angeles County. However, the plan described above is intended to be a means for solving chronic operating budget shortfalls for at least the following six years and it may be necessary to consult with the Special Master or the Federal District Court judge regarding limitations in the Consent Decree to achieve this objective.



CHAPTER VI

PROJECT BY PROJECT FINANCIAL PLANS

A. RED LINE SEGMENT 2

INTRODUCTION

The project cost plan shows estimated expenditures by year for the Red Line Extension from Wilshire/Vermont to Hollywood/Vine (MOS-2). This project has a current Revenue Operations Date (ROD) of December 1998. Costs are based on the current project budget plus \$30.7 million of MTA Board approved enhancements. All of the federal funds for this project have already been drawn down.

1. Project cost assumptions -- Since the project is over 93% complete, the level of risk to each contract has been assessed and these forecasts incorporated into the overall projection.

The remaining \$354 million cost for project completion is based on construction facility and systems contracts (\$195 million), capital equipment procurement (\$20 million), Owner Controlled Insurance Program (\$32 million), Consultant Professional services, and MTA agency costs (\$107 million).

Also included in this cost forecast is the construction contract close out and claim settlement projection which is based on historical experience. The present level of claims is approximately \$100 million and the MTA is anticipating a claim exposure based on 40% of this value (\$40 million). However, this excludes the risk of a major adverse settlement of the contract B251 Vermont/Hollywood Tunnel litigation.

2. Cost and risk mitigation -- The current Revenue Operations Date (ROD) is December 1998. However through February 1998, MTA Construction is forecasting completion of June 1999 which has contributed to increased project cost. The major schedule slips are primarily due to several factors such as execution of critical change orders, contractual disputes, flood damage, and site accessibility which delayed construction completion of stations, installation of automatic train control, systems integration testing, and pre-revenue operations. MTA is continuing to prepare mitigation options that will be submitted to the MTA Board of Directors for approval in May 1998. This plan will describe various options for completing the project, including a recommendation that incorporates a new ROD reflecting the \$94.6 million increase which has been included in this Restructuring Plan.

In order to stabilize the potential impact of fortuitous losses such as liability claims from third parties, injuries to workers employed on the Project, and direct damage to Project work in progress, an Owner Controlled Insurance Program (OCIP) was implemented. This OCIP is underwritten by major domestic insurance companies. The OCIP provides Workers' Compensation coverage up to statutory limits; General Liability coverage with limits of \$100 million, and Builders Risk (First Party Property Damage) coverage of \$100 million. There are deductibles within the Builders Risk program which range from \$25,000 to \$1 million according to type of peril. The Liability portion of the OCIP has a \$2 million self-insured retention per occurrence. The presence of insurance above these deductibles and self-insured retentions serves to limit the MTA's exposure to fortuitous losses.

3. Project revenue assumptions and risk mitigation -- There are very few risks associated with meeting the funding goals of the MOS-2 project. All state and federal funds have been allocated (state) or appropriated (federal). The cash flow requirements include the project's revised estimate at completion reflect a June 1999 ROD. Of the \$352 million left in local funding for the project, \$66.6 million is already in MTA accounts or spent this fiscal year. For the remaining \$285.4 million, \$8.5 million is

from the City of Los Angeles and the remainder is Proposition A 35% bonds sales (\$276.9 million). A discussion of the primary risks associated with each of these remaining commitments and principal way these risks can be mitigated are as follows:

a. City of Los Angeles -- The MTA has a financial contribution agreement in place with the City of Los Angeles which provides \$96 million for MOS-2. At the start of FY 1998 all but \$8.5 million had been invoiced. Through January 1998, an additional \$1.7 million had been invoiced leaving a balance of \$6.8 million. Since funds from the City are received on a reimbursement basis as project expenditures are incurred, MTA will receive reimbursement from the City for the \$6.8 million balance. There are no conditions in the agreement with the City that would prevent the MTA from receiving the remaining funds.

b. MTA bonds and commercial paper -- The primary risk in the issuance of MTA's bonds, or commercial paper, is the market interest rate. The present market is near all time historical lows. Recent MTA bonds sold at interest rates under 5.2% as compared to plan assumptions of 6% in the near term. A risk mitigation strategy is to immediately issue the most debt that can be justified under appropriate laws and regulations in order to lock in the present low rates. The MTA's tax exempt commercial paper is trading at approximately 3.5%. Since it is a variable rate program, the cost of the program is directly impacted by current changes in the market.

Other factors influencing the MTA's debt program are the ratings assigned to MTA debt by the three nationally recognized rating agencies. Two of these agencies recently changed the "outlook" portion of their ratings from stable to negative outlooks. In order to mitigate this exposure, MTA executive management met with those agencies and committed to an ongoing open line of communication to provide information to the agencies on a timely basis. The impact of the changes in ratings did not appear to be significant on the refunding bond issue that concluded shortly after the changes were publicized.



THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Red Line Segment 2]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget-Segment 2	\$134.9	\$74.0	\$67.5	\$26.8	\$20.6			\$323.8
Budget-Seg. 2 Enhance.	\$15.1	\$15.6						\$30.7
Totals	\$150.0	\$89.6	\$67.5	\$26.8	\$20.6	\$0.0	\$0.0	\$354.4

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ	\$2.5							\$2.5
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%	\$143.1	\$87.7	\$65.3	\$26.8	\$20.6			\$343.4
Prop C 40%								
Prop C 25%								
City of Los Angeles	4.4	\$1.9	\$2.2					\$8.5
Commercial Paper				\$0.0	\$0.0			\$0.0
General Rev. Bonds								
TOTALS	\$150.0	\$89.6	\$67.5	\$26.8	\$20.6	\$0.0	\$0.0	\$354.5

BALANCE	\$0.0							
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



B. METRO RAIL RED LINE SEGMENT 3 - NORTH HOLLYWOOD

INTRODUCTION

The project cost plan shows projected expenditures by year for the Metro Rail Red Line extension of MOS-3 to North Hollywood. This project has a current Revenue Operations Date (ROD) of May 2000. The Full Funding Grant Agreement has an ROD date of December 2000.

Costs are based on the latest project budget for the Restructuring Plan period of \$742.3 million. The current budget projections show a reserve of \$58 million which would be transferred to rail capital upon completion of the project within budget to the extent needed. A City of Los Angeles contribution of \$34.6 million is programmed for FY 1999-00 as part of the ongoing City contributions toward Metro Rail construction which have historically reflected 7% of the total costs.

1. Project cost assumptions -- The cost forecast is based on the following critical assumptions: all existing contracts will be completed for the forecast amount, bids for new contracts will be received within the forecast amounts, and the project schedule will be maintained for a ROD of May 2000. The cashflow projection is based on the current construction schedule which includes completion of the major facilities contracts within the fiscal year 1999 and achieving the ROD in May 2000. The remaining \$684M cost for completion of the project consists of facilities and systems contracts (\$456M), Owner Controlled Insurance Program (\$30M), Consultant Professional Services, and the MTA Agency costs (\$198M).

2. Cost risk mitigation -- At this time, the project forecast cost at completion will potentially exceed the current budget. This projection is based upon the review of all project budget elements, including construction contracts, purchase orders, real estate

environmental mitigation, professional services and agency costs. This potential overrun is primarily the result of increased agency overhead costs which have exceeded the budget by approximately \$27 Million. In addition, there are several identified risks that are anticipated but cannot be accurately quantified at this time. These risks include Hollywood Boulevard subsidence claims, construction contract claims, contract bid values exceeding the estimated amounts, and cost associated with delays to the project schedule.

The project team is actively minimizing these potential cost impacts. Project scope elements are continually reviewed and project features that are not essential to operational functions are being deleted. For example, the North and South single crossovers, midline vent shaft structure, and the non revenue connector in the Santa Monica mountain tunnels were all deleted at this time to achieve significant cost savings. This will impact the number of rail cars that can be in the tunnel at any given time and will be re-evaluated should an increase in ridership occur in the years ahead. Construction contract work has been resequenced and additional access has been provided to preclude delays to installation of trackwork and subsequent systems contracts. Construction claims are being aggressively challenged and defended as evidenced by numerous Disputes Review Board findings that were significantly below the contractor's claimed amounts. Professional service consulting contract requirements are being reassessed and revised to reduce manpower costs.

3. Project revenue assumptions and risk mitigation -- With the exception of \$64.7 million in MTA commercial paper (\$58 million) and Prop. C 10% bond proceeds (\$6.7 million), all of the remaining funds for the Metro Rail Red Line MOS-3 North Hollywood project after FY 1998-99 are from city and federal funds. There is a political risk (shared by all new start projects) that federal or city governments will fail to appropriate or allocate funds. In this section, the MTA will first address the significant changes that have taken place in local funding for the North Hollywood project, then address the risks associated with federal and city funds now scheduled for the project.

4. Local funds New Local Share "Mix" -- These changes were made to accommodate changes in the availability of three local funding sources: Benefit Assessment District revenues, Proposition C funds, and City of Los Angeles funds.

Benefit Assessment District revenues of \$13.5 million were deleted from the project financial plan due to the passage of Proposition 218. This state proposition requires that a majority of the property owners affected by an assessment district approve the assessment. Since the MTA expected that a majority owners would not approve such an assessment, this funding source was removed from the project financial plan.

Proposition C funds were reduced by \$87.1 million due to a lowering of the initial projected sales tax growth rate from 7% to 4%. This change was made to more accurately reflect current sales tax growth projections from numerous agencies in the Los Angeles area.

City of Los Angeles funds were reduced by \$100.7 million due to MTA's difficulty in accomplishing all of the milestones in the financial contribution agreement with the City. As a result, the MTA expects that the amount of City funds available for the North Hollywood Extension will be reduced to \$90 million. This \$90 million is North Hollywood's pro rata share (approximately 7%) of the \$200 million agreement with the City. The MTA has begun discussions with the City to revise the agreement to reflect milestones that are achievable in the current environment, and at a minimum to preserve the funding commitment made for the North Hollywood Extension.

In addition, \$19.1 million in *State Highway Account-(SHA) funds* were reduced by 19.1 million to correct a previous error in the project financial plan.

The total reduction is equal to \$220.4 million. To compensate for these changes in local funding, the MTA has programmed \$220.4 million in additional Congestion Mitigation and Air Quality (CMAQ), Surface Transportation Program (STP), Proposition 116, Traffic Systems Management (TSM) and 1998 County Transportation Improvement Program (County TIP) funds for the North Hollywood Extension.

The additional \$11.8 million in CMAQ funds and \$1.5 million in Traffic Systems Management (TSM) are included in the current Regional Transportation Improvement Program and are included in the draft MTA Long Range Transportation Plan.

On January 15, 1998, the MTA Board of Directors approved the programming of \$207.1 million in 1998 County TIP funds to the North Hollywood Extension. Subsequent to the MTA action, the CTC requested that this be reduced by \$40.0 million to \$167.1 million. On February 19, 1998, MTA staff presented a STIP amendment proposal consistent with the CTC request. The CTC gave its tentative approval to the MTA proposal and final CTC approval is expected in June 1998.

The \$40 million reduction is replaced by an additional \$32.2 million in Proposition 116 and \$7.8 million in STP funds that were previously programmed for the Los Angeles Light Rail Vehicle (LA LRV) and Metro Rail Red Line Segment 3 Eastside projects. The CTC has approved the allocation of the \$40 million to the North Hollywood Extension on March 31, 1998.

5. Federal funds --The only political risks associated with federal funds for the North Hollywood project are that the Congress will not appropriate sufficient funds to keep the project on schedule. The project is covered by a Revised and Restated FFGA which is based on a financial plan that keeps the project on schedule. The political risk that the MTA has for this project is the same as the political risk for any other New Starts project nationwide and therefore should not be considered out of the ordinary. In this regard, it should be noted that the federal Section 3 funding in the financial plan differs from the

North Hollywood FFGA funding schedule in two aspects (1) the plan assumes a one year lag in funding from the FFGA schedule, and (2) the FY 1998 federal shortfall of \$38 million is assumed to be recovered in the final year of funding, 2003.

6. State funds -- In January 1998, the MTA Board acted to commit \$207.1 million in county share funds to the North Hollywood project. On March 31, 1998, the CTC acted on an MTA sponsored amendment to remove \$40 million of these funds and replace them with Proposition 116 funds (\$32.2 million) and federal Surface Transportation Program funds (\$7.8 million). The \$167 million in 1998 County TIP funds committed to the North Hollywood project rely on state and/or federal gas tax revenues programmed and allocated by the CTC. The 1998 County TIP funds are made available to the MTA from a guaranteed county share of those state and federal gas tax revenues. The guaranteed county share is defined in California state Senate Bill 45, a state law which took effect on January 1, 1998. The State Highway Account, through which the guaranteed county shares flow, now has a balance of \$1.5 billion and is projected to have a \$2.0 billion balance by December 1999, making this commitment a very secure source of funds with very little downside risk.

There are, however, some political risks associated with the programming and allocation of these funds. On the programming side, the CTC could reject the entire 1998 County TIP submitted by the MTA. The CTC is not permitted by SB 45 to reject a single portion or project in the 1998 County TIP; the CTC may only reject the entire program of projects. In the event that the entire 1998 County TIP is rejected, the CTC must hold a public hearing in Los Angeles County. The hearing would be used to resolve the concerns of the CTC. In any event, the CTC cannot remove county share funding from Los Angeles County -- the MTA must ultimately agree to the resolution of the problem. The MTA is addressing the political risks associated with the programming of these funds by working closely with the CTC and the State Legislature to address any concerns that arise.

The political risks associated with the allocation of these funds will arise if a majority of the CTC is unwilling to vote for the release of the funds for North Hollywood. By the time of the allocation vote for these funds, MTA will have addressed most of the CTC's concerns during the programming phase above. Any other concerns that have not yet been addressed by the MTA must be resolved by continuing to work with the CTC.

7. *Capital Reserve Account Funds (See Appendix I)*

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Red Line Segment 3 North Hollywood]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$245.6	\$273.9	\$96.6	\$47.5	\$20.8			\$684.3
Reserves			\$20.0	\$20.0	\$18.0			\$58.0
Totals	\$245.6	\$273.9	\$116.6	\$67.5	\$38.8	\$0.0	\$0.0	\$742.3

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3	\$69.5	\$37.5	\$62.0	\$50.0	\$50.0	\$47.8	\$0.0	\$316.8
Sec. 9								
CMAQ		\$20.0						\$20.0
RSTP								
Sec. 3 Rail Mods								
State:								
Prop 116		\$32.2						\$32.2
98 CTIP		\$167.1						\$167.1
STIP (FCR)	\$70.0	\$7.8						\$77.8
TSM		\$2.6						\$2.6
SCAQMD AB2766								
Local:								
Prop C 40%	\$33.2							\$33.2
Prop C 10%		\$6.7						\$6.7
Prop C 25%	\$17.4							\$17.4
City of Los Angeles	\$55.4		\$34.6					\$90.0
Commercial Paper			\$20.0	\$20.0	\$18.0			\$58.0
General Rev. Bonds								
TOTALS	\$245.6	\$273.9	\$116.6	\$70.0	\$68.0	\$47.8	\$0.0	\$821.9

BALANCE	\$0.0	(\$0.0)	\$0.0	\$2.5	\$29.2	\$47.8	\$0.0	\$79.6
TRANSFER TO RAIL CAPITAL				\$2.5	\$29.2	\$47.8		\$79.6
ADJUSTED BALANCE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



C. RAIL CAPITAL PROJECTS

INTRODUCTION

Several vital rail projects, including rail maintenance, upgrading, and the L. A. Rail Car have been grouped to form this category. The total cost for these projects is \$288.9 million, based upon recent budget discussions and the 20-Year Infrastructure Preservation Plan for rail and bus.

Federal, state, and local funding totaling \$138.2 million has been identified for these projects. An anticipated \$71.1 million funding shortfall exists but several actions are being taken which are expected to eliminate this shortfall by reducing costs and generating additional funds. Also, recently established budget and schedule performance measurements are improving forecast accuracy.

Funding from federal sources, \$46.1 million, comes primarily from Section 3 Rail Modernization, (\$38.6 million). The remainder of funding is \$59.1 million from state CTIP and STIP programs and \$40 million from local sales tax.

1. Project cost assumptions -- Rail Capital Projects include the maintenance, overhaul, improvement, betterment and rehabilitation of rail facilities and rail vehicles. Major capital equipment purchases are also included in this category. These projects are the minimum required to support rail operations.

- Radio and Communications equipment;
- Operating facility maintenance;
- Other property and Right of Way maintenance (RRC, Headquarters, Right-of-Way not in use, etc.);
- Maintenance-of-Way (Track, Power Systems, Signal Systems, etc);

- Rail vehicle maintenance and overhaul;
- Facilities maintenance and improvement;
- Systems upgrade;
- Operations support from engineering; and
- L.A. Rail Car.

Four sources were utilized to compile these figures: the 20-Year Infrastructure Preservation Plan (rail and bus) dated November 1994; updated figures from Rail Operations Department, Rail Maintenance Division; updated figures from Rail Construction Department for facility improvement projects; and the most recent L. A. Rail Car budget. The L.A. Rail Car is the largest single project at \$111 million, with the final payment of \$10.1 million due in FY 2001. In addition, light rail vehicle maintenance accounts for \$51 million, and operations facilities for \$35 million are separate expenses.

2. Cost and risk mitigation -- Rail Capital Projects are scrutinized in an on-going process. Annual budget requests are closely reviewed and the Five-Year Capital Improvement Plan is updated annually. Cost forecasting and estimating techniques are being improved, and recently established budget and schedule performance measurements are improving forecast accuracy.

Expenditures will be deferred where insufficient financial capacity to pursue those items is evidenced and not a pressing need. A constant monitoring of expenditures is presently occurring, combined with organizational downsizing to ensure fiscal responsibility.

Life cycle and needs assessment are conducted for these capital items. The cost effectiveness of each item requested for funding is reviewed, and consideration is given to whether safety needs are compromised by deferral is done.

3. Project revenue assumptions and risk mitigation -- Rail Capital Projects were identified in the December 1997 report to the MTA Board entitled the "Capital Improvement Program Challenge". In that report, MTA staff indicated to the Board that rail capital improvement needs were anticipated to exceed the revenues available by \$88.3 million dollars through FY 2003-04. Since that time, the CTC has requested that \$7.8 million originally identified for the LA Car project be moved to the North Hollywood project, bringing the shortfall to \$ 96.1 million dollars. Finally, this analysis assumes that \$25 million in funds freed-up from the 1998 County TIP and now in a fixed guideway reserve will be available for these other rail capital needs, bringing the anticipated shortfall down to \$71.1 million.

Rail capital needs of \$71 million that are as yet unmet include engineering support, the LA Car project, enhancements, facilities, maintenance, and support equipment. The MTA will be attempting to mitigate these unmet needs through both short and long term methods for both the cost and revenue sides of the problem. On the cost side, in the short term, the MTA management will be annually "scrubbing" the capital requirements submitted in departmental budget proposals to ensure that only those items that are absolutely necessary get carried forward into the final budget. In the long term, the MTA will continue to examine annual budget requests.

On the revenue side in the short term, the MTA could benefit from increases in transit capital funds that are proposed in the pending ISTEA II legislation. For those budget items that the MTA must purchase in FY 1998-99, we will be exploring commercial paper and other debt instruments, if necessary. Finally, the MTA management will be proposing fare structure and/or revenue increases that may, in part, off-set debt service requirements for urgently needed capital improvements that are required to keep existing systems in proper working order.

The cost and revenue methods to be explored over the longer term include restructuring service delivery, creating new transit zones, and seeking additional capital funds through debt instruments.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Rail Capital Projects]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget*	\$67.5	\$83.5	\$48.9	\$28.0	\$13.6	\$24.1	\$23.2	\$288.9
Reserves								\$0.0
Totals	\$67.5	\$83.5	\$48.9	\$28.0	\$13.6	\$24.1	\$23.2	\$288.9

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9	\$1.0							\$1.0
CMAQ								
RSTP	\$6.1							\$6.1
Sec. 3 Rail Mods	\$11.9	\$8.5	\$3.5	\$3.6	\$3.6	\$3.7	\$3.8	\$38.6
Sec. 26	\$0.4							\$0.4
State:								
Prop 116								
98 CTIP				\$5.0	\$10.0	\$10.0		\$25.0
STIP (FCR)	\$20.5	\$13.6						\$34.1
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%								
Prop C 40%	\$26.8	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$32.2
Prop C 10%								
Prop C 25%								
TDA Article 4	\$0.8							\$0.8
General Rev. Bonds								
TOTALS	\$67.5	\$23.0	\$4.4	\$9.5	\$14.5	\$14.6	\$4.8	\$138.2

BALANCE	\$0.0	(\$60.5)	(\$44.6)	(\$18.5)	\$0.9	(\$9.5)	(\$18.4)	(\$150.7)
TRANSFER FROM N. HOLLYWOOD	\$0.0	\$0.0	\$0.0	\$2.5	\$29.2	\$47.8	\$0.0	\$79.6
ADJUSTED BALANCE	\$0.0	(\$60.5)	(\$44.6)	(\$16.0)	\$30.1	\$38.3	(\$18.4)	(\$71.1)

* Rail construction projects includes LA Rail Car.

** An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



D. BUS ACQUISITIONS

INTRODUCTION

The Project and Year Financial Plans chart estimates the MTA's annual bus acquisition expenditures through FY 2003-04. The plan includes \$550 million project costs representing the procurement of 1,313 replacement buses. These costs include the MTA Board approved CNG orders of 250, 223 and 215 buses as well as additional orders that will be needed in the future. These buses will be delivered over the next few years in accordance with the delivery schedule mentioned in the text below. The MTA bus acquisition plan is fully funded.

1. Project Cost Assumptions -- Costs for the buses are based on the established project budgets for the current CNG bus orders. These costs include taxes, delivery, bus spare parts and various approved options. The costs of future bus procurements are estimated to escalate beyond current bus costs (approximately \$378,000 per bus in FY 1998 dollars). The costs in the chart do not include the February 27, 1998 Board's approval of the purchase of 50 additional CNG buses. Funding for these buses will be identified in the draft FY 1999 budget process.

Based on the costs identified above, it is anticipated that the MTA will receive the following number of bus deliveries from FY 1998 through FY 2004: 200, 247, 208, 162, 164, 165 and 167. This sequencing of bus delivery is needed in order for the MTA to achieve a level 12 year bus replacement schedule in FY 2009. This ordering plan avoids a large number of vehicles becoming 12 years old at the same time.

2. Project revenue assumptions and risk mitigation -- The assumed funding for bus acquisitions is comprised of Section 9 Capital, Regional Surface Transportation Program (RSTP), Proposition C 40%, and TDA Article 4 funds. A total of \$427 million of Section 9 Capital and \$10 million of RSTP federal funds are programmed to the

project. The amount of Section 9 Capital that the MTA is expected to receive is assumed to increase in relation to the Federal Highway Trust Fund annual growth of 1.4%, (This is a conservative estimate that does not reflect the potential for increased Section 9 funding under ISTEA II).

The remaining \$111 million (approximately 20%) is from local sales tax Proposition C 40% bond proceeds and TDA Article 4 funds. The MTA programs local funds beyond the required 17% match for alternative fueled vehicles to Section 9 Capital funds due to insufficient levels of federal funds. Sufficient levels of local funding sources are available to fully fund the bus procurement costs.

The MTA has not included in the following chart or in the Restructuring Plan all or any potential bus discretionary funding from the Section 3 bus account. The MTA intends, however, to pursue such funding from the Congress, and to that end has requested an appropriations earmark in FY 1999 in the amount of \$25 million in federal bus discretionary funds.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Bus Acquisitions]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$100.0	\$92.2	\$78.9	\$65.7	\$68.6	\$69.9	\$74.2	\$549.5
Reserves								\$0.0
Totals	\$100.0	\$92.2	\$78.9	\$65.7	\$68.6	\$69.9	\$74.2	\$549.5

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9	\$73.0	\$76.5	\$51.4	\$52.7	\$54.1	\$58.1	\$61.6	\$427.3
CMAQ								
RSTP	\$10.0							\$10.0
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766						1.3		\$1.3
Local:								
Prop A 35%								
Prop C 40%	\$17.0	\$14.4	\$27.5	\$3.9	\$4.7	\$0.6	\$6.0	\$74.1
Prop C 10%								
Prop C 25%								
City of Los Angeles								
Commercial Paper								
TDA Article 4		\$1.3		\$9.1	\$9.8	\$10.0	\$6.6	\$36.8
General Rev. Bonds								
TOTALS	\$100.0	\$92.2	\$78.9	\$65.7	\$68.6	\$70.0	\$74.2	\$549.5

BALANCE	\$0.0	\$0.0	(\$0.0)	(\$0.0)	\$0.0	\$0.0	(\$0.0)	\$0.0
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

E. BUS CAPITAL PROJECTS (OTHER THAN BUSES)

INTRODUCTION

The Project and Year Financial Plans chart estimates the MTA's annual bus capital project expenditures through FY 2003-04. The total bus capital project costs through the plan is \$578 million. These costs were identified as part of the December 1997 report to the MTA Board entitled the "Capital Improvement Program Challenge". The MTA bus capital projects currently has a \$377 million shortfall through FY 2003-04.

1. Project cost assumptions -- Costs for bus capital are based on current project budgets and anticipated bus system needs through FY 2003-04. The project cost includes the following expenditures: bus maintenance overhauls and rehabilitation, CNG fueling facility, bus maintenance facilities improvements, non-revenue vehicles and communications support equipment. CNG fueling facilities are funded in the Restructuring Plan in an amount equal to the need to services the new 1, 313 buses being received through 2004.

2. Project revenue assumptions and risk mitigation -- The assumed funding for bus capital projects is comprised of Section 9 Capital, Proposition C 40% bond proceeds, TDA Article 4, and Air Quality Vehicle Registration funds. A total of \$121 million of Section 9 Capital is programmed for these projects. As indicated in an earlier chart, the majority of Section 9 Capital funds have been programmed for bus acquisition leaving insufficient Section 9 Capital funds for bus capital projects.

The remaining \$81 million programmed for bus capital projects consist of \$44 million of TDA Article 4, \$21 million of Proposition C 40% bond proceeds and \$15 million of Air Quality Vehicle Registration funds. Beyond these funds, there exists no additional local funds or additional Proposition C 40% bonding capacity for bus capital projects. The

Proposition C 40% revenue demand chart later in this Chapter details MTA's capacity to issue additional debt.

3. Cost and risk mitigation -- The MTA will be attempting to mitigate the \$377 million shortfall through both short and long term methods for the cost and revenue sides of the problem. MTA management will be annually "scrubbing" the capital requirements submitted in departmental budget proposals to ensure that only those items that are absolutely necessary get carried forward into the final budget. Bus specifications will be re-evaluated in an attempt to garner lower cost buses in the competitive bidding process.

As noted above, the MTA could receive increases in transit capital funds under the reauthorization of ISTEA. MTA management will also be proposing fare structure and/or revenue increase that may, in part, off-set debt service requirements for urgently needed capital improvements. For those budget items that the MTA must purchase in FY 1998-99, we will be exploring commercial paper and other debt instruments, if necessary.

Finally, the MTA management will be restructuring and changing service delivery strategies to decrease capital improvement burdens. Restructuring and service changes must be accomplished in a manner that is consistent with the federal Consent Decree. Many of the solutions to the capital side shortfalls will be influenced by the solutions adopted for the operating shortfalls later in this Chapter.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Bus Capital Projects]
(Other Than Buses)

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$93.1	\$87.2	\$93.5	\$98.9	\$70.2	\$65.8	\$69.4	\$578.0
Reserves								\$0.0
Totals	\$93.1	\$87.2	\$93.5	\$98.9	\$70.2	\$65.8	\$69.4	\$578.0

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9	\$71.4	\$22.7	\$0.0	\$0.0	\$0.0	\$16.2	\$10.4	\$120.8
CMAQ								
RSTP								
Sec. 3 Rail Mods	\$0.2							\$0.2
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766	\$3.8	\$2.0	\$2.0	\$2.0	\$2.0	\$0.7	\$2.0	\$14.5
Local:								
Prop A 35%								
Prop A 40%								
Prop C 40%	\$6.8	\$0.0	\$14.4	\$0.0	\$0.0	\$0.0	\$0.0	\$21.2
Prop C 5%								
Prop C 10%								
Prop C 25%								
City of Los Angeles								
TDA Article 4	\$20.8	\$8.7	\$10.0	\$0.9	\$0.2	\$0.0	\$3.4	\$44.0
General Rev. Bonds								
TOTALS	\$103.1	\$33.4	\$26.4	\$2.9	\$2.2	\$16.9	\$15.8	\$200.7

BALANCE	\$10.0	(\$53.8)	(\$67.1)	(\$96.0)	(\$68.0)	(\$48.8)	(\$53.5)	(\$377.3)
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

F. ALAMEDA CORRIDOR

INTRODUCTION

This section reviews the project referred to as "Alameda Corridor" which is a 20-mile long double-tracked rail corridor. Upon completion the Alameda Corridor will speed goods along a modern rail corridor from the port area of Los Angeles to the central Business District in downtown. The project is not managed by the MTA but rather the MTA is a limited funding partner to another legally created authority.

Overall MTA is providing \$294.4 million in funding during the Restructuring Plan period. The MTA is designating major regional state funds and local highway funding to meet the obligation. The total costs of construction exceed \$2.0 billion.

1. Project cost assumptions --The MTA has independently examined the schedule and cost risks associated with the Alameda Corridor Project. The MTA's agreement with the Alameda Corridor states that the MTA will not be responsible for cost overruns and will not be requested to increase its contribution to the project. The United States General Accounting Office recently issued a report which states that the year 2000 completion schedule for the Alameda Corridor is "ambitious". (Please refer to that report for more information.) Earnings from any delay in cash drawdowns will accrue to the MTA.

2. Cost and risk mitigation -- The MTA's \$355.4 million in funding for the Alameda Corridor project is on schedule. In January 1998, the MTA Board acted to convert \$150 million of Proposition C 25% bond proceeds to 1998 County TIP funds. The Board did so because it was anticipated that the Proposition C 25% bond funds would not be available given the lower sales tax forecast. The 1998 County TIP funds now committed to the Alameda Corridor project rely on state gas tax revenues allocated by the CTC. The State Highway Account, from which these gas tax revenue must flow, is

projected by Caltrans to have a \$2.0 billion balance by December 1999. The balance in February 1998 was \$1.5 billion. The commitment of 1998 County TIP funds is, therefore, a more secure source of funds than the MTA's own sales tax bonds.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Alameda Corridor]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$24.3	\$71.4	\$57.3	\$141.4				\$294.4
Reserves								\$0.0
Totals	\$24.3	\$71.4	\$57.3	\$141.4	\$0.0	\$0.0	\$0.0	\$294.4

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ								
RSTP	\$21.5	\$23.3						\$44.8
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP			\$57.3	\$92.7				\$150.0
STIP (FCR)		\$48.1						\$48.1
TSM	\$2.8							\$2.8
SCAQMD AB2766								
Local:								
Prop A 35%								
Prop C 40%								
Prop C 10%								
Prop C 25%			\$0.0	\$48.7				\$48.7
City of Los Angeles								
Commercial Paper								
TDA Article 4								
General Rev. Bonds								
TOTALS	\$24.3	\$71.4	\$57.3	\$141.4	\$0.0	\$0.0	\$0.0	\$294.4

BALANCE	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.

5/14/98

Prepared By: Capital Development and Programming



G. OTHER ADMINISTRATIVE PROJECTS

INTRODUCTION

This section reviews the other administrative items for business operation of the agency. Funding is from several sources including federal Section 26 and state Proposition 116. Local sources are divided between Proposition A and C. These administrative projects area, has a \$46.9 million shortfall indicated through the Restructuring Plan period.

1. Project cost assumptions – The unmet capital needs in the administrative projects area of \$46.9 million includes items such as personal computers, telephones, cabling equipment, leases on business equipment and upkeep on the headquarters building. The items involved in administrative capital are reviewed annually through the budgetary process.

All unmet needs will be addressed through short and long term methods from revenue and costing perspectives. Some items will be deleted or reduced in scope, and other alternatives such as joint use, needs assessment, or cost spreading will be implemented. Some of the administrative project items are eligible for various grants and pilot programming efforts at the state and federal level. These will be pursued by the MTA through appropriate grant applications.

2. Project revenue assumptions and risk mitigation -- The identified sources of funding are secured for FY 1997-98. Of the \$86.1 million in projects, \$59.4 million is secured for FY 1997-98. In future years, deferral of some items will occur unless funding sources can be identified. The administrative capital projects could benefit from increases in capital funding under consideration in the proposed reauthorization of ISTEA. The MTA is also exploring debt instrument funding in the short term for isolated items through the annual budgetary process.

Administrative projects will be reviewed on an annual basis based on availability of funds and priorities. Most of the items can be deferred without regard to violating established safety standards or life cycle replacement criteria. This \$46.9 million is a shortfall that occurs in annual increments through FY 2004.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Other Administration Projects]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$59.4	\$40.3	\$12.1	\$7.8	\$4.4	\$4.4	\$4.6	\$133.0
Totals	\$59.4	\$40.3	\$12.1	\$7.8	\$4.4	\$4.4	\$4.6	\$133.0

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ								
RSTP								
Sec. 3 Rail Mods								
Sec. 26	\$7.5	\$5.7						\$13.2
State:								
Prop 116	\$11.2							\$11.2
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%	\$1.3	\$1.0						\$2.3
Prop C 40%	\$19.4	\$3.6						\$23.0
Prop C 10%								
Prop C 25%	\$13.9	\$16.4						\$30.3
City of Los Angeles	\$1.3							\$1.3
Commercial Paper								
TDA Article 4								
General Rev. Bonds	\$4.9							\$4.9
TOTALS	\$59.4	\$26.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$86.1

BALANCE	\$0.0	(\$13.6)	(\$12.1)	(\$7.8)	(\$4.4)	(\$4.4)	(\$4.6)	(\$46.9)
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



H. BUS OPERATIONS

INTRODUCTION

The Project and Year Financial Plans chart estimates the MTA's annual bus operating expenditures through FY 2003-04. The plan includes \$4.9 billion bus operating costs including the Consent Decree. The MTA bus operating plan shows a shortfall of \$540 million through FY 2003-04.

1. Project Cost Assumptions -- Bus operations cost projections are generated by the Padron Model (see Description of Financial Forecasting in Chapter IV). This model is consistent with the methodology specified by the FTA for Alternatives Analysis studies. Staffing requirements, labor costs and non-labor expenses are calculated based on the projected quantity of service supplied (e.g., peak vehicles, revenue vehicle-miles) and the physical size of the system (e.g., route miles, number of stations). Using the line item detail of the current MTA budget and adjusting for anticipated changes in operations such as new lines, union contracts including wage adjustments, more frequent service, and line elimination, the Padron Model projects operating costs including the bus Consent Decree costs.

2. Project Revenue Assumptions -- The assumed revenues for bus operations are comprised of Section 9 Operating, STA Program, TDA Article 4, Propositions A & C and advertising and auxiliary funds. It is assumed that Section 9 allocations for transit operations are eliminated in federal FY 2003.

3. Cost and Risk Mitigation -- Bus operations cost and funding will be balanced by changing service, raising fares, improving the MTA's overall cost reduction efforts and implementing efficiencies. Part of the shortfall will be addressed by cost savings that will be determined in the FY 1998-99 MTA budget process. The Workout, Cost

Reduction/Changes will produce significant cost reductions and revenue increases beginning in FY 1998-99.

There is always a risk that the MTA Board will not raise fares, change service and approve efficiencies based upon their policy and directive oversight. The MTA Board will consider a range of issues when balancing expenditures against revenues. This review process will allow the MTA Board to achieve a balanced operating budget and direct priorities.

I. BUS CONSENT DECREE

INTRODUCTION

MTA has been operating under the provisions of a Consent Decree, ordered by the U. S. District Court for the Central District of California, since October 29, 1996. The decree resolved litigation filed by multiple plaintiffs in September, 1994, concurrent with the MTA's attempt to implement an adopted fare increase. This section outlines the basic obligations imposed upon the MTA by the Consent Decree, and briefly summarizes the actions taken to comply. Financial impacts are addressed separately.

1. Basic Principles and Objectives -- The elements of the Consent Decree are interpreted in accordance with a set of basic principles that collectively define the purposes of the decree. The eight principles include:

- a. Commitment of the MTA to a fully integrated mass transportation system that effectively meets the needs of all riders with equal access for all.
- b. Establishment of bus service quality improvement as the MTA's highest priority.

- c. Maintenance of a policy of charging equitable fares for transit services.
- d. Maintaining a policy that fairly distributes transit security and amenities.
- e. Priority to be given to transit-dependent populations for capital improvements.
- f. Consistent with other statutory obligations, the first priority for funds not already budgeted for other purposes is to be given to improving bus services for transit-dependent populations.
- g. MTA long range plans, capital project grants and annual budgets shall contain a section describing how the needs of transit-dependent residents are being and will be met.
- h. MTA will work cooperatively with the plaintiffs' class representatives through a Joint Working Group to implement these principles and objectives.

2. Process and Duration -- The Consent Decree remains in effect for 10 years. MTA may petition to remove the decree after seven years provided that it files a plan for maintaining the benefits achieved by the decree for at least five years thereafter.

As noted above, a Joint Working Group has been established to serve as a mechanism for cooperative discussion among representatives of the plaintiffs and the MTA. Presently, the group is composed of four MTA staff and four members of the Bus Riders Union. A co-chair has been designated by each party.

The Court has appointed Donald T. Bliss, an attorney with expertise in transportation, to serve as Special Master. His role is to provide interpretation of the Consent Decree's requirements, when requested, and to preside over a specified dispute resolution process. When the parties are unable to resolve a matter among themselves through

the Joint Working Group, the parties' attorneys attempt a resolution. The Special Master provides a means of adjudication when the attorneys are unable to resolve an issue, and the District Court affords a means of appeal whenever either party disagrees with a decision or interpretation of the Special Master. All legal costs associated with enforcement of the Consent Decree are the responsibility of the MTA.

3. Specific Obligations -- Load Factor Reduction -- MTA is obligated to reduce its maximum average load factor in accordance with the following schedule:

By December 31, 1997 - 1.35 passengers per seat (15 standees)

By June 30, 2000 - 1.25 passengers per seat (11 standees)

By June 30, 2002 - 1.20 passengers per seat (9 standees)

As an initial effort to achieve these targets, MTA was required to increase its scheduled peak fleet by at least 51 buses by December 31, 1996, and an additional 51 buses by June 30, 1997. On each occasion, MTA augmented its scheduled peak service by 53 buses. Subsequently, two buses were added in February, 1998, and three additional buses are being added in June, 1998, for a total increase of 111 buses for relief of overcrowding. Equipment has been drawn from available reserves in MTA's fleet, largely by deferring the planned retirement of older buses.

Average loads are to be determined in accordance with the procedures normally employed by MTA to count passengers. These procedures measure average passenger loads for 20 minute intervals for weekday peak travel periods, and hourly intervals at other times. MTA may not pass up passengers as a means of achieving these targets. An annual Load Factor Reduction Plan must be prepared at least 60 days prior to the start of each fiscal year which documents the means by which MTA is complying with these requirements, and how it intends to do so in the future. The first such plan was issued on April 1, 1997. It projected that up to 81 additional peak buses

may be needed to achieve the June 30, 2002, target beyond those buses already added to service through June, 1998.

By the terms of an agreement negotiated with the plaintiffs in September, 1997, a comprehensive point check monitoring program has been instituted. Bus lines are monitored at points of maximum loads. Monitoring is performed over a 13-hour period (6am-7pm), seven days a week. The 20 most heavily used bus lines are checked twice a month, and 57 other bus lines with historically high load ratios are checked at least once per quarter. Data from this program are summarized and provided weekly to the plaintiffs. Bus Riders Union personnel have been trained by MTA staff to conduct independent point checks, and their data supplements that which is collected by MTA staff.

Since February, 1998, MTA and BRU staff have had continuing working sessions to assess instances of overcrowding on high ridership bus lines. These evaluations have shown that the primary contributors to such occurrences are poor equipment reliability (unavailability of buses to fill assignments and mechanical problems with buses in service) and inconsistent schedule adherence (uneven spacing between buses causing uneven passenger loading). Recently, BRU has indicated that it is requesting the formal dispute resolution procedures of the Consent Decree in an effort to address their concerns about this matter.

4. New Service Program -- The purpose of this program is to provide new and expanded bus services to improve transit-dependent access to employment, educational and health care opportunities. There are two requirements: (1) to expeditiously implement a pilot project consisting of at least 50 additional buses, and (2) to develop and implement a five-year plan for new services by December 31, 1998.

Pursuant to an interpretation of the Special Master, "expeditiously" was defined as implementation by May 15, 1997, or a later time by mutual agreement of the parties.

Through the Joint Working Group a process was developed for identifying candidate services for inclusion in the pilot project. The desire for public input as a part of this process led to an agreement for the development of a Master Plan of pilot project services by late summer of 1997. A series of community meetings were conducted in June and July, a Master Plan drafted and presented through another community meeting in early September, and a final Master Plan adopted by the MTA Board of Directors in October, 1997.

In an effort to limit the costs of Master Plan implementation, a competitive solicitation of service providers was carried out, and Phase I of an implementation plan presented to, and approved by, the Board of Directors in November, 1997. Twelve of the 18 services identified in the Master Plan were included in Phase I. Implementation began in late December, 1997, with all services in operation by late March, 1998. Services are operated by MTA Operations, a private service provider, and through an agreement with the Los Angeles DOT which employs other private service providers. Subsequent phases of this program are still under development pending further competitive solicitation of service providers, review of performance of initial pilot project services, and budget preparation. A process for development of the Five-Year New Service Plan has not yet been agreed upon through the Joint Working Group.

5. Fares -- The Consent Decree put in place a specified fare structure. On December 1, 1996, the price of a monthly pass was set at \$42, and a Semi-Monthly Pass at \$21. A new Weekly Pass was introduced at \$11.

An off-peak discount fare of \$0.75 was required on bus lines heavily used by the transit-dependent with MTA given some latitude to determine the specific manner in which this obligation would be satisfied. A demonstration \$0.75 cash fare was put into effect between the hours of 10am-2pm on bus line 40 on December 1, 1996. Following evaluation of this demonstration program, and consideration of other alternative

approaches, the Board of Directors adopted a \$0.75 cash fare systemwide between 9pm-5am which became effective on September 6, 1997.

Future fare adjustments are constrained by the Consent Decree. Non-pass fares may be increased by the cumulative change in the local CPI since October 1, 1995, beginning in November, 1998. Pass prices may be adjusted, subject to the same CPI constraint, beginning in November, 1999. All fare restrictions are removed in November, 2003.

Two exceptions to the Consent Decree's fare pricing limitations are specified. First, if a low-income pass is developed, after consultation with the Bus Riders Union, then price restrictions on the monthly pass are removed. Secondly, should new technology be introduced, such as a debit card or smart card, that changes the basis for payment, then pricing may be adjusted through consultation to reflect the different payment basis.

6. Improved Security and Other Improvements -- MTA is obligated to apply for grant funding through the Department of Justice to implement expanded bus transit security details in the Hollywood-Rampart-Koreatown and East San Fernando Valley areas. Both grants were recently awarded, and are expected to be implemented after the start of the next fiscal year. An application was also mandated for grant funding to provide a dedicated complement of officers focussed on improved security for female passengers. This grant application was not funded by DOJ.

Over the first five years of the Consent Decree, MTA is to allocate at least \$500,000 for bus shelter improvements and other passenger amenities through its Call For Projects funding process. A first round of awards was approved in June, 1997. MTA is also required to consult with the Joint Working Group to determine whether the bus stop improvements provided through the Los Angeles Neighborhood Initiative program should be continued or expanded.

Other actions detailed in the Consent Decree include Joint Working Group evaluation of the Smart Shuttles demonstration programs, review of findings of bus restructuring studies, and the design and analysis of findings of a multi-year Market Research Study. The MTA is also required to jointly evaluate the feasibility of debit card/smart card technology for application to the MTA's bus system, to use best efforts to implement bus priority roadway improvements, and to consult regarding ways to provide more flexible services in transit dependent areas. A final obligation is to continue providing at least \$5 million annually for the continuation of the agency's Immediate Needs Program, a vehicle for distributing transportation vouchers and transit tokens to needy individuals through social service and community agencies.

The broader issue facing the MTA in connection with the Consent Decree is preserving the agency's commitment to the eight principles and objectives of the decree as it addresses its operating and bus and rail capital shortfalls. The Special Master provided useful guidelines on this issue in a recent opinion on reductions in late evening night owl service.

This matter arose after the MTA implemented service reductions last December in late night services. The bus lines cancelled had less than ten boardings an hour. The service reductions are forecast to save the MTA \$2 million annually which will be redirected to other services.

The Special Master was asked to decide whether these service reductions were consistent with Consent Decree. Plaintiffs' counsel, who are monitoring the Consent Decree, requested the Special Master to restore the cancelled service. The Special Master declined to order restoration of the service. However, he determined that the MTA should "implement appropriation mitigation strategies that would alleviate employment-related hardships imposed upon transit-dependent bus riders" as a result of the service reductions.

The Special Master decision further stated that it was not intended to "require MTA to allocate more than a small portion of the savings achieved" from the service reductions to mitigate the impacts. The Special Master found that restructuring bus service to achieve efficiency and productivity is not specifically prohibited by the Consent Decree.

However, because the fundamental purpose of the Consent Decree is to improve bus service for transit-dependent riders, the Special Master concluded that reductions in bus service for transit dependent riders must be part of an overall program of improving bus service.

It has always been the policy of the MTA to mitigate the adverse effects of changes in service. The MTA did follow that policy in the reduction of night owl service. Every affected passenger has alternative bus service within reasonable walking distance. The MTA may have some disagreement with the ruling regarding the adequacy of the mitigation which the MTA provided, and the MTA will give further attention to that issue. The MTA has an obligation to manage this transportation service efficiently and improve service to transit dependent customers. The MTA believes that is what the Consent Decree mandates and that is the primary message of the Special Master's ruling.



THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Bus Operating Budget]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget*	\$609.6	\$642.6	\$669.4	\$702.1	\$728.3	\$761.7	\$788.8	\$4,902.5
Reserves								\$0.0
Totals	\$609.6	\$642.6	\$669.4	\$702.1	\$728.3	\$761.7	\$788.8	\$4,902.5

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9	\$21.1	\$21.1	\$21.1	\$21.1	\$21.1			\$105.5
CMAQ								
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766								
STA Program	\$10.1	\$10.3	\$10.4	\$10.6	\$10.7	\$10.9	\$11.0	\$74.0
Local:								
Fares	\$204.8	\$216.1	\$229.2	\$241.9	\$241.9	\$259.7	\$259.7	\$1,653.3
Prop A 35%								
Prop A 40%	118.3	\$118.4	\$124.1	\$128.8	\$135.0	\$141.7	\$148.7	\$915.0
Prop C 40%	\$66.4	\$38.0	\$44.3	\$54.0	\$56.2	\$65.4	\$67.5	\$391.8
Prop C 5%	\$11.3	\$8.9	\$9.3	\$9.6	\$10.1	\$10.8	\$11.3	\$71.3
TDA Article 4	\$148.5	\$141.1	\$124.0	\$121.5	\$130.6	\$143.4	\$157.5	\$966.7
General Rev. Bonds								
Other (Advert. & Aux.)	\$29.0	\$23.8	\$24.6	\$25.5	\$26.5	\$27.4	\$28.4	\$185.3
TOTALS	\$609.6	\$577.8	\$587.0	\$613.1	\$632.1	\$659.3	\$684.2	\$4,362.9

EFFICIENCIES/SHORTFALL	\$0.0	(\$64.8)	(\$82.4)	(\$89.0)	(\$96.2)	(\$102.4)	(\$104.6)	(\$539.6)
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* These costs include the operating costs related to the federal consent decree.

** An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



J. RAIL OPERATIONS

INTRODUCTION

The MTA is operating three rail lines during the Restructuring Plan period: the Long Beach Blue Line, Green Line, and Metro Red Line including extensions presently under construction to Hollywood Boulevard & Vine Street, and North Hollywood.

Rail Operations costs during this period are projected to be \$904.7 million, an average of \$130 million per year. Operating cost projections for MTA rail lines are generated by a model consistent with the methodology specified by the FTA for Alternatives Analysis studies. The MTA Rail Operating Plan shows a shortfall of \$104 million through FY 2003. All of the federal funds used for rail operations, \$16.9 million in FY 1998, go to Green Line operations.

Local sales tax revenues and fares provide \$694 million, or approximately 90% of the required funding for the entire Metro Rail System. Rail operations and maintenance cost projections are generated by the Padron Model (see Description of Financial Forecasting Model Chapter IV). Staffing requirements, labor costs, and non-labor expenses are calculated based on the projected quantity of service supplied (e.g., peak vehicles, revenue vehicle-miles) and the physical size of the system (e.g., route-miles, number of stations). Using line item detail of the current MTA budget and industry standards as a basis, and adjusting for anticipated changes in operations such as new lines, more frequent service, and line elimination, it projects operating and maintenance costs. The MTA Budget Office consolidates all bus and rail operating costs into the Enterprise Fund budget; however, deficits are captured in the model as bus and rail operations figures.

Expansion of the Red Line operations to Segment 2, Hollywood Boulevard & Vine Street, and Segment 3, North Hollywood, is incorporated into these figures. They

include security costs and bi-annual fare adjustments based on inflation in accordance with Consent Decree provisions. Additionally, Los Angeles County's Metrolink (commuter rail system) subsidy costs are reflected in these figures. Virtually all of the Proposition C 10% funds shown are going to subsidize Metrolink operations and capital maintenance. No other funds shown go to others.

1. Cost and risk mitigation -- The two principal risks associated with MTA rail operations are fare revenue collections and labor costs. Fare revenues are dependent on an aggressive marketing campaign when each new segment opens: Segment 2, Hollywood Boulevard & Vine Street, and Segment 3, North Hollywood. The MTA has an excellent record forecasting ridership for line openings. Ridership projections have been exceeded within six months of Revenue Operations Dates when opening past rail lines. Additionally, the MTA has a large security budget to foster an atmosphere of safety for patrons.

2. Revenue assumptions and risk mitigation -- All of the Proposition C 10% goes to another agency, Metrolink. Of the remaining revenues, Federal CMAQ (Congestion Management and Air Quality) revenues contribute only 2%, State STA (State Transportation Assistance) makes up 10%, and local revenues, 88%.

FY 1998 is the third year of operations for the Green Line and the last year CMAQ can be used for rail operations. No other Federal funds are assumed to be used in rail operations at this time.

The only State revenues programmed for rail operations are STA. These are distributed to the MTA and other county transportation agencies on a formula basis.

The total amount of local funds going to rail operations is \$694 million over the Restructuring Plan period. These funds consist of Proposition C, \$289 million, (36%), TDA (Transportation Development Act) Article 4, \$151 million, (32%), Fares, \$227

million, (29%), and Proposition A 35%, \$27 million, (3%). All of these funds come from retail sales tax collections except fares. The MTA now estimated projected revenues in a conservative projection approval relying on actual receipts and several economic reports from throughout the Southern California area. Initial receipts of funds has exceeded projections and allowed for additional revenues.



THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Rail Operating Budget]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$86.6	\$97.9	\$127.6	\$140.3	\$145.5	\$150.7	\$156.1	\$904.7
Reserves								\$0.0
Totals	\$86.6	\$97.9	\$127.6	\$140.3	\$145.5	\$150.7	\$156.1	\$904.7

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ	\$16.9							\$16.9
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
TSM								
SCAQMD AB2766								
STA Program	\$12.3	\$12.5	\$12.7	\$12.9	\$13.0	\$13.2	\$13.4	\$90.0
Local:								
Fares	\$15.8	\$18.9	\$29.7	\$39.2	\$39.2	\$42.1	\$42.1	\$227.0
Prop A 35%	18.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.9	\$26.4
Prop C 40%	\$6.8	\$47.7	\$36.1	\$29.6	\$33.5	\$33.7	\$34.6	\$222.0
Prop C 5%	\$7.4	\$8.9	\$9.3	\$9.6	\$10.1	\$10.8	\$11.3	\$67.4
Prop C 10%	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Prop C 25%								
City of Los Angeles								
TDA Article 4	\$8.8	\$0.0	\$24.1	\$31.2	\$30.5	\$30.7	\$26.2	\$151.4
TOTALS	\$86.6	\$88.0	\$111.8	\$122.5	\$126.2	\$130.5	\$135.4	\$801.1

BALANCE	\$0.0	(\$9.9)	(\$15.8)	(\$17.8)	(\$19.3)	(\$20.2)	(\$20.7)	(\$103.6)
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An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



K. DEBT SERVICE

INTRODUCTION

Debt service during the Restructuring Plan period is shown on page 130, the Debt Service table and is projected to total \$2,334.2 million. This figure reflects payments on existing and projected debt issuance for expenditures on Highway capital, Bus capital, and Rail capital. All short-term, medium-term, and long-term capital debt is captured on this table.

In addition to tax-exempt municipal bonds, the MTA is paying debt service on taxable and tax-exempt commercial paper, lease revenue bonds, and Certificates of Participation (COPs). Approximately half of the total, 44% or \$1,033.6 million, will be paid from Proposition A 35% toward rail capital debt. Interestingly, Proposition C 25% debt service will grow the fastest in terms of both dollars (\$66.5 million), and percentage, (268%) due to the rail construction suspension.

Federal funding amounts to \$75.2 million, 3% of the total, and goes exclusively to assist with payments on COPs, whose proceeds were used for bus purchases. Local sales tax funds provide all the remaining funds.

1. Debt service cost assumptions -- The debt service projections are based on three major assumptions. First, the existing debt service for debt issued through FY 97 will continue to be paid at the existing levels through the Restructuring Plan period. Currently, Proposition A 35% debt service is approximately \$113.2 million, Proposition C 10% is \$10.4 million, Proposition C 25% is \$24.8 million and Proposition C 40% is \$65.0 million. Second, new bonds for capital projects are assumed to be issued to meet capital program cash flow requirements throughout the Restructuring period. Third, debt

service also includes interest on commercial paper of \$11.4 million based on an average outstanding balance at \$295 million at a rate of 4%. The Restructuring Plan assumes this to be paid annually from Proposition A 35% cash.

The overall absolute capacity of the MTA to issue debt exceeds \$9 billion when fare revenues are considered. However, the MTA's budget policies and internal restrictions would not permit the agency to issue to that limit even though annual revenues could support that level of debt. Paragraph 4 below discusses the self imposed management constraints on issuing debt.

2. Cost and risk mitigation -- MTA's primary risk in issuing debt, bonds, or commercial paper is the market interest rate. The present market interest rates for debt are low. The MTA's tax exempt commercial paper is currently trading at around 3.5%. Recent MTA bonds sold at interest rates under 5.2%, as compared to plan assumptions of 6% in the near term. A risk mitigation strategy is to immediately issue as much debt as can be justified under appropriate laws and regulations in order to lock in the present low rates.

Another factor influencing the MTA's debt program is the rating assigned to MTA debt by each of the three nationally recognized rating agencies. Two of the three agencies recently downgraded MTA ratings. To mitigate this effect, MTA executive management met with those agencies and committed to an ongoing open line of communication to provide requested information to the agencies on a timely basis. The rating changes did not significantly affect the cost of the refunding bond process recently concluded.

3. MTA Reform And Accountability Act Of 1998 -- A recent initiative regarding MTA's use of county sales tax dollars has been proposed for a countywide voter ballot. This measure is called the MTA Reform and Accountability Act of 1998 and was introduced by MTA board member Zev Yaroslavsky. It imposes limits on MTA's ability to spend Proposition A & C funds for new subways (excluding MOS 1 and 2 and MOS 3

North Hollywood). If the measure qualifies for the ballot and a majority of Los Angeles County electorate approve, then effective November 1998 MTA would be prohibited from using Proposition A & C funds for planning, designing, constructing or operating any new subway beyond the current construction of MOS-2 and MOS-3 North Hollywood. Proposition A & C funds would likewise be prohibited for paying debt service on bonds or other evidence of indebtedness issued after March 30, 1998 for new subways.

The initiative would create a five member Independent Citizens' Advisory Oversight Committee for the purpose of reviewing MTA's sales tax expenditures. An annual independent audit would be required in order to determine MTA's compliance with the provisions set forth regarding the Proposition A & C eligibility restrictions. The annual audit would commence beginning with the State of California fiscal year 1998-99.

As outlined in this Restructuring Plan, MTA intends to issue new debt only for the MOS-2 and the MOS-3 North Hollywood projects which would be permitted by the initiative were it to ultimately become law. The Restructuring Plan does not assume the issuance of new debt for the suspended Pasadena, MOS-3 East Side, and Mid-City Extension at this time.

4. Local funding bonding assumptions -- The MTA developed Revenue Demand Charts as programming tools to determine the cash available to fund projects and pay debt service from each of the local funding sources. For each line item entry i.e., project or programs, a determination is made whether the proposed expenditure requires cash or whether it is eligible for bond financing. Cash uses include debt service and operating costs. Capital expenditures are eligible for financing.

Staff attempts to balance the sources and uses of each fund. Bonding is determined from using only certain portions of Propositions A and C, not the entire amount available. A Demand Chart is considered "balanced" if: a) there is a positive

cumulative cash balance at the end of the program year, and b) debt issuance for the program year does not cause the debt service coverage ratio to fall below the coverage target.

MTA's Treasury Department has set the debt coverage ratio target for each local funding source at not less than 1.0 (see debt ratio calculation explanation below) except for the Proposition A 35% senior lien bonds which require a coverage ratio of at least 1.15. The Revenue Demand Charts assume the MTA will issue debt to finance as much of the capital projects that are bond-eligible as possible without causing the debt coverage ratio to fall below 1.0 ratio. If the demand for debt exceeds the allowable target, all capital and operations demands must be reexamined through the budget process.

The debt coverage ratio is calculated as follows: When available, cash is the average of cash available for the program year and the prior year and the ratio is calculated after annual budgetary cash demand is deducted.

The Revenue Demand Charts assume future interest rates for debt as estimated by the MTA Treasury Department. These rates are updated by Treasury approximately twice per year. Debt service costs for prior debt are also by MTA Treasury and updated periodically.

The following charts reflect the demands anticipated during the Restructuring Plan period. These charts are amended as needed to assist in rendering management decisions involving financial budget or cost avoidance decisions. It is expected that reductions in planned expenditures will occur due to the shortfalls shown.

THE MIA RESTRUCTURING PLAN
Project and Year Financial Plans
[Debt Service]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Proposition A 35% Debt	\$113.2	\$136.2	\$142.4	\$150.1	\$157.9	\$166.4	\$167.4	\$1,033.6
Proposition C 10% Debt	\$10.4	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$80.0
Proposition C 25% Debt	\$24.8	\$34.8	\$59.6	\$70.9	\$79.1	\$84.7	\$91.3	\$445.2
Proposition C 40% Debt	\$65.0	\$75.4	\$81.9	\$92.6	\$92.5	\$95.6	\$98.8	\$601.8
Commercial Paper	\$11.4	\$11.4	\$11.4	\$11.4	\$11.4	\$11.4	\$11.4	\$79.8
COP's	\$15.1	\$14.6	\$14.0	\$13.5	\$12.8	\$12.2	\$11.6	\$93.8
Totals	\$239.9	\$284.0	\$320.9	\$350.1	\$365.3	\$381.9	\$392.1	\$2,334.2

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9	\$12.1	\$11.7	\$11.2	\$10.8	\$10.3	\$9.8	\$9.3	\$75.2
CMAQ								
RSTP								
State:								
Prop 116								
98 CTIP								
STIP (FCR)								
STA Program								
Local:								
Prop A 35% ¹	\$124.6	\$147.6	\$153.8	\$161.5	\$169.3	\$177.8	\$178.8	\$1,113.4
Prop A 40%								
Prop C 40%	\$65.0	\$75.4	\$81.9	\$92.6	\$92.5	\$95.6	\$98.8	\$601.8
Prop C 5%								
Prop C 10%	\$10.4	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$11.6	\$80.0
Prop C 25%	\$24.8	\$34.8	\$59.6	\$70.9	\$79.1	\$84.7	\$91.3	\$445.2
TDA Article 4	\$3.0	\$2.9	\$2.8	\$2.7	\$2.5	\$2.4	\$2.3	\$18.6
Other (Advert. & Aux.)								
TOTALS	\$239.9	\$284.0	\$320.9	\$350.1	\$365.3	\$381.9	\$392.1	\$2,334.2

EFFICIENCIES/SHORTFALL	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
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1. These figures exceed annual payments due to established debt service coverage ratio criteria.
2. An annual breakout of capital/operating costs and revenue by funding source can be found in Appendix C.



Summary

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Demand for Proposition C 25% Funds (Freeway and Highway)

Scenario: Growth Rate 4% in FY 98 and .2% additional each year after

(\$THOUSANDS)

Description	1997 1998	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Prop C 25% Highway Available	105,814	110,271	115,122	120,416	126,203	132,507	139,131
Add: Carryover	133,287	135,580	82,023	56,705	67,415	56,697	51,399
Total Prop C 25% Available	239,101	245,851	197,145	177,121	193,618	189,204	190,530
Direct Uses (CASH)							
Debt Service	24,800	34,827	59,640	70,906	79,121	84,705	91,333
Sub-Total	24,800	34,827	59,640	70,906	79,121	84,705	91,333
Other Cash Commitments							
MTA Agency Costs	34,659	36,700	37,100	37,600	36,500	35,800	34,900
Call for Project	9,062	6,200	0	0	0	0	0
Reserve	0	1,100	1,200	1,200	1,300	1,300	1,400
Cash Used for Capital	35,000	85,000	42,500	0	20,000	16,000	20,000
Sub-Total	78,721	129,000	80,800	38,800	57,800	53,100	56,300
Direct Committed	103,521	163,827	140,440	109,706	136,921	137,805	147,633
Annual Cash Balance/Surplus/(Shortfall)	2,293	(53,556)	(26,318)	(10,710)	(10,718)	(6,298)	(8,501)
Cumulative Total Surplus / (Shortfall)	135,580	82,023	56,705	67,415	56,697	51,399	42,898
Bond - Eligible Uses							
Alameda Corrido Transit Authority	0	0	0	48,700	0	0	0
Rail Construction	17,500	0	0	0	0	0	0
MTA Agency Costs and Others	13,850	16,400	0	0	0	0	0
Sub-Total	31,350	16,400	0	48,700	0	0	0
Other Capital Projects							
Call for Projects	107,035	140,147	71,929	2,335	82,100	73,900	100,700
Bond-Eligible Uses	138,385	166,547	71,929	51,035	82,100	73,900	100,700
Cumulative Total Bond Uses Projected	138,385	294,932	366,861	417,896	499,996	573,896	674,596

Summary

DRAFT

Demand for Proposition C 10% Funds (Commuter Rail & Park and Ride)

Scenario: Growth Rate 4% in FY 98 and .2% additional each year after

(# THOUSANDS)

Description	1997 1998	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Prop C 10% Available	42,325	44,108	46,049	48,167	50,481	53,003	55,653
Add: Surplus	21,080						
Carryover	35,747	14,486	7,908	5,249	3,680	3,082	3,642
Total Prop C 10% Available	99,152	58,695	53,956	53,416	54,161	56,085	59,295

Direct Uses (CASH)

Debt Service	10,394	11,566	11,566	11,566	11,566	11,566	11,566
Sub-Total	10,394	11,566	11,566	11,566	11,566	11,566	11,566
Others Cash Commitments							
Metrolink - Operation	48,644	25,130	33,408	34,644	35,910	37,194	38,525
Board Mandate & Others	25,628	12,593	2,327	2,111	2,177	2,244	2,313
Reserve	0	1,398	1,406	1,415	1,425	1,438	1,438
Sub-Total	74,272	39,121	37,141	38,170	39,512	40,876	42,276
Direct Committed	84,666	50,687	48,707	49,736	51,079	52,443	53,842
Annual Cash Balance Surplus/(Shortfall)	(42,341)	(6,579)	(2,658)	(1,570)	(7,597)	(560)	(1,811)
Cumulative Total Cash Surplus / (Shortfall)	14,486	7,908	5,249	3,680	3,082	3,642	5,453

Bond - Eligible Uses

North Hollywood Access	0	6,700	0	0	0	0	0
Sub-Total	0	6,700	0	0	0	0	0
Others Bond Commitments							
Metrolink - Capital	0	7,685	0	0	0	0	0
Sub-Total	0	7,685	0	0	0	0	0
Bond-Eligible Uses	0	14,385	0	0	0	0	0
Cumulative Total Bond Uses Projected	0	14,385	14,385	14,385	14,385	14,385	14,385

Summary

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Demand for Proposition A 35% Funds (Rail Development Account)

Scenario: Growth Rate 4% in FY 98 and .2% additional each year after

(\$ THOUSANDS)

Description	1997 1998	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Prop A 35% Rail Development	142,112	148,131	155,379	163,158	171,005	179,550	188,528
Add: Direct Carryover	1,922	926	1	3	44	15	4
Net Prop A 35% Available	144,034	149,057	155,380	163,161	171,049	179,565	188,531
Direct Uses (CASH)							
Rail Debt Service - Bonds	113,208	116,155	142,377	150,117	157,934	166,361	167,359
Commercial Paper	11,400	11,400	11,400	11,400	11,400	11,400	11,400
Rail Operations	18,500	20,000	0	0	0	0	7,876
Sub-Total	143,108	147,555	153,777	161,517	169,334	177,761	186,628
Other Cash Commitment							
Reserve	0	1,500	1,600	1,600	1,700	1,800	1,900
Sub-Total	0	1,500	1,600	1,600	1,700	1,800	1,900
Direct Use Requirements	143,108	149,055	155,377	163,117	171,034	179,561	188,528
Annual Cash Balance	(996)	(925)	2	41	(29)	(11)	(1)
Cumulative Total Cash Surplus/(Shortfall)	1,926	3,002	2,003	1,044	1,020	1,704	1,003
Bond-Eligible Uses							
Segment 2 Construction	130,531	172,063	65,275	26,784	20,598	0	0
Segment 2 Improvement & Enhancements	12,546	15,615	0	0	0	0	0
Segment 1 Improvement & Enhancements	11,256	1,057	0	0	0	0	0
Bond-Eligible Requirements	144,333	88,735	65,275	26,784	20,598	0	0
Cumulative Total Bond Uses Projected	144,333	233,068	298,343	325,127	345,725	345,725	345,725

Summary

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Demand for Proposition C 5% Funds (Bus and Rail Security)

Scenario: Growth Rate 4% in FY 98 and .2% additional each year after

(\$THOUSANDS)

Description	1997 1998	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Prop C 5% Available	21,163	22,054	23,024	24,083	25,241	26,501	27,826
Add: Carryover	(1,357)	0	(0)	(0)	(0)	(0)	(0)
Total Prop C 10% Available	19,806	22,054	23,024	24,083	25,241	26,501	27,826
Direct Uses (CASH)							
MTA Rail and Bus Security	18,708	17,828	18,571	19,240	20,170	21,552	22,600
Sub-Total	18,708	17,828	18,571	19,240	20,170	21,552	22,600
Other Cash Commitments							
Municipal Operators	1,098	6,126	4,253	4,643	4,871	4,750	5,026
Reserve	0	200	200	200	200	200	200
Sub-Total	1,098	5,326	4,453	4,843	5,071	4,950	5,226
Direct Committed	19,806	23,154	23,024	24,083	25,241	26,501	27,826
Annual Cash Balance Surplus/(Shortfall)	1,357	(0)	0	(0)	0	0	0
Cumulative Total Surplus / (Shortfall)	0	(0)	(0)	(0)	(0)	(0)	(0)

Summary

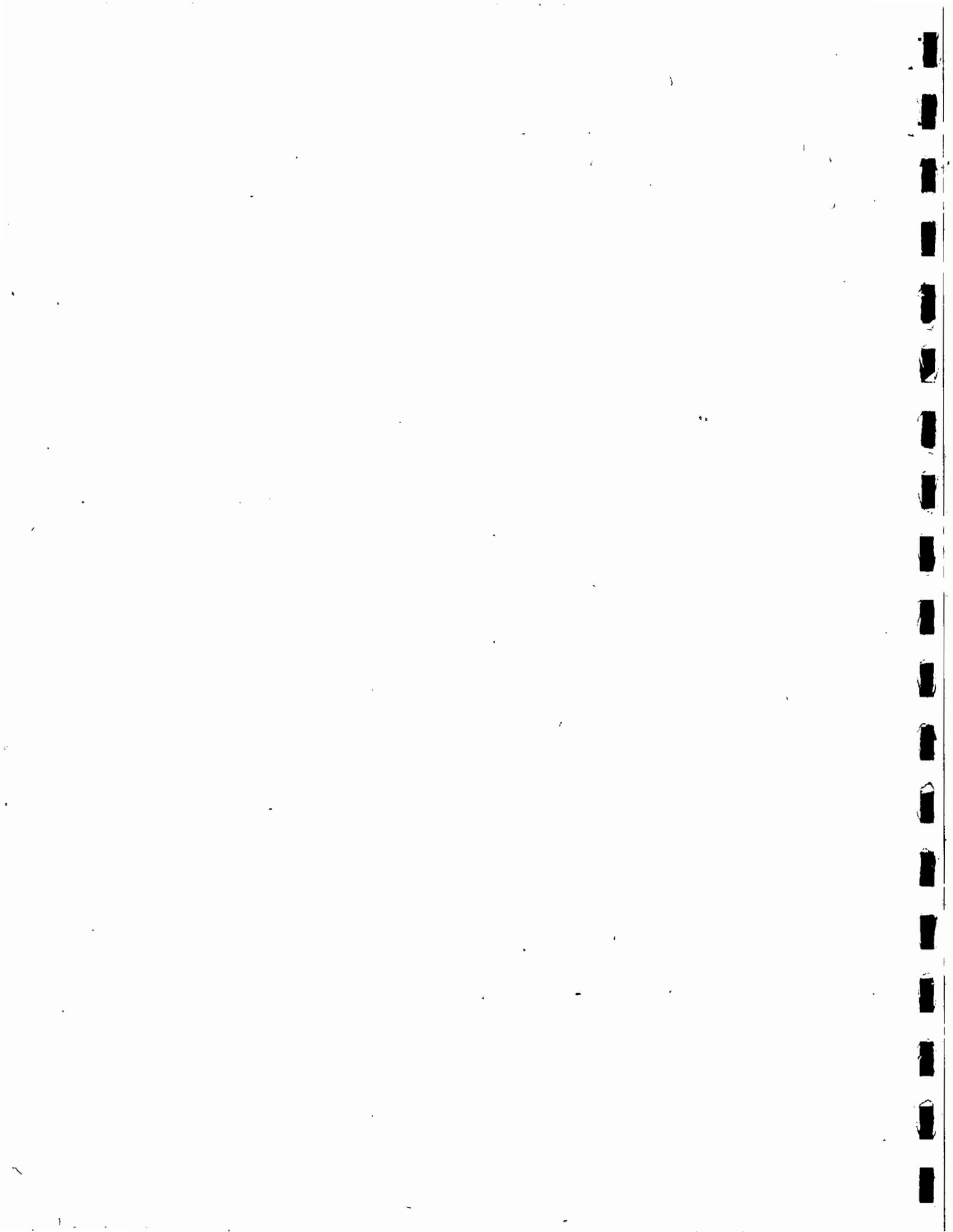
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Demand for Proposition C 40% Discretionary Funds

Scenario: Growth Rate 4% in FY 98 and .2% additional each year after

(# THOUSANDS)

Description	1997 1998	1998 1999	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Prop. C 40% Discretionary	169,302	176,433	184,195	192,666	201,925	212,011	222,610
Add: Carryover	0	13,076	13,277	22,043	25,276	31,593	33,384
Total Prop. C 40% Available	169,302	189,509	197,472	214,709	227,201	243,604	256,994
Direct Uses (CASH)							
Debt Service	65,007	75,402	81,929	92,602	92,542	95,661	98,761
Consent Decree	37,767	38,272	44,283	52,283	54,383	61,583	61,583
MTA Operations and Maintenance	35,400	47,400	36,100	31,300	35,300	37,500	40,625
Sub-Total	138,174	161,074	162,311	176,184	182,225	194,744	200,969
Other Cash Commitments							
Muni's Operations and Maintenance	16,859	10,966	11,418	11,429	11,489	19,476	11,566
Board-Mandated Programs	835	1,572	0	0	0	0	0
Other	357	2,620	1,700	1,800	1,900	2,000	2,000
Sub-Total	18,051	15,158	13,118	13,249	13,384	15,476	13,566
Total Direct Uses (CASH)	156,226	176,232	175,429	189,433	195,609	210,220	214,535
Annual Cash Balance	13,076	201	8,766	3,233	6,317	1,791	8,085
Cumulative Total Cash Balance	13,076	13,277	22,043	25,276	31,593	33,384	41,469
Bond - Eligible Uses							
Rail Construction	73,433	0	0	0	0	0	0
Vehicle Procurement	6,508	18,916	19,414	4,822	5,685	1,541	7,051
Bus Maintenance Costs	14,950	0	21,206	0	0	0	0
Bus Facilities Improvements	774	0	2,200	0	0	0	0
Rail Maintenance Costs	6,157	0	0	0	0	0	0
Rail Facilities Improvements	1,427	0	0	0	0	0	0
Other Costs	0	0	0	0	0	0	0
Bond Eligible Uses	103,249	18,916	42,820	4,822	5,685	1,541	7,051
Cumulative Total Bond Uses Projected	103,249	122,165	164,985	169,807	175,492	177,033	184,084



CHAPTER VII

STRATEGIES FOR SUSPENDED PROJECTS

A. METRO RED LINE SEGMENT 3 EAST SIDE EXTENSION

Project Cost = \$1,271 million (\$735.4 million cost through FY 2004)

1. Description of shortfall -- In the December 1997 MTA Board Meeting, CEO Julian Burke presented a reforecast FY 1997-98 Capital Budget and Six Year Capital Plan which demonstrated that the MTA's financial condition would not sustain the rail construction program on its current schedule. As discussed in Chapter II, the East Side project is part of MOS-3 of Metro Rail and was included in the scope of the ISTEA authorization and the MOS-3 FFGA. However, as shown in the attached chart, the East Side Extension, even with the assumption of Federal discretionary funding in amount of \$314 million, has a budget shortfall of \$245 million. Simply stated, there is no current local match for this project available in an amount sufficient to develop a feasible financial plan at this time. This budgetary fact is what led the CEO to recommend, and the Board to adopt, a plan for the suspension of this project as well as the Mid-City Extension and the Pasadena Blue line.

The most critical assumption for the East Side Extension project was the three year delay in the construction dates. As a result, the Revenue Operations Date for the project was advanced to May 2007 (assuming sufficient financial resources become available). This delay was required to meet the cashflow restrictions that were imposed on the project due to funding shortfalls.

2. Status of demobilization plan -- At the January 14, 1998 Board meeting, the MTA Board authorized the CEO to implement a Demobilization Plan for the East Side Extension, Mid-City and Pasadena, and suspended each of these projects. As part of the Metro Red Line Segment 3 East Side Extension Demobilization Plan, three parcels were authorized for acquisition. On February 26, 1998, the MTA Board approved settlements with all of the property owners. The effects of remediation, demolition and acquisition of real estate parcels which were not included in the Demobilization Plan will be reflected in the FY 1998-99 MTA Budget.

Final engineering and design of the facility contracts will be completed under Contract Work Order (CWO) 47. This contract was approved by the MTA Board in June 1997 and issued to the EMC in August 1997. Camera ready documents for the completed facility work will be signed and sealed by the EMC for issuance as bid documents. A disposition of completed design documents and related packages will be transferred to the MTA.

3. Remobilization plan -- The remobilization of Metro Red Line Segment 3 East Side will include the following factors:

a. Design Issues

- Facilities design would require reexamination in light of potential new standards and criteria, including legislative and/or code requirements, fire/life safety requirements and technological updates.
- Systems design was predicated on exercising options to Metro Red Line Segment 2 base contracts. With the options being expired or canceled, significant design effort would be required to develop the system requirements and contract documents.

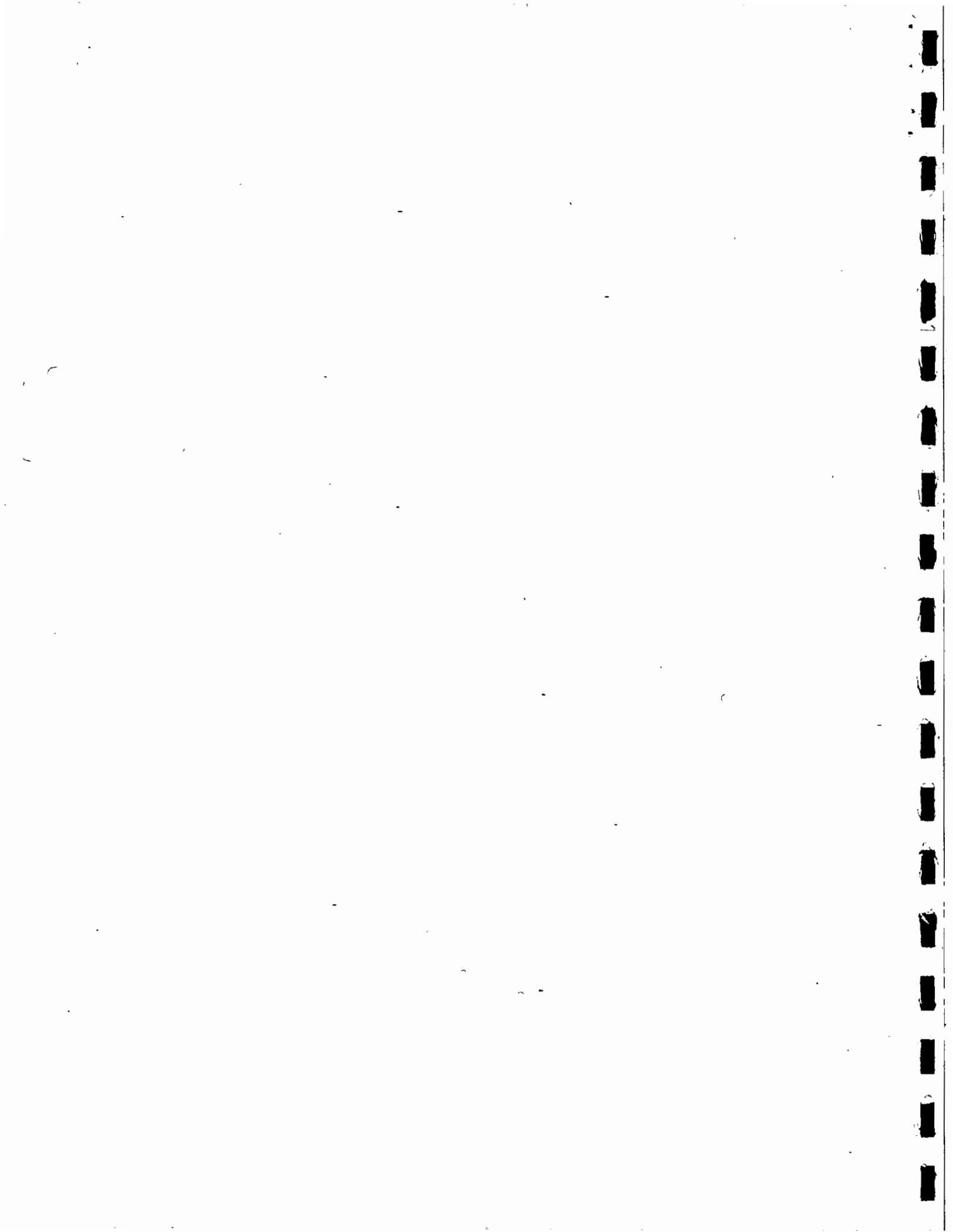
- Real estate parcels not yet acquired may need re-certification, depending on ownership and surface conditions of each property at the time of remobilization.
- New utility surveys may be required to determine changes, if any, to the utility conflicts in the project areas.
- Any alignment changes, if implemented, would require considerable additional design effort.
- Funding availability issues may require a certain amount of repackaging in order to minimize cash flow. Repackaging would involve design effort.
- All contract documents would require reexamination and modification to include new schedule considerations (milestone dates, etc.)

b. Schedule Issues

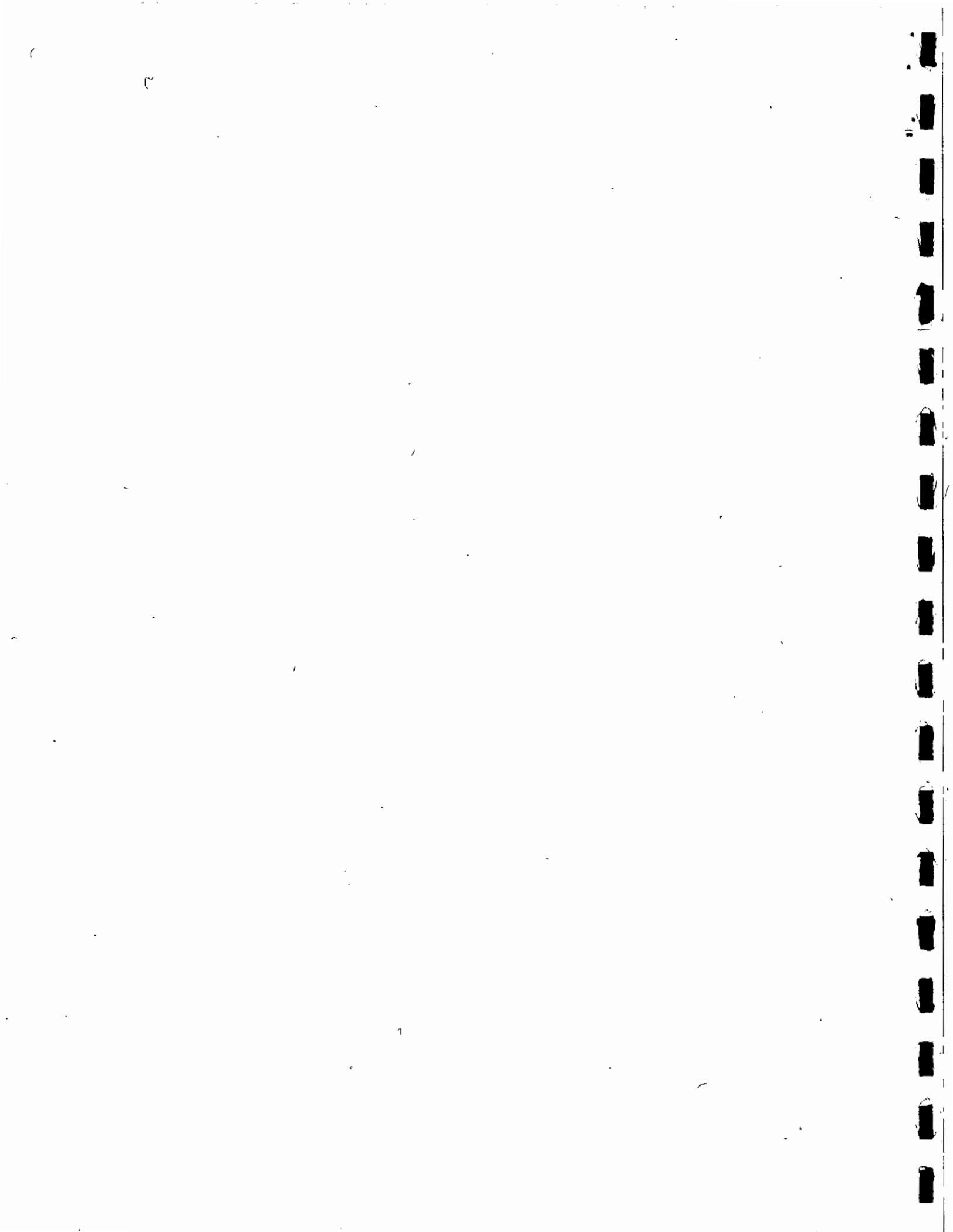
- Redevelopment of a Project Master Schedule, including any anticipated design issues would be required.

c. Cost Issues

Project costs will increase upon remobilization due to escalation and additional requirements for new systems contracts as opposed to exercising options from Metro Red Line Segment 2 contracts. Preliminary estimates produced for the FTA in 1995 and 1996 indicated the cost savings to exercise these options was in the magnitude of \$20,000,000.



4. Future actions -- If a plan is developed for the remobilization of the East Side project, the MTA acknowledges that it would need to develop and submit a financially constrained financial plan to the FTA, and that such plan would need to demonstrate that the remobilization would not interfere with the MTA's obligations in connection with the North Hollywood Project and compliance with the Bus Consent Decree. The MTA also acknowledges that, as part of any remobilization effort, it would be required to negotiate and execute a revised FFGA with the FTA for the East Side project.

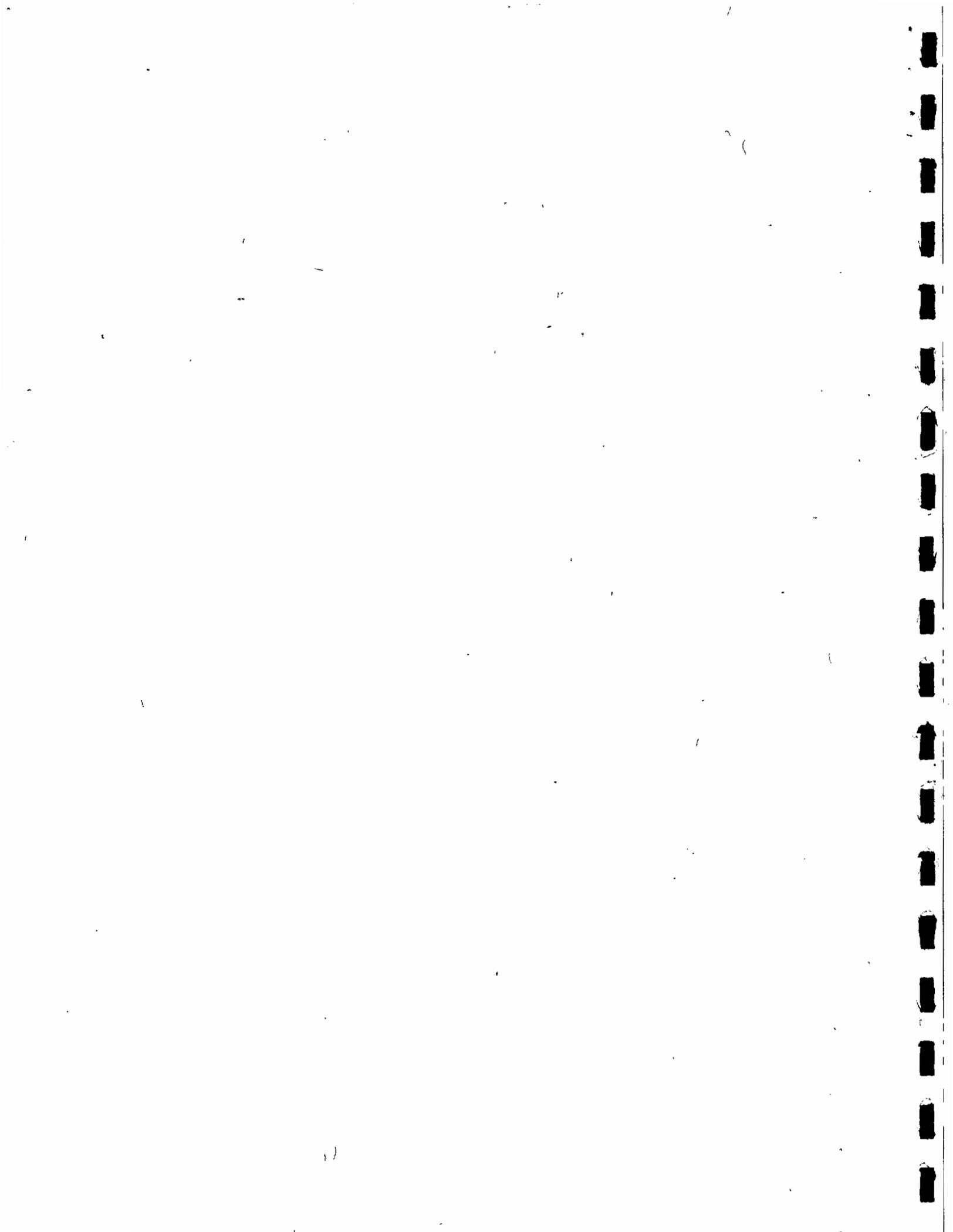


THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Red Line Segment 3 East Side]

COSTS by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$34.6	\$55.0	\$51.0	\$110.5	\$100.4	\$165.2	\$218.7	\$735.4
Reserves								\$0.0
Totals	\$34.6	\$55.0	\$51.0	\$110.5	\$100.4	\$165.2	\$218.7	\$735.4

COSTS BY FUNDING SOURCE by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3 *		\$24.0	\$38.0	\$50.0	\$50.0	\$52.2	\$100.0	\$314.2
Sec. 9								
CMAQ		\$6.0	\$3.0	\$30.0	\$0.0	\$3.6	\$8.4	\$51.0
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP			\$10.0	\$5.0				\$15.0
STIP (FCR)		\$25.0				\$50.0		\$75.0
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%								
Prop C 40%	\$34.6							\$34.6
Prop C 10%								
Prop C 25%								
City of Los Angeles								
Commercial Paper								
TDA Article 4								
General Rev. Bonds								
TOTALS	\$34.6	\$55.0	\$51.0	\$85.0	\$50.0	\$105.8	\$108.4	\$489.8

BALANCE	\$0.0	\$0.0	\$0.0	(\$25.5)	(\$50.4)	(\$59.4)	(\$110.3)	(\$245.6)
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B. METRO RED LINE SEGMENT 3 MID-CITY EXTENSION

Project Cost = \$554.1 million (\$378.1 million cost through FY.2004)

1. Description of shortfall -- The Mid City Extension, as noted above, is also part of MOS-3 Metro Rail project and was included in the project scope as described in ISTEPA and the FFGA. However, as shown in the attached chart, the Mid City project is currently projecting a capital budget shortfall in the amount of \$332 million. As a result, this project was also suspended by the MTA Board in January 1998.

2. Status of demobilization plan -- At the time of suspension, the budget of \$491 million was based on the original project alignment and a July 1999 Revenue Operations Date (ROD). The Forecast was based on the Wilton/Arlington underground alignment and a July 2009 Revenue Operations Date (ROD). Under the Demobilization Plan, all work has been suspended except for the completion of the Supplemental Environmental Impact Statement/Subsequent Environmental Impact Report (SEIS/SEIR).

The SEIS/SEIR documents were submitted to the FTA for review and comment in October of 1997. MTA staff is waiting for FTA approval of the SEIS/SEIR before releasing the documents and holding public hearings.

3. Remobilization plan -- In addition to the basic funding problem described above, efforts to remobilize the Metro Red Line Segment 3 Mid-City Extension are contingent on approval and release of the SEIS/SEIR documents from the FTA.

4. Future actions -- Similar to the East Side, the MTA acknowledges that any action taken to remobilize the Mid-City project would require the development of a financially constrained financial plan to the FTA, and that such plan would need to demonstrate that the remobilization would not interfere with the MTA's obligations in

connection with the North Hollywood Project and in compliance with the Bus Consent Decree. Any such Mid-City remobilization would also required the negotiation and execution of a revised FFGA for Mid-City.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Red Line Segment 3 Mid City]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$2.1	\$1.8	\$58.0	\$43.9	\$75.7	\$95.4	\$101.2	\$378.1
Reserves								\$0.0
Totals	\$2.1	\$1.8	\$58.0	\$43.9	\$75.7	\$95.4	\$101.2	\$378.1

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ			\$4.0					\$4.0
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)					\$20.0		\$20.0	\$40.0
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%								
Prop C 40%	\$2.1							\$2.1
Prop C 10%								
Prop C 25%								
City of Los Angeles								
Commercial Paper								
TDA Article 4								
General Rev. Bonds								
TOTALS	\$2.1	\$0.0	\$4.0	\$0.0	\$20.0	\$0.0	\$20.0	\$46.1

BALANCE	\$0.0	(\$1.8)	(\$54.0)	(\$43.9)	(\$55.7)	(\$95.4)	(\$81.2)	(\$332.0)
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C. METRO PASADENA BLUE LINE

Project Cost = \$856 million (\$616.6 million cost through FY 2004)

1. Description of shortfall -- As shown in the attached chart, the Pasadena Blue Line project is currently projecting a capital budget shortfall in the amount of \$229 million. As a result, this project was also suspended by the MTA Board in January 1998.

2. Status of demobilization plan -- Final engineering and design of the four line section contracts will be completed by the EMC under Contract Work Order (CWO) 40 and 41. Camera Ready documents will be signed and sealed. A disposition of design contracts not completed will be submitted to the MTA.

3. Remobilization plan -- The issues regarding remobilization (e.g. re-engineering and funding prospects) are discussed below.

In keeping with management's philosophy of looking to outside sources to fund the suspended Pasadena Blue Line Project, an outside consultant has been engaged to review the financial options available to the funding and construction of this project using a new approach.

Foremost in this review is identification of a Special Power Entity (SPE) which, depending on the jurisdiction developed, would potentially construct, operate and maintain the Project. It has been determined that existing law would likely permit an SPE to perform a role in operation and maintenance of the Project as well. At this time, the legislator representing the project has pending legislation that could potentially confirm the outstanding issues and specify responsibilities and legal authority.

Independent of this effort, one of the stakeholder cities has contracted with a consultant to review potential savings, including scope reductions and single point of responsibility analysis which could yield substantial savings estimated in the range of \$100 million, thereby significantly narrowing the funding gap.

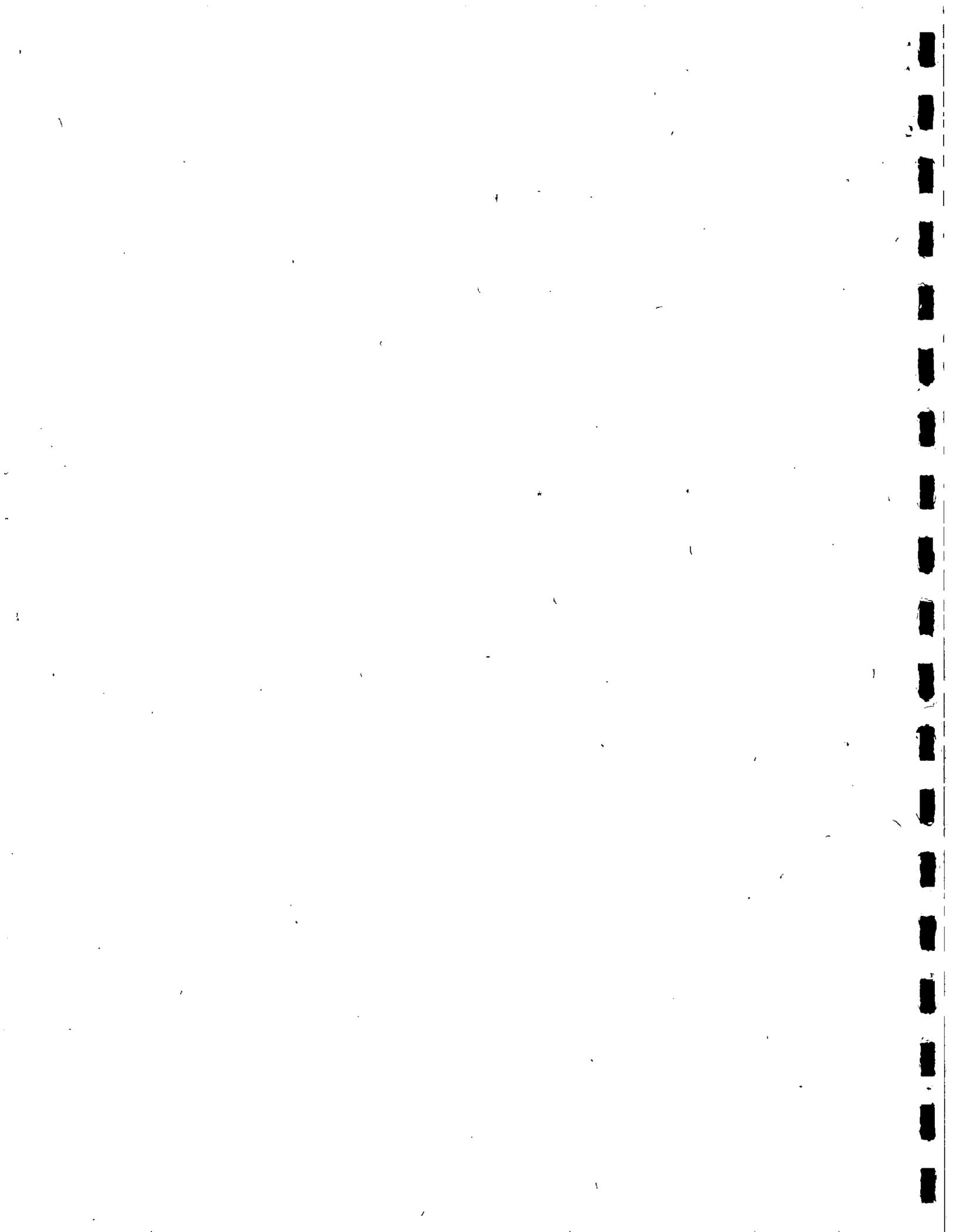
Further consideration of this option is necessary to determine feasibility. Also, discussions and approval by the Board of Directors would be necessary to transfer this project from the purview of the MTA.

THE MTA RESTRUCTURING PLAN
Project and Year Financial Plans
[Pasadena Line]

COSTS								
by Fiscal Year (\$M)								
	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget	\$28.9	\$58.6	\$78.1	\$100.1	\$135.1	\$119.9	\$87.0	\$607.6
Reserves		\$9.0						\$9.0
Totals	\$28.9	\$67.6	\$78.1	\$100.1	\$135.1	\$119.9	\$87.0	\$616.6

COSTS BY FUNDING SOURCE								
by Fiscal Year (\$M)								
Funding source	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Federal:								
Sec. 3								
Sec. 9								
CMAQ								
RSTP								
Sec. 3 Rail Mods								
Sec. 26								
State:								
Prop 116								
98 CTIP								
STIP (FCR)	\$13.9	\$12.4	\$41.6	\$41.6	\$41.6	\$69.9	\$63.2	\$284.2
TSM								
SCAQMD AB2766								
Local:								
Prop A 35%								
Prop C 40%								
Prop C 10%								
Prop C 25%	\$15.0	\$30.0	\$58.5					\$103.5
City of Los Angeles								
Commercial Paper								
TDA Article 4								
General Rev. Bonds								
TOTALS	\$28.9	\$42.4	\$100.1	\$41.6	\$41.6	\$69.9	\$63.2	\$387.7

BALANCE	\$0.0	(\$25.2)	\$22.0	(\$58.5)	(\$93.5)	(\$50.0)	(\$23.8)	(\$228.9)
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D. REGIONAL TRANSIT ALTERNATIVES ANALYSIS

The CEO will immediately begin a study to analyze viable and effective options for improving transit to all parts of the County, including Pasadena⁷, the East Side, Mid-City and the San Fernando Valley. Immediate, short term and longer term solutions will be identified. The analysis will compare different types of transit, routes, financing mechanisms, and structures for implementing and operating the transit improvements. It will identify which options will serve the highest number of transit dependent residents most effectively and at the lowest cost as well as improve mobility and air quality.

The CEO is authorized to retain independent professional and community expertise to assist in analyzing alternatives and developing recommendations. Any outside experts will be sensitive to the needs of the transit dependent and will not directly benefit from any MTA actions. These experts can provide policy guidance and can review and comment on the study's assumptions and results. The CEO will also report regularly to the Board or to any Board Ad Hoc Committee/Task Force established for this purpose during the study period.

The CEO will convey the study report to the Board no later than October, 1998. The presentation will include the full range of options and recommendations contained in the analysis as well as a funding plan. The Study will form the basis for a recommended regional transportation mobility plan. The Study will accomplish the following:

⁷ Subject to the outcome of SB1847 (Schiff Bill), which staff anticipates bringing back to the Board at the regular Board meeting in May 1998.

Task 1: Needs Analysis

Identify the location of the most transit dependent residents of Los Angeles county and identify and prioritize their mobility needs. Needs may include but not be limited to: new service routes to specific origin and destination points; more frequent service; more direct service; faster service; less crowded service; more security; lower fares; and other needs. Identify transit needs of all residents countywide.

Data sources will include 1990 Census Data; more recent SCAG demographic projections and Welfare to Work analysis; SCAG and MTA Origin and Destination Surveys; MTA On-Board Survey and Service Planning/Market Research studies; and other sources as appropriate.

Task 2: Previous Studies

Compile an inventory of all data currently existing within the MTA from previous studies regarding transit dependent mobility needs, opportunities to phase/downscope planned rail projects beyond the Red Line North Hollywood segment; and lower cost project alternatives. A partial list of such studies includes:

- Inner City Transit Needs Assessment Study - July, 1993
- Service Planning and Market Research Study Phase I & II - April, 1998
- Preliminary Draft Mid Cities Transit Restructuring Study - May, 1998
- Preliminary Draft Westside Bus Restructuring Study - In progress
- Transportation Communications Needs Assessment Study Phase I - December 1997
- Preliminary Draft Transitway Feasibility ("Curitiba") Study - In Progress for four Corridors: San Fernando Valley East/West; Exposition Right-of-Way; Crenshaw/Prairie; and downtown Los Angeles Harbor Transitway to El Monte Busway connector

- San Fernando Valley Administrative Draft East/West Transportation Corridor Major Investment Study/Environmental Impact Statement/Supplemental Environmental Impact Report - March, 1997
- San Fernando Valley Transit Restructuring Study and adopted modifications - September, 1994 & April, 1997
- Metro Red Line Mid-City Administrative Draft Supplemental Environmental Impact Statement/Environmental Impact Report - September, 1997
- Los Angeles Eastside Corridor Environmental Impact Statement Environmental Impact Report (and subsequent engineering/cost containment studies) - June, 1994
- Exposition Right-of-Way Alternatives Refinement Study - December 1994
- Crenshaw Corridor Preliminary Planning Study - October, 1994
- Pasadena Light Rail Environmental Impact Report (and subsequent engineering /cost containment studies) - February, 1990 & February, 1996

Task 3: List of Viable Alternatives

Review the above previous work and compile a list of projects and/or enhanced service options for improving transit in parts of the county with high concentrations of transit dependent, including Pasadena, the East Side, Mid-City and the San Fernando Valley. Look at options in corridors adjacent or parallel to the above corridors where appropriate. Include the viable time frames for completing each option. Identify immediate, short term and longer term solutions. Clearly identify the improvements that could be done in each corridor within the amounts of financial resources expected to be available as identified in the funding analysis in Task 6. The list of projects will consider different types of transit services and routes such as:

- Enhanced bus service, such as more frequent service and alternative routes
- "Rapid Bus" higher capacity buses operating at frequent service intervals with limited stops and signal priority.

- Busways in exclusive lanes or rights-of-way
- Light rail in at-grade, aerial and/or subway configurations⁸ shorter segments; and/or alternative alignments
- Heavy rail in at-grade, aerial, and/or subway⁸ configurations; shorter segments; and alternative alignments

Task 4: Cost Estimates

Identify the cost to implement and operate the transportation options discussed in Task 3. Determine whether alternative financing methods such as turnkey, privatization, etc., could be utilized which would expedite construction of transit improvements and/or assist with operating costs.

Task 5: Benefits

Identify which of the options in Task 3 will service the highest number of transit-dependent residents, most effectively and at the lowest cost. Identify the effectiveness of the options in improving mobility, reducing congestion, and improving air quality.

Task 6: Funding Analysis/Funding Plan

Identify existing and potential federal, state and local funds that could be made available for the above projects, and create a funding plan. Consider the funding currently programmed for rail projects for which MTA has suspended work. Analyze the eligible uses for these programmed rail funds, the years the funds are available, the extent that funds can be reprogrammed, what funds would be lost if not spent within a specified time frame, strategies for preserving currently committed funds, and strategies for maintaining maximum flexibility. Also consider the level of investment that MTA has made, to date, in each of the suspended rail corridors.

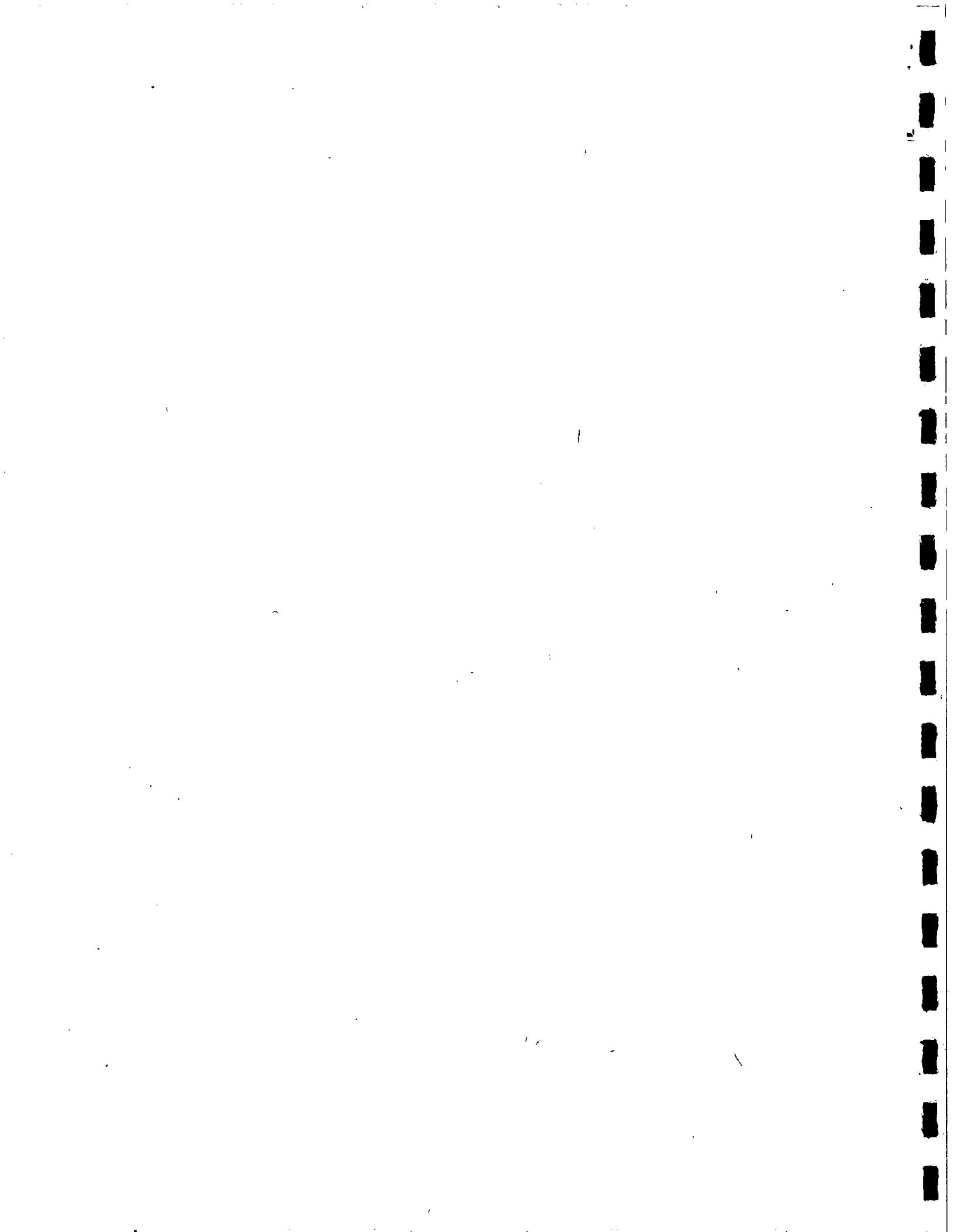
⁸ Subject to the outcome of the proposed initiative entitled "Metropolitan Transportation Authority Reform & Accountability Act of 1998" which would prohibit the use of any transportation sales tax revenues for new subway.

This financial analysis must assume that the funding commitments contained in this Restructuring Plan have first priority and will be fully funded. This includes major funding commitments such as meeting Consent Decree requirements, completing the Red Line to North Hollywood, fulfilling our existing funding commitment to the Alameda corridor project, and resolving our current capital and operating deficits as outlined in this Restructuring Plan.

Task 7: Report/Matrix

For the October, 1998 Board meeting, prepare a study report that documents the information gathered in Tasks 1 through 6. This report should include a summary matrix of the options available for meeting the needs in each geographic area, along with an alignment/project description; capital and operating cost estimate; effectiveness in meeting transit dependent, general mobility and air quality needs; potential impacts; and other information as appropriate for each option.

The MTA makes a full commitment to the foregoing planning process and the strategy outlined above for completing the analysis in a timely manner.



CHAPTER VIII

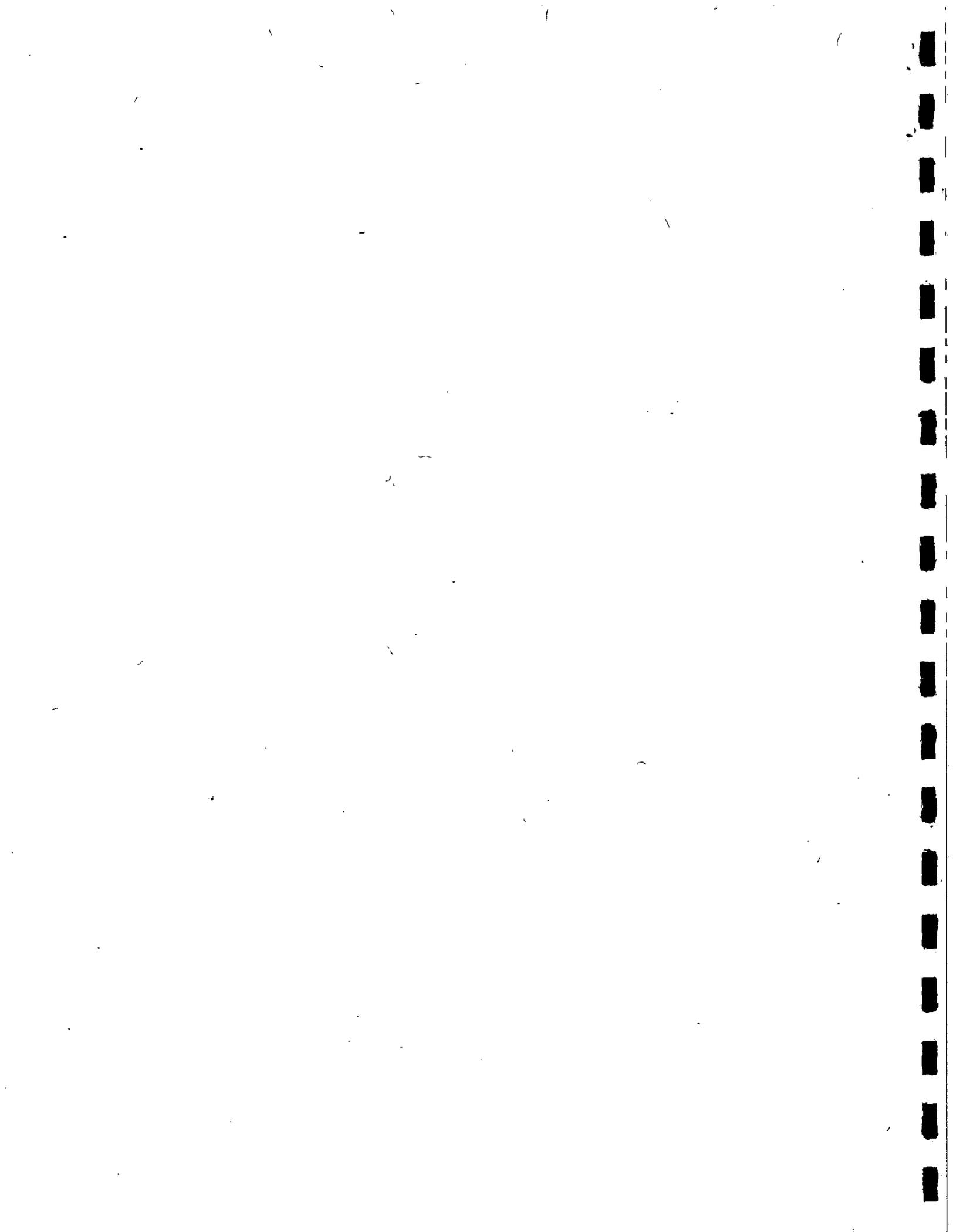
INSTITUTIONAL/ORGANIZATION MATTERS

The new management team has been implementing changes in the organizational structure of the MTA to improve performance and assure better accountability and control. Accompanying these changes have been selective additions of new senior managers to strengthen leadership and bring in new ideas and values.

Among the more significant changes are the following:

- A. Internal Audit and Internal Controls -o Additional staffing and budget have been provided to the Internal Audit Department. A new Acting Director was appointed. A program to develop and implement a new internal control system will begin in FY '99. A full discussion of these actions is presented in Appendix J.
- B. Safety - In accordance with recommendations of a consulting firm, four departments performing safety functions - Construction Safety, Operations Safety, Safety Compliance and Systems Safety were consolidated into a single department. Recruitment of a Managing Director of Safety Administration is underway. This position will report directly to the Office of the CEO.
- C. Risk Management - In February, 1998 an interim Managing Director of this department was appointed. A permanent head of Risk Management will be hired by June 30, 1998.
- D. Procurement - The consolidated Procurement Department is continuing to be strengthened and supported. A new Policy and Procedures Manual was adopted in July 1997.

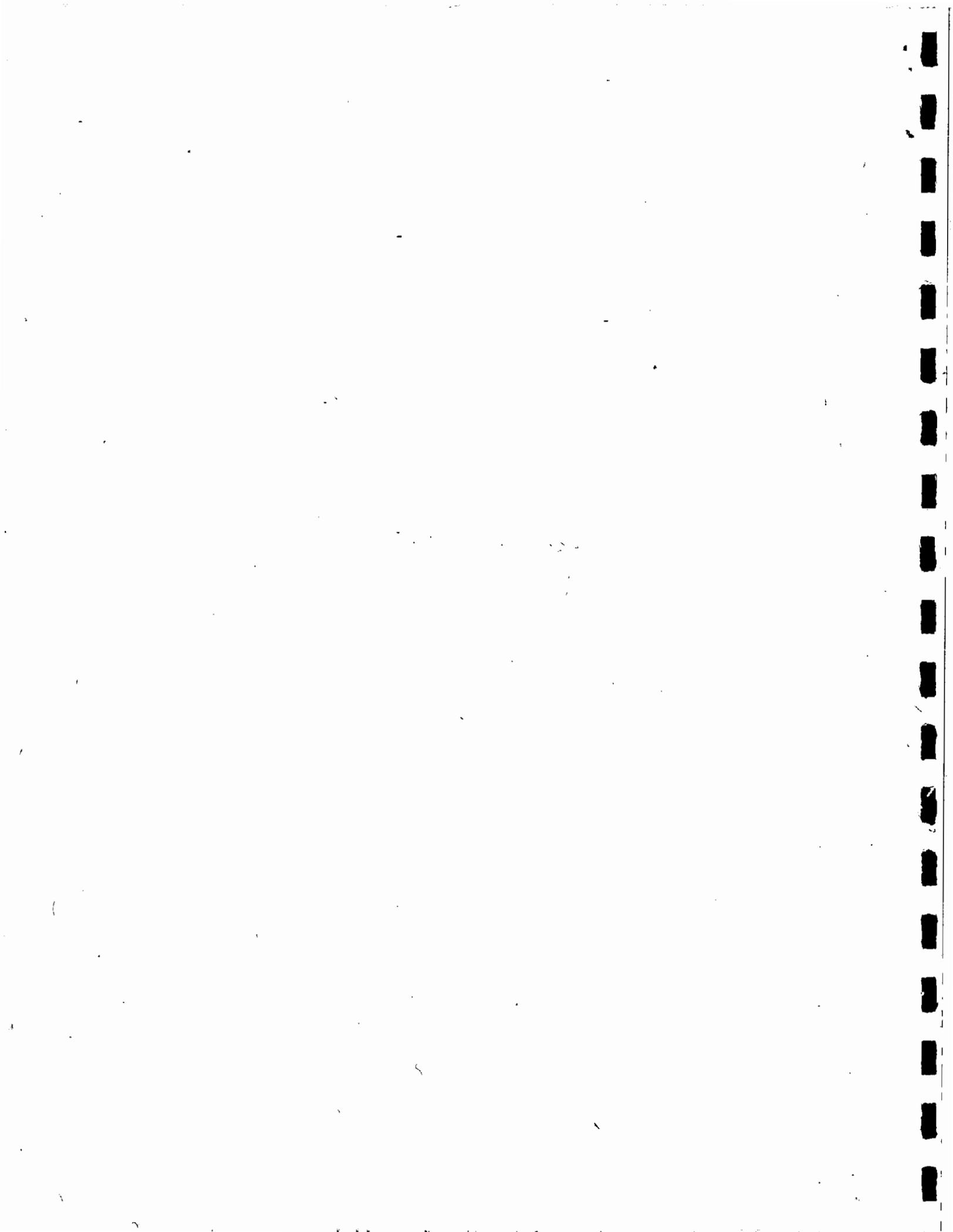
Appendix K includes information on these actions.



APPENDIX FOR RESTRUCTURING PLAN

Contents:

- A. Summary of Key Financial Assumptions
- B. MTA Funding Sources and Eligible Uses
- C. Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source
- D. Prior Five Years of Revenue to MTA and Their Distribution
- E. Rail Program Status (January 1998)
- F. Funding Sources Matrix of the MTA
- G. MTA Board Report on Demobilization Plan
- H. Minutes of Proceedings of MTA Board on Demobilization with Resolution Contained Therein
- I. Capital Reserve for Metro Rail Red Line MOS-3 North Hollywood Budget Authority Sheets
- J. Corrective Plan to Address MTA's Inspector General's Internal Management Controls Report
- K. Consolidated Procurement Organization



APPENDIX A

Summary Of Key Financial Assumptions



A box has been placed around those assumptions deemed major or essential.

The Financial Plan Forecasting Model relies on numerous assumptions which reflect the best available estimate of future trends in revenues and costs over an extended number of years. Existing MTA policies guide the development of these assumptions. However, there are many areas requiring future policy decisions. In developing the model, it was assumed that certain future policy decisions will be made, consistent with the needs. As specific policy and project decisions are made by the MTA Board, they will be analyzed, and the impact on the forecasting model will be identified.

The Financial Plan Forecasting Model assumes that:

- The MTA will continue receiving local, state and federal funding. The financial component model adjusts the funds in accordance with the historical growth of the revenues or anticipated increases or decreases;
- The 50% federal contribution to Red Line Segments 2 and 3, as specified in the Full Funding Grant Agreement, will be maintained;
- There is essentially no new revenue sources that are available over and above those local, state, and federal revenue sources that are currently obtainable.
- Fare and enhanced revenues for services is assumed to increase with inflation.

The MTA has programming authority of transportation funds for Los Angeles County in accordance with California State law. As the Regional Transportation Planning Agency (RTPA), MTA programs millions of dollars in funds. In addition, MTA administers the local sales tax initiatives receiving the collected funds from the State of California. By having such programming and management of funds authority, it is not uncommon for large amounts of funds to be available in MTA accounts. Such large balances, however, are not to be confused with those funds actually available to the MTA.

Balances shown in MTA accounts such as the Proposition C 25% - highway are awaiting disbursement through the prior year call for projects process or payment to Caltrans for work expected to occur within 48 months. Other accounts have surpluses but the funds can only be used for a specified purpose such as security (Prop C 5%) or regional transportation (Prop C 10%). All of the funds received by MTA and their restrictions are discussed in Appendix F (Funding Sources Matrix of the MTA).

It is important to note that the delivery and implementation of all projects and programs is dependent on the availability of local, state, and federal revenues at the projected levels. Major changes in local, state, or federal policy, or unanticipated shifts in the economy, would impact the implementation of the LRTP as presently constituted.

The Financial Plan Forecasting Model, and the assumptions upon which it was developed, do not replace MTA Board action or policies. The Financial Plan will be updated periodically to reflect separate, specific MTA actions. **The following are some of the major financial assumptions incorporated in the Financial Plan Forecasting Model along with a discussion of possible outcomes if these assumptions are not realized:**

- **MTA transit fare revenues and operating costs increase with inflation** - The forecasting model assumes a bus farebox recovery ratio and operating costs consistent with the fares in the recently adopted FY 1997-1998 budget. Fare revenues are adjusted for inflation beginning in FY 1998-1999 and can be retroactive from the FY 1995 Consumer Price Index (CPI) according to provisions of the Consent Decree. Also assumed is the implementation of the expanded bus service, which includes an expansion of up to 325 buses over the forecasting period. Most of the new buses will be deployed in the first five-years of the Plan.

In accordance with the consent decree, fare revenues have been reduced and biweekly passes have been established. As a result, the forecasting model has been adjusted to reflect the revised revenue projections. The projected fare have been escalated at CPI starting partially in FY 1998 and fully in FY 1999. The fares are programmed to increase in accordance with the CPI every two years, thereafter.

- **Sales Tax Forecast** - The financial model in FY 2002-03 assumes an approach using a lower percentage of annual sales tax growth in the immediate future-- 4.0% for FY 1997-98 and then increasing annually by .2% before standardizing at 5% annually through 2020. This growth rate is used to calculate the amount of additional sales tax the MTA will be receiving in ensuing years.

A 1% reserve is assumed to be maintained in the financial model and within the financial system of the MTA. This would allow for variations in actual receipts and projected sales tax revenues thereby providing a financial cushion for deviations.

- **MTA operating deficit resolved** - The forecasting model assumes that the MTA

deficit of \$85 million is resolved by permitting the overall agency funds to absorb the costs. MTA transit operating revenue and cost projections are based on the reforecasted FY 1997-98 MTA budget and accompanying reductions and efficiencies.

State Senate Bill 45- This legislation effective January 1, 1998 substantially changes state and local transportation financing allocations throughout the State of California. The law repeals seven separate transportation funding programs and authorizes local transportation agencies such as the MTA to decide how the funds are to be spent. This new funding program is referred to as "Regional Choice" and lets the MTA select projects for funding. This new local control of transportation funding replaces a series of programs that were complex and restrictive in how transportation funds could be used. It is estimated that over \$200 million in new funding will be coming to Los Angeles County over the next seven years allowing to the MTA Board of Directors to decide how funds that were going to specific restricted programs can now be spent.

- **No New Revenue Sources** - No new revenue sources are assumed to be available over and above those local, state, and federal revenue sources that are currently obtainable. The forecasting model assumes that the MTA will maintain the historical level of funding provided by current revenue sources, except in specific funds sources such as fares. This level of funding will increase in accordance with the historical records of each source. If projected levels of funding are not maintained, projects and programs will be reduced or delayed accordingly unless comparable cost savings measures or alternative revenues are implemented.

- **Current federal funding programs, except Section 9 operating assistance, continue and allocations increase with the growth of the Highway Trust Fund** - The forecasting model assumes the reauthorization of the federal Intermodal Surface Transportation Efficiency Act (ISTEA) legislation.

The forecasting model also assumes that future allocations of federal formula funds through ISTEA will keep pace with the growth of the Highway Trust Fund (1.4% annually) with the exception of Section 9 operating assistance which will be phased out. If federal funds do not occur at the estimated levels, planned highway, rail, and Call-for-Projects capital projects may be delayed accordingly unless comparable project cost savings measures are implemented. If federal funds increase, projects and services will be brought on-line in accordance with the available revenue.

- **Federal Transit Administration (FTA) Section 9 operating assistance has been reduced to \$21 million and will be discontinued in FY 2002-2003** - Section 9 has been reduced to from a high of \$47.4 million in FY 1993-1994 to the current funding level of \$21 million and ultimately phased out beginning in FY 2003. In FY 2004, the \$21 million is assumed to be included in Section 9 capital program. When federal operating subsidies are reduced and ultimately eliminated, other sources substitute for this loss, such as local funding and expanded Section 9 capital maintenance usage.

- **Los Angeles County continues to receive discretionary FTA Section 3 New Start Funds for future rail construction projects** - The forecasting model assumes that each of the three planned rail lines will receive 50% funding from FTA Section 3 New Start funds. If this federal contribution is lower than 50%, there will be a delay in construction of the planned projects. The level of federal funding for each future rail project will be negotiated with the FTA, through a Full Funding Grant Agreement, before project construction begins.

- **First three-years of Metro Green Line Operations costs will be funded with federal ISTEA funds** - Federal guidelines allow Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds to be used for the first three-years of operating new transit service. Consistent with these federal guidelines, the forecasting model assumes that the FTA will allow the MTA to use its federal formula funds for Green Line operations costs for the first three years of operations, which concludes in FY 1997-98.

- **A revised agreement with the City of Los Angeles** - is assumed which allows for contribution up to 7% of rail line costs within the City of Los Angeles.

- **Program Reserve Fund established** - The forecasting model includes an establishment of a Capital Reserve Fund in order to address the requirements of the North Hollywood Revised and Restated Full Funding Grant Agreement.

The Program Reserve Fund consists of the following two resources:

- \$10 million cash reserve (See Appendix I)
- \$40 million pledge of future debt instruments (See Appendix I).

- **Leveraging State and Federal Funds** - The forecasting model assumes that local funds are used to match state and federal funds consistent with the project and program priorities established by the MTA Board of Directors.

■ **Use of Long-Term Debt** - The forecasting model assumes that senior lien bonds will be issued each year they are needed to fund major capital projects that are constrained by MTA debt service coverage ratio and operations and maintenance costs limitations. Debt service on the bonds is assumed to be paid with Proposition A and Proposition C cash revenues in ensuing years. Given all other assumptions used in the plan, debt financing is necessary for the completion of scheduled construction projects. Actual bond issuances must be approved by separate MTA Board action and is analyzed separately from that of the LRTP. The forecasting model serves as a guide for reviewing actual bond issuance.

- **Establishing service levels for all programs** - The forecasting model sought a balance of the transportation services among all transportation modes. Service levels were determined using existing studies and plans for the various programs and projects. Additionally, transportation modeling and planning activities were performed on many of the projects and programs. Decisions on specific increases in service levels and new services will be made by the MTA Board as the programs are developed through the planning process.

MAJOR REVENUE ASSUMPTIONS

INFLATION FACTORS

Operating and Capital Inflation - Based upon the August 1997 UCLA sales tax annual forecast for Los Angeles County, the average operating inflation rate from FY 1998 through FY 2020 equals 3.07. The financial model applies the annual inflation rate from the UCLA forecast to various operating cost items.

The capital inflation rate is based on the ratio of the Construction Cost Index (CCI) to the Consumer Price Index (CPI), which has found that CCI inflation is approximately 75% of the CPI. The average capital inflation rate from FY 1998 through FY 2020 equals 2.29%. The financial model applies the annual inflation rate to various capital cost items. The inflation rate for highway capital cost items is based on the 1998 State Transportation Improvement Program (STIP) Fund Estimate which is currently 2.20%.

LOCAL REVENUES

Proposition A - This revenue is generated by a half-cent ($\frac{1}{2}$) sales tax for countywide transportation programs, which was passed by Los Angeles County voters in 1980. Pursuant to the Proposition A Ordinance, these funds are used to improve public transit throughout Los Angeles County. A portion of the revenues are returned to local jurisdictions, based on population, for use in public transit projects. Revenues are divided as follows:

Local Return program -	25%
Rail development -	35%
Discretionary (bus operations only, pursuant to MTA Board policy) -	40%

The forecasting model assumes that all of the Proposition A 40% discretionary funds are used for bus operations. Proposition A local return revenues are spent on bus operations expenditures that are based on the Short Range Transit Plans (SRTP) of the MTA and local municipal operators.

Proposition C - This revenue is also generated by a half-cent ($\frac{1}{2}$) tax for countywide transportation programs, which was passed by Los Angeles County voters in 1990. The Proposition C ordinance specifies that funds are to be used for "public transit purposes." Revenues are divided as follows:

Rail and bus security -	5%
Commuter rail/transit centers/park and ride -	10%
Transit related streets/state highways improvements -	25%

Local return -	20%
Discretionary -	40%

The forecasting model assumes that the 40% discretionary funds are split among rail capital and operations, bus capital and operations and bus service expansion. The relative share of the allocations between bus and rail capital and operating requirements shifts over time to meet evolving system needs as projects are built and operations begin.

Although most of the 25% highway funds are programmed for highway related projects, such as high occupancy vehicle (HOV) lanes, these funds are also eligible to be used for portions of rail transit projects which have roadway or freeway alignments. Specific Board action through the Budget, the Call-for-Projects and/or Transportation Improvement Program (TIP) programming process must be taken to program Proposition C funds to specific projects and programs.

Bonds/Financing Mechanisms

Senior Lien Bonds (Prop A and C):

Senior Lien Bonds are bonds which have a senior claim on an MTA pledged revenue source that is superior to the claim of any other bonds or debt. The Plan assumes that senior lien bonds will be issued if as-needed throughout the Plan period to support bus, rail and highway capital requirements. Bonds are projected to be issued each year they are needed to meet capital requirements. The Plan assumes bond payments based on an initial 6.0% interest rate gradually increasing to 7.0%. Bond issuance, generated from the financial component model of the LRTP, *do not* substitute for specific Board action required to issue bonds.

Certificates of Participation (COPs):

New COPs pledged by Federal Section 9 capital formula funds and TDA Article 4 funds are not assumed to be issued on an ongoing basis for bus purchases. Debt service for COPs that were issued in prior periods is included.

TDA Article 4 - Revenues are derived from one-quarter cent ($\frac{1}{4}$) retail sales tax collected statewide. TDA Article 4 funds are available for both bus and rail capital and operations. The estimated annual amount of TDA Article 4 revenue over the plan is based on a growth rate of 4.0% for FY 1997-98, and then increase annually by 0.2% before standardizing in FY 2002-03 at 5.0%. A portion of Article 4 funds are allocated to municipal bus operators by formula allocation.

City of Los Angeles Funds - These funds represent the City's contributions to Metro Rail and Union Station Gateway. The City's assumed contribution ranges up to 7% of the current costs for Red Line Segments 1, 2 and North Hollywood extension.

Benefit Assessments - The financial plan for the construction of the Metro Rail Red Line includes costs for station construction to be partially paid for by assessments levied on the properties adjacent to stations, which will financially benefit from the close proximity to a major transit system station. A benefit assessment district has been in place for Red Line Segment 1 since 1985, producing revenues of \$162 million of which \$130 million was for construction costs directly for rail stations.

When the initial planning process began for the Metro Red Line, MTA was not required to conduct an election to assess levies on property owners. However, as recently prescribed in Proposition 218, any new assessment districts require a vote of property owners before enacting an assessment. This includes those pending districts in Segments 2 and 3. The forecasting model no longer assumes this as a revenue source.

Farebox Revenues

Bus

Bus farebox revenue is calculated by multiplying the farebox recovery ratio by the annual operations and maintenance cost (O&M) cost. The farebox recovery ratio is the proportional relationship between revenues, which includes cash, passes, and tokens, received from total passengers and the operating cost of the buses.

MTA: MTA's assumed bus fare revenue is based on the farebox recovery ratio in the adopted FY 1997-98 Budget. This recovery ratio is projected out at the rate of inflation beginning in FY 1998-1999 and is retroactive to FY 1995 for calculating the inflation. The fare recovery ratio varies from 32% to 36%.

Municipal Transit Operators: Bus fare revenues for the municipal transit operators' are based on information in their Short Range Transit Plans. The farebox recovery ratio for this time period is approximately 27%, which does not include local return funds. For FY 2000-2001 and beyond, bus fare revenues were escalated with inflation. This method of projecting fare revenues assumes that these revenues increase in proportion to O&M costs.

Rail

Rail farebox revenue is calculated by multiplying the estimated average revenue per boarding by the projected annual ridership. Revenues and ridership figures for the current system are based on existing figures which have been projected out, while revenue and ridership information for future lines and extensions is based on information from the travel demand model of the agency. The farebox recovery ratio increases to approximately 34% as the rail system expands.

STATE REVENUES

Senate Bill 45 Regional Choice Funding - Senate Bill 45 consolidates the former Flexible Congestion Relief (FCR) Program into a "Regional Choice" item that will let the MTA Board decide how these funds will be spent. The former FCR program was a statewide capital program for highway and fixed guideway capacity improvements. Funding for this program was composed of state and federal gas tax revenues. FCR funds were allocated for freeway gap closures, major arterial improvements, HOV lanes, and rail projects. Revenues anticipated through the new "Regional Choice" program are at the discretion of the MTA Board and can be spent on rail projects and potentially bus procurement along with highway projects.

"Regional Choice" revenues can be divided between transit and highway projects. This funding is assumed to remain at a constant level beginning in FY 2005-2006. This annual revenue estimate is based on historical data on revenues received by Los Angeles County as well as discussions with California Transportation Commission (CTC) staff. The MTA must take action on the programming of "Regional Choice" funds to specific projects through either the Call-for-Projects, Annual Budget or the new County Transportation Improvement Programming (CTIP) process. The MTA Board may also take direct action at any meeting to allocate the funds.

Proposition 192, which passed in November 1996, regarding Seismic Retrofit of Bridges in California, has created a one billion dollar surplus in the State Highway Account, accounted for in the financial element of the forecasting model through the allocation of the "Regional Choice" funding.

State Rail Bonds - Propositions 108 and 116 were passed by California voters in 1990. Proposition 108 authorized the state to sell \$1 billion in general obligation bonds to provide funds for rail capital outlay. Through the 1992 STIP, and the State Allocation Plan, the state will use other funds for the bond funds. This will cause a delay in state funds for many projects. These anticipated delays have been incorporated in the forecasting model. Projects receiving Proposition 108 funds must be completed no later than June 30, 2001.

Proposition 116 authorizes the state to sell \$2.0 billion in general obligation bonds to provide funds for rail capital outlay as well as bikeway facilities. The state rail bond amounts assumed to be available for Los Angeles County are projected by MTA staff, based on past CTC appropriations and discussions with CTC staff. Metro Rail, Metrolink, the LA Car, bikeways projects and the Alameda Corridor are all eligible for state rail bond funding.

FEDERAL REVENUES

ISTEA (STP, CMAQ) - As part of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, the federal government created new flexible funding programs, the Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality Improvement Program (CMAQ). STP funds are intended to be used for congestion relief in urban areas. Eligible uses include transit capital projects, Transportation Demand Management (TDM), and improvements to highways and arterial roads.

The CMAQ program is designed to fund projects that contribute to the attainment of national ambient air quality standards. CMAQ funds cannot be used to construct facilities that provide additional capacity for single-occupancy vehicles. Revenues anticipated during the Plan period are based on historical allocations through FY 1996-1997.

The forecasting model assumes the federal reauthorization of the ISTEA and continued reauthorization. Beginning in FY 1997-1998 and at the end of each Federal fiscal year, the plan assumes that the total amount available will be escalated at the growth rate of the Federal Highway Trust Fund, which is currently 1.4%. Board action will be required through the Call-for-Projects and TIP programming process to program ISTEA funds to specific projects.

Section 3 New Rail Starts - This fund emanates from the U.S. General Fund and the federal Mass Transit Account of the Federal Highway Trust Fund, which is generated by two-cents of the 18.3-cent federal excise tax on gasoline. Full Funding Grant Agreements for Red Line Segments 1, 2 and 3 were negotiated by MTA with the Federal Transit Administration. Section 3 New Rail Starts are allocated by Congress to specific rail projects. Being a discretionary source of federal funds, Congressional action has limited the funding level below expectations in recent years. The forecasting model assumes \$100 million per year in authorized New Starts funds.

Section 3 Rail Modernization - Section 3 Rail Modernization funds are used in the Plan for rail rehabilitation and other minor rail capital expenses. This source of funding has been substantially reduced from that of the 1995 LRTP, as a result of pending changes in the allocation formula which reduced MTA's share.

Section 9 Capital - The current funding level is assumed to increase in relation to the Federal Highway Trust Fund annual growth of 1.4%. The forecasting model assumes that these funds will be allocated to all eligible bus operators for identified capital requirements, pursuant to the Capital Allocation procedure.

Section 9 Operating - Section 9 allocations for transit operations are eliminated in federal FY 2002-2003 from the financial forecasting model. Beginning in FY 2004, the Section 9 operating fund of \$21 million is assumed to be included in the Section 9 capital program. This federal revenue source was not escalated because some federal officials are proposing to reduce and, possibly, eliminate operating assistance subsidies in the coming years.

BUS PROGRAM ASSUMPTIONS

BUS CAPITAL

Transit Operators

The forecasting model covers funding for vehicles replacement, facilities rehabilitation and replacement, and support equipment, as described below:

Clean Fuels - Air Quality Maintenance District (AQMD) requirements are assumed to be met by:

- converting vehicles and facilities to clean fuels (i.e. alternative fuel vehicles) and
- increasing transit service so that work trips on transit as a percentage of all regional trips increases by the year 2020.

Spare Vehicle Replacement Schedule - Spare vehicle replacement is based on the following retirement schedule:

Transit Buses (35 and 40 foot) -	12 years -
Heavy Duty Smaller Buses -	10 years
Dial-A-Ride Vehicles- 25 to 35	5 years for light duty, mid-sized buses, approximately feet in length
Dial-A-Ride Vehicles-	4 years for light duty, small buses, cutaways, or modified vans 16 to 28 feet in length

Vehicle Costs - Total vehicle costs, including wheelchair lifts, are presented below in 1997 dollars. This purchase price assumes replacement with alternative fueled vehicles.

Buses - 40 foot, MTA and Municipal Operators	\$360,000
National/Gillig	\$231,000
Mid-sized Buses	\$110,000
Small/Vans	\$ 50,000

The MTA purchase price is based on a recent procurement of Compressed Natural Gas (CNG) Vehicles. The purchase price for the Municipal Operators was estimated by the bus operators for a generic alternative-fueled vehicle. The MTA purchase price is higher than the Municipal Operators' purchase price because of different specifications on added equipment. However, the financial component model assumes the same price for both MTA and municipal operators.

A decision has not been made on the technology of future bus procurements. However, a feasibility analysis for a countywide bus procurement standard will be undertaken to determine future cost savings.

Facilities - Maintenance facilities are assumed to have a useful life of 50 years. Renovation and rehabilitation costs of existing facilities are estimated to average about 30% of the construction costs in 1997 dollars and escalated for inflation rate, every 15 years. These costs are calculated as the total square footage for all the facilities multiplied by the assumed cost of construction. These costs were distributed at 2% per year over the life of a facility.

Support Equipment - This category includes costs of major capital items such as support vehicles, spare parts, transmission, engine rebuild, air conditioning, and other major maintenance equipment on the bus. Spare equipment costs are assumed at 15% of the annual total vehicle replacement and facilities rehabilitation and replacement costs, for the municipal operators.

The MTA's costs are based on a five year needs assessment and funded annually through the budgetary process. The forecasting model assumes implementation of the five year plan and CPI thereafter.

COP Payments - Debt payments for existing Certificates of Participation for bus purchases, issued by the MTA, Torrance Transit, and Culver City Municipal Bus Lines are made annually in the forecasting model.

Bus Bonds - The forecasting model assumes that bonds will be issued as-needed throughout to support bus capital requirements. The forecasting model assumes bond payments based on a 6% interest rate in FY 1998, which will gradually increase to 7% in FY 2007. This debt incurred is paid over a period of 12-years through annual payments.

BUS OPERATIONS

MTA Bus Operations - The forecasting model assumes the following for MTA's bus operation:

- Operations and maintenance cost projections are based on the adopted FY 1997-1998 Budget and are assumed to grow with the rate of inflation;
- Funds for TDA Article 4, Proposition A, and STA will continue to be allocated through the Formula Allocation Program (FAP) in future years;
- Section 9 operating funds are discontinued after FY 2001-2002;
- MTA's operating deficit is resolved, both in the near term and beyond; and
- The consent decree is fully implemented, with some services being contracted out.

Municipal Operators - Operations and maintenance costs were based on data included in the transit operators' FY 1997-2000 Short Range Transit Plans. The FY 1997-1998 cost estimates are used as the basis for future years' cost projections and escalated using the inflation factors. The assumption is that the regional bus system will not grow beyond the revenue service hours reflected in the FY 1997-2000 Short Range Transit Plan.

As in MTA's bus operation, the forecasting model assumes the following:

- Funds for TDA Article 4, Proposition A, and STA will continue to be allocated through the Formula Allocation Program (FAP) in future years and
- Section 9 operating funds are discontinued after FY 2002-2003.

Municipal transit operators include:

- Antelope Valley Transit Authority
- Arcadia
- Claremont
- Commerce Municipal Bus Lines
- Culver City Municipal Bus Lines
- Foothill Transit
- Gardena Municipal Bus Lines
- La Mirada Transit
- Long Beach Transit
- Los Angeles Department of Transportation (LADOT)
- Montebello Municipal Bus Lines
- Norwalk Transit
- Redondo Beach
- Santa Clarita Transit
- Santa Monica Municipal Bus Lines
- Torrance Transit

Expansion Services - Pursuant to the consent decree, the forecasting model provides for a total bus service expansion of up to 325 buses. The operating costs of this service expansion are projected at the full MTA budget rate. Marginal costs are no longer applied. The forecasting model also assumes that 114 of the 325 buses will be contracted out at a cost per hour of \$51.32, which is escalated annually.

ADA/Paratransit - Cost projections to implement the mandates of the American with Disabilities Act (ADA) were based on current year allocations and ensuing years were escalated annually using cost inflation factors.

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Access Services Incorporated (ASI) - The forecasting model assumes that more than \$208 million of regional Surface Transportation Program (RSTP) funds is programmed for ASI. Allocating RSTP funds for ASI allows the MTA to make Proposition C 40% Discretionary funds available for capital bonding program of the MTA.

RAIL PROGRAM ASSUMPTIONS

RAIL CAPITAL

Rail Projects Capital Cost Estimates - Costs for rail projects, that have been approved by the MTA Board, are based on the adopted FY 1997-1998 budget. Costs for rail projects with no existing budgets are calculated based on MTA's cost estimation guidelines. The cost estimation process considers factors, such as the projected construction cost in current dollars, the construction start date based on available resources, and the construction duration and cash demand curve based on experience with past or current projects.

All costs detailed below are in 1997 dollars and escalated by the Los Angeles County capital inflation rate for future years.

Metro Rail Line Segment 1 (Opened in January 1993) - The Metro Red Line Segment 1 extends 4.4 miles with five stations through downtown Los Angeles, from Union Station/Gateway Transit Plaza to the Westlake/MacArthur Park station.

The total construction budget was as follows:

Source	Amount	% Breakdown
Local Funds	\$507.9 million	36%
State Funds	\$214.0 million	15%
Federal Funds	\$695.9 million	49%
Total Project Cost	\$1.4 billion	100%

Metro Red Line Segment 2 (Scheduled to be fully completed in December 1998) - Totalling 6.7 miles, the Metro Red Line Segment 2 consists of two rail corridors:

- *Wilshire Corridor* - Opened in July 1996, this corridor extends from the Westlake/MacArthur Park station northwest to Wilshire Boulevard/Vermont Avenue intersection, and west along Wilshire Boulevard, terminating at the Wilshire and Western station, and
- *Vermont/Hollywood Corridor* - Scheduled to open in December 1998, this corridor extends north from Wilshire/Vermont intersection along Vermont Avenue, turning west along Hollywood Boulevard to the Hollywood/Vine station.

The capital budget for the Metro Red Line Segment 2 is:

Source	Amount	% Breakdown
Local Funds	\$723.3 million	46%
State Funds	\$133.0 million	8%
Federal Funds	\$719.1 million	46%
Total Project Cost	\$1.6 billion	100%

Major portions have already been completed and are reflected in the prior years part of the restructuring plan.

Metro Red Line North Hollywood consists of:

- *North Hollywood Segment (Scheduled to open in May 2000)* - This segment is a 6.3 mile project with three stations, which begins just west of the Segment 2 Hollywood/Vine station and continues west under Hollywood Boulevard to the Hollywood/Highland station and north under the Santa Monica mountains to the Universal City station and terminating in North Hollywood.

Metro Green Line (Opened in November 1995) - The Metro Green Line light rail extends 20 miles with 14 stations along the center of the 105 Freeway from Studebaker Road and the 605 Freeway in Norwalk to Freeman Boulevard and Marine Avenue in Redondo Beach.

The total construction budget was as follows:

Source	Amount	% Breakdown
Local Funds	\$636 million	88%
State Funds	\$82 million	12%
Federal Funds	\$0 million	0%
Total Project Cost	\$718 million	100%

Metro Blue Line (Opened in July 1990) - The Metro Blue Line extends 22 miles, with 22 stations, from the Downtown Los Angeles station (Metro/7th Street station) to Long Beach. The total construction budget was:

Source	Amount	% Breakdown
Local Funds	\$854 million	100%
State Funds	\$0	0%
Federal Funds	\$0 million	0%
Total Project Cost	\$854 million	100%

LA Rail Car - The Los Angeles Light rail procurement consists of a base order of 50 standard cars and two prototype vehicles for a total of 52 light rail vehicles. The standard cars will be used on the Metro Blue Line, and planned extensions of the lines.

The budget of \$100.5 million for the 52-car procurement is derived from Flexible Congestion Relief and Proposition 116.

Commuter Lines (Metrolink) - The Southern California Regional Rail Authority (SCRRA) is a Joint Powers Agency which plans, constructs, and operates Southern California's commuter rail system. The LACMTA funds a portion of the capital and operating costs for commuter rail projects located within Los Angeles County, including:

- Los Angeles /San Bernardino
- Los Angeles/Riverside
- Los Angeles /Oxnard
- Los Angeles /Santa Clarita /Palmdale /Lancaster
- Los Angeles /Oceanside
- Los Angeles /Riverside (Union Pacific)
- Fullerton/LAUPT
- Shared Facility

The SCRRA current system includes 404 route miles, 199 of which are in Los Angeles County. The Plan assumes continued funding for the current commuter rail system. SCRRA staff provided operating cost projections. Los Angeles County's share of commuter rail costs is funded with Proposition C 10% revenues, which is consistent with MTA's funding policies adopted in the FY 1997 - 1998 budget. The MTA allocation for SCRRA are:

- \$24 million, which is escalated by CPI in subsequent years, for operating subsidy;
- \$7.5 million for capital/maintenance, which is also escalated by CPI in subsequent years; and
- Other new funding for capital projects can be pursued through the Call-for-Projects process.

Diesel Multiple Unit (DMU) - Diesel Multiple Unit options will be explored as a transportation alternative to the more expensive light rail systems, as planned in selected corridors. Before these projects could be implemented, a feasibility analysis will be completed, with the SCRRA (Metrolink) being the lead agency. DMU projects could be funded with Prop. C 10% funds.

Rehabilitation and Replacement - Projected rehabilitation and replacement costs are based on a methodology developed by Robert Peskin of KMPG Peat Marwick (commonly called Peskin Model). This methodology was developed based on actual costs experienced by the Washington Metropolitan Area Transit Authority (WMATA). Actual

WMATA rehabilitation and replacement costs were compared to their original installation capital costs. The MTA Rail rehabilitation and replacement costs were calculated in the same manner, based on the Metro Blue, Red, and Green Line original installation capital costs. The rehabilitation and replacement costs are estimated to begin five years after a rail line begins revenue operations.

Based on the Peskin Model, the rehabilitation and replacement costs for the Plan period are as follows:

Rail Line	Amount
Blue Line - LA to Long Beach	\$208 million
Red Line Segments 1, 2 and 3	\$1.78 billion
Green Line - Norwalk to El Segundo	\$284.5 million
LA Rail Car	\$13.3 million
Total Cost	\$2.28 billion

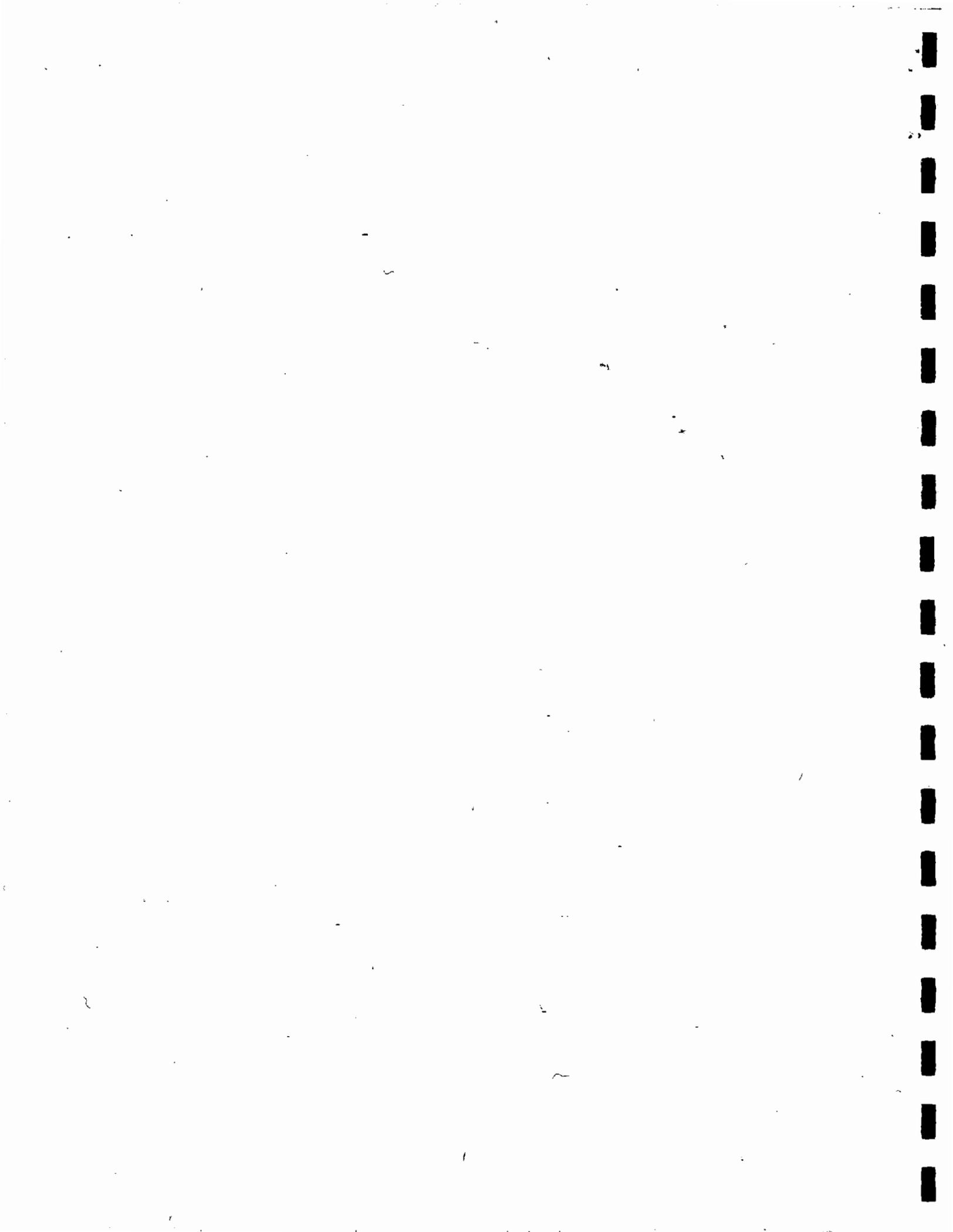
The costs for rehabilitation and replacement of rail capital are funded with a combination of local TDA Article 4 revenues, state TCI revenues, and limited amount of federal Section 3 Rail Modernization revenues and federal Section 9 revenues.

Systemwide Rail Capital/Other Projects/Station Enhancements - In addition to the costs associated with the construction of each individual rail line, there are costs related to developing the rail system. These include the procurement of computer software and hardware, safety and security measures, legal support, insurance, feasibility studies, facilities, Americans with Disabilities Act (ADA) requirements, and transit station access improvements.

RAIL OPERATIONS

Rail operations costs are based on an operating and maintenance (O&M) cost model that was also used in the previously adopted 1995 LRTP. The model is consistent with the methodology specified by the FTA for Alternatives Analysis studies. Staffing requirements, labor costs, and non-labor expenses are calculated based on the projected quantity of service supplied (e.g., peak vehicles, revenues vehicle-miles) and the physical size of the system (e.g., route-miles, number of stations).

The same O&M cost model has been used to develop preliminary estimates for rail operating costs in this 1997 update. The cost model has been recalibrated based on updated information, which includes the 1997-98 MTA reforecasted budget.



APPENDIX B

MTA Funding Sources and Eligible Uses

LOCAL REVENUES

Proposition A: Proposition A is revenue generated from a 1/2 cent sales tax approved in 1980 by voters in Los Angeles County. Revenue projections are based on the UCLA Sales Tax forecast. Revenues from Proposition A are apportioned to the following programs:

- Local Return Program (25%) Allocates 25% of the funds to each local city and the County on a formula basis for transit and paratransit purposes. The MTA can not change the funding level, however, it can and does periodically modify the lists of eligible uses of the funds. The funds can be used for both capital and operating purposes.

Rail Program (35%) Allocates 35% of the funds for rail construction and operations. The proposition identified (schematically) an eligible rail network.

- Discretionary Programs (40%) Allocates 40% of the funds for "public transit improvements". This can include both capital and operations, and both rail and bus transit. In 1996, SB 1755 (PUC Section 99207.5) was enacted, which requires the MTA to distribute any of these funds used for transit operations or bus capital on a formula between the MTA and the eligible "municipal operators". There is a guaranteed minimum for all of the eligible municipal operators in SB 1755, regardless of source of funds (MTA, state, Federal). Once the minimum has been met (by this or several other sources), the MTA can allocate the funds to rail construction without any restrictions, or it can use the funds to pay for transit operations and bus

capital, as long as the eligible municipal operators also receive a formula share.

Proposition C: Proposition C is revenue generated by a Los Angeles County 1/2 cent sales tax for transit approved by the voters in November 1990. Revenue from Proposition C is apportioned to the following programs:

- **Rail & Bus Security (5%)** Allocates 5% of the funds be used for rail and bus security. This distribution is also subject to a formula distribution established in SB 1755 (PUC Section 99207.5) between the MTA and the eligible operators. The MTA is responsible for developing rules which govern the specific use of the funds under the ordinance. Once the formula requirements have been met, the MTA has responsibility for developing the specific uses of the funds under the broader ordinance language.
- **Commuter Rail/Transit Centers (10%)** Allocates 10% of the funds be used for commuter rail and transit centers. The MTA has control over the distribution of the these funds, and the definition of specific uses.
- **Local Return (20%)** Allocates 20% of the funds be provided to local cities and the County on a formula local return for transit and transit related highway purposes. The MTA establishes guidelines for the use of these funds.
- **Transit Related Improvements to Freeways & Streets (25%)** Allocates 25% of the funds for transit related improvement to freeways and highways. The MTA establishes guidelines for the use of these funds in conformance with the ordinance approved by the voters.
- **Discretionary Programs (40%)** Allocates 40% of the funds for "public transit improvements". This can include both capital and operations, and rail, bus

transit, and transit related highway improvements. In 1996, SB 1755 (PUC Section 99207.5) was enacted, which requires the MTA to distribute any of these funds used for transit operations or bus capital on a formula between the MTA and the eligible "municipal operators". There is a guaranteed minimum for all of the eligible municipal operators in SB 1755 regardless of source of funds (MTA, state, Federal). Once the minimum has been met (by this or several other sources), the MTA can allocate the funds to rail construction without any restrictions, or it can use the funds to pay for transit operations and bus capital, as long as the eligible municipal operators also receive a formula share.

Fare Revenues: Fare revenue is generated by ridership from existing transit operations by means of cash in farebox and prepaid sales (i.e., passes, tokens, etc.). This includes special transit fares which is revenue earned through subsidies received by external agencies or organizations for regular and/or special transit services. MTA operations fare revenues are subject to the control and allocation by the MTA Board.

Other Local Agency Funds: These funds are provided by local municipalities to support public transportation programs. Local municipalities generally provide a percent match for discretionary proposition C revenues applied to local projects.

Service Authority for Freeway Emergencies (SAFE): The SAFE revenue is based on a \$1 annual surcharge on each motor vehicle registration in Los Angeles County for the Metro Call Box System. The funds are restricted to highway incident management activities, including specifically the installation, operation, and maintenance of freeway call boxes and tow truck patrols. The uses of the funds are narrowly prescribed by state law.

Special Benefit Assessments: Revenue generating Special Benefit Assessment Districts are authorized by state legislation to levy special benefit assessments for needed public rail transit facilities and/or services on the property which benefits from those facilities and/or services. The existing assessment districts were specifically created to support rail construction activities, and their funds are committed to paying off specific bonds. Assessments are calculated annually based on either the square footage of the parcel or the square footage of the assessable improvements, whichever is larger. Benefit Assessment Districts have been established around the Metro Redline Segment 1 station areas. To create a new district, or create a new purpose for an existing district, the MTA Board will have to develop a program, and submit it to a vote within the assessment district is required by state law.

Transportation Development Act (TDA) - Article 4: The Transportation Development Act (TDA) establishes two major funding sources for public transportation: *Local Transportation Fund* and *State Transit Assistance Fund*. A LTF is created in each county for transportation purposes specified in the Act which are derived from a 1/4 cent of the 6-cent retail sales tax collected statewide. Allocations under Article 4 are available to operators throughout the State for the support of "public transportation systems." SB 1755 (PUC Section 99207.5) requires the MTA to distribute any of these funds used for transit operations or bus capital on a formula between the MTA and the eligible "municipal operators". Other transit services, including services provided exclusively for elderly and handicapped persons, may be funded under Article 4.5 (not subject to apportionment).

Other Local Revenues: HOV Lane Violation Fund –California Penal Code 1463.26, effective January 1, 1989, entitles LACMTA to collect up to one-half of fines and forfeitures collected in Los Angeles County from the violations of Vehicle Code Sections 21655.5 (Vehicle Occupancy Levels) and 21655.8 (Crossing Over Double Parallel Solid Lines). The LACMTA receives one-third of the fines if violations occur within city limits and one-half of the fines if violations occur in an unincorporated area of the county. The HOV Violation fund is allocated to the Freeway Incident Management Program Freeway Service Patrol.

STATE REVENUES

Proposition 111 State Gas Tax: Many state programs are funded by the Proposition 111 state gas tax of five cents (\$.05) per gallon that was effective on August 1, 1990 and a one cent (\$.01) per gallon additional increase that was effective on January 1, of each of the next four years (1991 to 1994), for a total of a nine cent (\$.09) increase. The measure enacted a fifty-five percent (55%) increase in truck weight fees for commercial trucks over 4,000 pounds, effective August 1, 1990, and another ten percent (10%) increase effective January 1, 1995. Proposition 111 also exempts from the GANN expenditure limit the revenues generated by these increases, so that the new funding can be spent for congestion relief and mass transit.

The increases in sales tax revenues resulting from higher fuel taxes would be deposited in the State Transportation Planning and Development Account and be use for transportation purposes. Funds in the Transportation Planning and Development Account would go first toward the planning activities of the California Department of Transportation and the California Transportation commission.

Environmental Enhancement & Mitigation Funds: These funds are generated from Proposition 111 State Gas tax allocating \$10 million annually for 10 years for projects directly or indirectly related to the environmental impact of modifying existing transportation facilities for the design, construction, or expansion of new transportation facilities. Local, state and Federal agencies (including nonprofit entities) may apply for and receive grants not to exceed \$5 million. The MTA Board can only recommend its own projects, and has no control over the selection process.

State Transportation Improvement Program (STIP): The STIP is the adopted plan of the California Transportation Commission for the allocation of funds to specific projects in future years. Programs identified in the STIP are funded through state and federal gas taxes. The STIP serves as a programming policy for revenues in the State Highway Account and from the Passenger Rail Bond Fund. The major programs include:

Regional Improvement Funds (75% County Share Formula) The Regional Improvement program is a capital program for transportation purposes composed of state and federal gas tax revenues apportioned to counties on a formula basis. Guidelines are developed and adopted by the California Transportation Commission (CTC). The focus of Regional Improvement Funds are major gap closures, backbone arterials, carpool lanes, and fixed guideways.

Inter-Regional Program (25% Statewide Discretionary Funds) The Inter-Regional program was established for the purpose of improving inter-regional transportation facilities with an emphasis on commerce. Of the available funds from revenues composed of state and federal gas taxes 13.75% are restricted to state highways outside urban limit lines. Another 10% can be used for Inter-Regional routes in urbanized areas. The remaining 2.25% is for Intercity Rail

projects. Projects eligible for this program are nominated to the CTC by Caltrans for the STIP.

State Highway Operation and Protection Program (SHOPP) The State Highway Operation and Protection Program is established for the maintenance and operational integrity and safety of the State highway system. It includes rehabilitation and safety projects, operational improvements, and other work necessary to maintain system integrity.

State Rail Bonds Proposition 108:

Propositions 108 was passed by the voters on June, 1990 authorizing the State to sell \$1 billion in general obligation bonds to provide funds for rail capital outlay. Eligible projects must be located on routes and corridors specified in the measure with at least 15 percent of the total bond funds to be spent for inter-city rail. This fund source has been depleted but is shown here because it may have been used in the past.

Proposition 116:

Proposition 116 was passed by the voters of June, 1990 authorizing the State to sell \$1 billion in general obligation bonds to provide funds for mostly rail capital outlay allocating certain amounts to specified state and local entities through a grant program administered by the California Transportation Commission. Funds are used primarily for passenger and commuter rail systems, with limited funds available for public mass transit guideways, paratransit vehicles, bicycle and ferry facilities, and railroad technology museum. This program requires matching funds from local entities.

Transportation Planning & Development (TP&D): TP&D revenues are generated from sales tax on diesel fuel, sales tax due to state tax on gasoline above nine cents per gallon, and "spill over" sales tax (4.75% tax on taxable goods, including gasoline, in excess of revenue generated from 5% state sales tax on all taxable goods, except gasoline).

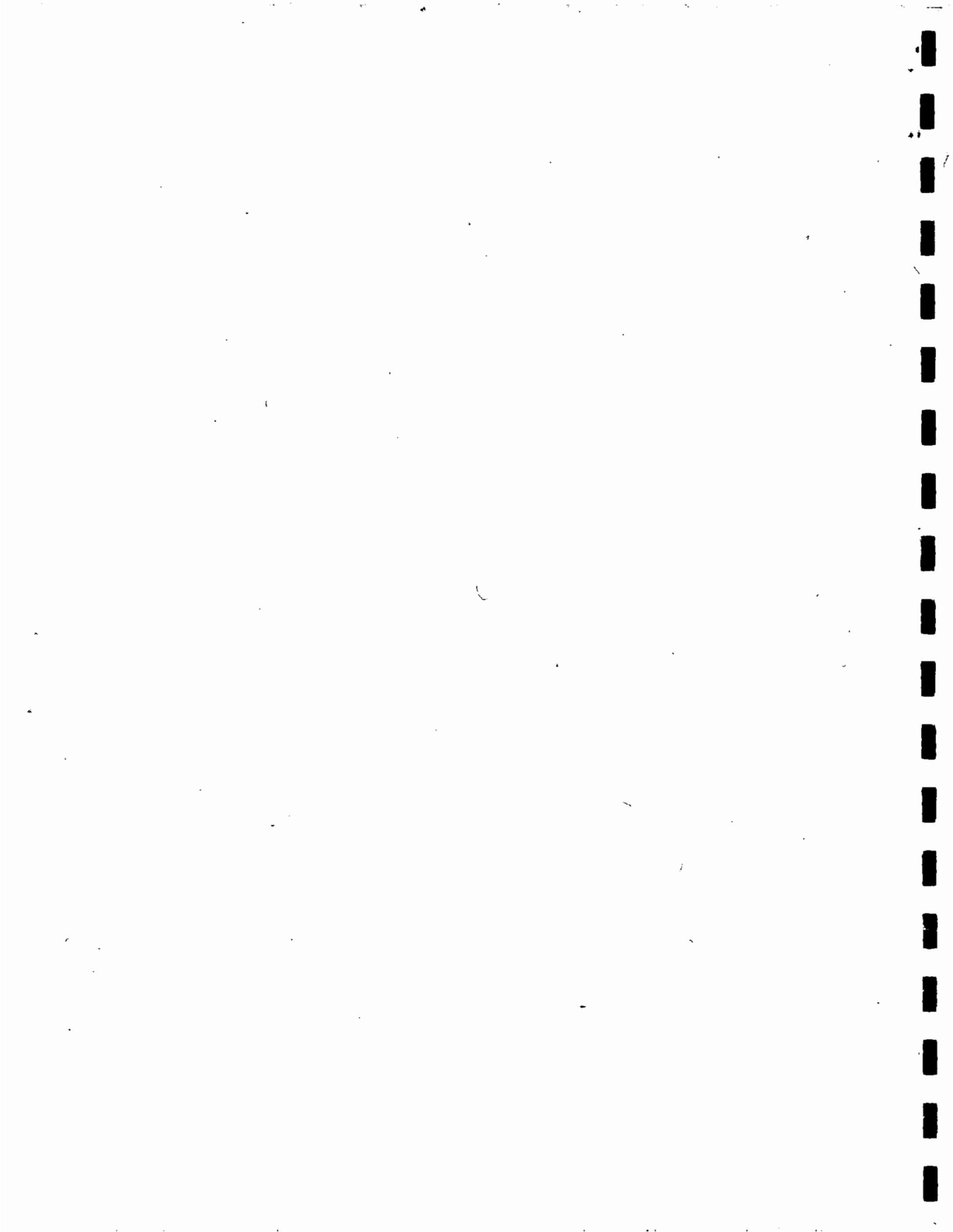
State Transit Assistance (STA) Program: The STA program is a source of funding for transportation planning and mass transportation purposes as specified by the California Legislature derived from 50 percent of TP&D revenues. The MTA Board receives two separate allocations of the STA funds. The first allocation is specifically for the MTA operations, and may be used by the MTA for any transit operations or capital use, including both bus and rail. The second allocation eligible for the same uses, but is for the county. These funds are distributed based on the SB 1755 (PUC Section 99207.5) formula between the MTA and the eligible "municipal operators". The MTA Board may only determine the uses for its formula share.

Transit Capital Improvement (TCI) Program: TCI is a discontinued state program funded by the California Transportation Commission with Transportation Planning & Development and Article XIX (state gas tax) funds. Eligible uses include: abandoned railroad rights-of-way acquisition; bus rehabilitation; fixed guideway/rolling stock for commuter rail, urban rail and intercity rail; grade separation; intermodal transfer stations serving various transportation modes; ferry projects - ferry vessels & terminals; and short-line railroad rehabilitation.

Transportation Systems Management (TSM): TSM is a discontinued funding program for projects designed to make better use of existing transportation rights-of-way. Revenues in this program are generated from the Proposition 111 State Gas tax authorizing \$1 billion for a 10-year period which is targeted for ready-to-go TSM projects on an annual basis.

FEDERAL REVENUES

The MTA uses a full range of Federal revenue sources for its transportation system, including Section 5309 discretionary funds, Section 5307 formula grant funds, STP, and CMAQ funds, and highway demonstration funds. The use and allocation of these funds is set forth in the project budgets. Appendix A describes the assumptions used in projecting the anticipated revenue from each source.



APPENDIX C

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 1998

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$150.0	<u>Federal:</u>		Bus Operating Budget	\$609.6	<u>Federal:</u>	
Red Line Seg. 3 N. Hlyw	\$245.6	Sec. 3	\$69.5	Rail Operating Budget	\$86.6	Sec. 3	\$0.0
Rail Capital Projects	\$67.5	Sec. 9	\$145.4	Debt Service	\$239.9	Sec. 9	\$33.2
Bus Acquisition	\$100.0	CMAQ	\$2.5			CMAQ	\$16.9
Bus Capital Projects	\$93.1	RSTP	\$37.6			RSTP	\$0.0
Alameda Corridor	\$24.3	Sec. 3 Rail Mods	\$12.1			Sec. 3 Rail Mods	\$0.0
Other Admin. Projects	\$59.4	Sec. 26	\$7.9			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$11.2			Prop 116	\$0.0
		98 CTIP	\$0.0			98 CTIP	\$0.0
		STIP (FCR)	\$90.5			STIP (FCR)	\$0.0
		TSM	\$2.8			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$3.8			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$22.4
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$220.6
		Prop A 35%	\$144.3			Prop A 35%	\$143.1
		Prop A 40%	\$0.0			Prop A 40%	\$118.3
		Prop C 40%	\$103.2			Prop C 40%	\$138.2
		Prop C 5%	\$0.0			Prop C 5%	\$18.7
		Prop C 10%	\$0.0			Prop C 10%	\$10.4
		Prop C 25%	\$31.3			Prop C 25%	\$24.8
		City of Los Angeles	\$61.1			City of Los Angeles	\$0.0
		Commercial Paper	\$0.0			Commercial Paper	\$0.0
		TDA Article 4	\$21.7			TDA Article 4	\$160.4
		General Rev. Bonds	\$4.9			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$29.0
TOTAL	\$739.8	TOTAL	\$749.8	TOTAL	\$936.1	TOTAL	\$936.1
TOTAL CAPITAL SURPLUS			\$10.0	TOTAL OPERATING SHORTFALL			\$0.0

TOTAL CAPITAL & OPERATING SURPLUS **\$10.0**

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 1999

CAPITAL PROGRAM			OPERATING PROGRAM		
COSTS		SOURCE OF FUNDS	COSTS		SOURCE OF FUNDS
Red Line Seg. 2	\$89.6	<u>Federal:</u>	Bus Operating Budget	\$642.6	<u>Federal:</u>
Red Line Seg. 3 N. HI	\$273.9	Sec. 3	Rail Operating Budget	\$97.9	Sec. 3
Rail Capital Projects	\$83.5	Sec. 9	Debt Service	\$284.0	Sec. 9
Bus Acquisition	\$92.2	CMAQ			CMAQ
Bus Capital Projects	\$87.2	RSTP			RSTP
Alameda Corridor	\$71.4	Sec. 3 Rail Mods			Sec. 3 Rail Mods
Other Admin. Project	\$40.3	Sec. 26			Sec. 26
		<u>State:</u>			<u>State:</u>
		Prop 116			Prop 116
		98 CTIP			98 CTIP
		STIP (FCR)			STIP (FCR)
		TSM			TSM
		TCI			TCI
		STLPP			STLPP
		Intercity Rail			Intercity Rail
		SCAQMD AB2766			SCAQMD AB2766
		STA Program			STA Program
		<u>Local:</u>			<u>Local:</u>
		Fares			Fares
		Prop A 35%			Prop A 35%
		Prop A 40%			Prop A 40%
		Prop C 40%			Prop C 40%
		Prop C 5%			Prop C 5%
		Prop C 10%			Prop C 10%
		Prop C 25%			Prop C 25%
		City of Los Angeles			City of Los Angeles
		Commercial Paper			Commercial Paper
		TDA Article 4			TDA Article 4
		General Rev. Bonds			General Rev. Bonds
		Other (Advert. & Aux.)			Other (Advert. & Aux.)
TOTAL	\$738.1	TOTAL	\$610.2	TOTAL	\$1,024.5
TOTAL CAPITAL SHORTFALL			(\$127.9)	TOTAL	\$949.8
				TOTAL OPERATING SHORTFALL	(\$74.7)

TOTAL CAPITAL & OPERATING SHORTFALL (\$202.6)

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 2000

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$67.5	<u>Federal:</u>		Bus Operating Budget	\$669.4	<u>Federal:</u>	
Red Line Seg. 3 N. HI	\$116.6	Sec. 3	\$62.0	Rail Operating Budget	\$127.6	Sec. 3	\$0.0
Rail Capital Projects	\$48.9	Sec. 9	\$51.4	Debt Service	\$320.9	Sec. 9	\$32.3
Bus Acquisition	\$78.9	CMAQ	\$0.0			CMAQ	\$0.0
Bus Capital Projects	\$93.5	RSTP	\$0.0			RSTP	\$0.0
Alameda Corridor	\$57.3	Sec. 3 Rail Mods	\$3.5			Sec. 3 Rail Mods	\$0.0
Other Admin. Project	\$12.1	Sec. 26	\$0.0			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$0.0			Prop 116	\$0.0
		98 CTIP	\$57.3			98 CTIP	\$0.0
		STIP (FCR)	\$0.0			STIP (FCR)	\$0.0
		TSM	\$0.0			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$2.0			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$23.1
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$258.9
		Prop A 35%	\$65.3			Prop A 35%	\$153.8
		Prop A 40%	\$0.0			Prop A 40%	\$124.1
		Prop C 40%	\$42.8			Prop C 40%	\$162.3
		Prop C 5%	\$0.0			Prop C 5%	\$18.6
		Prop C 10%	\$0.0			Prop C 10%	\$11.6
		Prop C 25%	\$0.0			Prop C 25%	\$59.6
		City of Los Angeles	\$36.8			City of Los Angeles	\$0.0
		Commercial Paper	\$20.0			Commercial Paper	\$0.0
		TDA Article 4	\$10.0			TDA Article 4	\$150.8
		General Rev. Bonds	\$0.0			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$24.6
TOTAL	\$474.8	TOTAL	\$351.1	TOTAL	\$1,117.9	TOTAL	\$1,019.7
TOTAL CAPITAL SHORTFALL			(\$123.7)	TOTAL OPERATING SHORTFALL			(\$98.2)

TOTAL CAPITAL & OPERATING SHORTFALL **(\$221.9)**

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 2001

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$26.8	<u>Federal:</u>		Bus Operating Budget	\$702.1	<u>Federal:</u>	
Red Line Seg. 3 N. HI	\$67.5	Sec. 3	\$50.0	Rail Operating Budget	\$140.3	Sec. 3	\$0.0
Rail Capital Projects	\$28.0	Sec. 9	\$52.7	Debt Service	\$350.1	Sec. 9	\$31.9
Bus Acquisition	\$65.7	CMAQ	\$0.0			CMAQ	\$0.0
Bus Capital Projects	\$98.9	RSTP	\$0.0			RSTP	\$0.0
Alameda Corridor	\$141.4	Sec. 3 Rail Mods	\$3.6			Sec. 3 Rail Mods	\$0.0
Other Admin. Project	\$7.8	Sec. 26	\$0.0			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$0.0			Prop 116	\$0.0
		98 CTIP	\$97.7			98 CTIP	\$0.0
		STIP (FCR)	\$0.0			STIP (FCR)	\$0.0
		TSM	\$0.0			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$2.0			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$23.5
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$281.1
		Prop A 35%	\$26.8			Prop A 35%	\$161.5
		Prop A 40%	\$0.0			Prop A 40%	\$128.8
		Prop C 40%	\$4.8			Prop C 40%	\$176.2
		Prop C 5%	\$0.0			Prop C 5%	\$19.2
		Prop C 10%	\$0.0			Prop C 10%	\$11.6
		Prop C 25%	\$48.7			Prop C 25%	\$70.9
		City of Los Angeles	\$0.0			City of Los Angeles	\$0.0
		Commercial Paper	\$20.0			Commercial Paper	\$0.0
		TDA Article 4	\$10.0			TDA Article 4	\$155.4
		General Rev. Bonds	\$0.0			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$25.5
TOTAL	\$436.1	TOTAL	\$316.3	TOTAL	\$1,192.5	TOTAL	\$1,085.7
TOTAL CAPITAL SHORTFALL			(\$119.8)	TOTAL OPERATING SHORTFALL			(\$106.8)

TOTAL CAPITAL & OPERATING SHORTFALL **(\$226.6)**

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 2002

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$20.6	<u>Federal:</u>		Bus Operating Budget	\$728.3	<u>Federal:</u>	
Red Line Seg. 3 N. HI	\$38.8	Sec. 3	\$50.0	Rail Operating Budget	\$145.5	Sec. 3	\$0.0
Rail Capital Projects	\$13.6	Sec. 9	\$54.1	Debt Service	\$365.3	Sec. 9	\$31.4
Bus Acquisition	\$68.6	CMAQ	\$0.0			CMAQ	\$0.0
Bus Capital Projects	\$70.2	RSTP	\$0.0			RSTP	\$0.0
Alameda Corridor	\$0.0	Sec. 3 Rail Mods	\$3.6			Sec. 3 Rail Mods	\$0.0
Other Admin. Project	\$4.4	Sec. 26	\$0.0			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$0.0			Prop 116	\$0.0
		98 CTIP	\$10.0			98 CTIP	\$0.0
		STIP (FCR)	\$0.0			STIP (FCR)	\$0.0
		TSM	\$0.0			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$2.0			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$23.7
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$281.1
		Prop A 35%	\$20.6			Prop A 35%	\$169.3
		Prop A 40%	\$0.0			Prop A 40%	\$135.0
		Prop C 40%	\$5.6			Prop C 40%	\$182.2
		Prop C 5%	\$0.0			Prop C 5%	\$20.2
		Prop C 10%	\$0.0			Prop C 10%	\$11.6
		Prop C 25%	\$0.0			Prop C 25%	\$79.1
		City of Los Angeles	\$0.0			City of Los Angeles	\$0.0
		Commercial Paper	\$18.0			Commercial Paper	\$0.0
		TDA Article 4	\$10.0			TDA Article 4	\$163.6
		General Rev. Bonds	\$0.0			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$26.5
TOTAL	\$216.2	TOTAL	\$173.9	TOTAL	\$1,239.1	TOTAL	\$1,123.6
TOTAL CAPITAL SHORTFALL			(\$42.3)	TOTAL OPERATING SHORTFALL			(\$115.5)

TOTAL CAPITAL & OPERATING SHORTFALL **(\$157.8)**

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 2003

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$0.0	<u>Federal:</u>		Bus Operating Budget	\$761.7	<u>Federal:</u>	
Red Line Seg. 3 N. HI	\$0.0	Sec. 3	\$47.8	Rail Operating Budget	\$150.7	Sec. 3	\$0.0
Rail Capital Projects	\$24.1	Sec. 9	\$74.3	Debt Service	\$381.9	Sec. 9	\$9.8
Bus Acquisition	\$69.9	CMAQ	\$0.0			CMAQ	\$0.0
Bus Capital Projects	\$65.8	RSTP	\$0.0			RSTP	\$0.0
Alameda Corridor	\$0.0	Sec. 3 Rail Mods	\$3.7			Sec. 3 Rail Mods	\$0.0
Other Admin. Project	\$4.4	Sec. 26	\$0.0			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$0.0			Prop 116	\$0.0
		98 CTIP	\$10.0			98 CTIP	\$0.0
		STIP (FCR)	\$0.0			STIP (FCR)	\$0.0
		TSM	\$0.0			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$2.0			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$24.1
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$301.8
		Prop A 35%	\$0.0			Prop A 35%	\$177.8
		Prop A 40%	\$0.0			Prop A 40%	\$141.7
		Prop C 40%	\$1.5			Prop C 40%	\$194.7
		Prop C 5%	\$0.0			Prop C 5%	\$21.6
		Prop C 10%	\$0.0			Prop C 10%	\$11.6
		Prop C 25%	\$0.0			Prop C 25%	\$84.7
		City of Los Angeles	\$0.0			City of Los Angeles	\$0.0
		Commercial Paper	\$0.0			Commercial Paper	\$0.0
		TDA Article 4	\$10.0			TDA Article 4	\$176.6
		General Rev. Bonds	\$0.0			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$27.4
TOTAL	\$164.3	TOTAL	\$149.3	TOTAL	\$1,294.3	TOTAL	\$1,171.7
TOTAL CAPITAL SHORTFALL			(\$15.0)	TOTAL OPERATING SHORTFALL			(\$122.6)

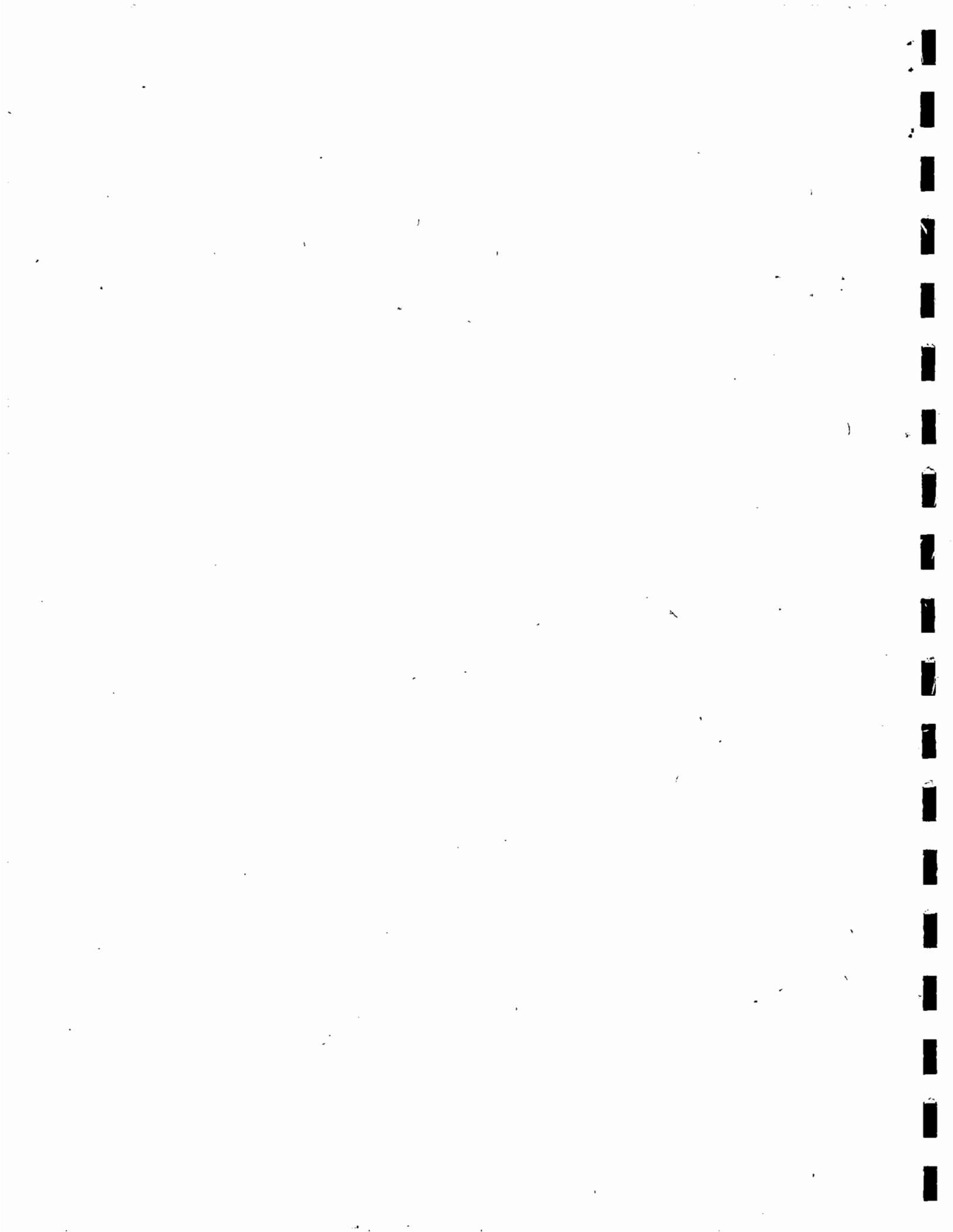
TOTAL CAPITAL & OPERATING SHORTFALL **(\$137.5)**

Restructuring Plan Period Annual Capital/Operating Costs & Revenue Breakout by Source

FY 2004

CAPITAL PROGRAM				OPERATING PROGRAM			
COSTS		SOURCE OF FUNDS		COSTS		SOURCE OF FUNDS	
Red Line Seg. 2	\$0.0	<u>Federal:</u>		Bus Operating Budget	\$788.8	<u>Federal:</u>	
Red Line Seg. 3 N. HI	\$0.0	Sec. 3	\$0.0	Rail Operating Budget	\$156.1	Sec. 3	\$0.0
Rail Capital Projects	\$23.2	Sec. 9	\$72.0	Debt Service	\$392.1	Sec. 9	\$9.3
Bus Acquisition	\$74.2	CMAQ	\$0.0			CMAQ	\$0.0
Bus Capital Projects	\$69.4	RSTP	\$0.0			RSTP	\$0.0
Alameda Corridor	\$0.0	Sec. 3 Rail Mods	\$3.8			Sec. 3 Rail Mods	\$0.0
Other Admin. Project	\$4.6	Sec. 26	\$0.0			Sec. 26	\$0.0
		<u>State:</u>				<u>State:</u>	
		Prop 116	\$0.0			Prop 116	\$0.0
		98 CTIP	\$0.0			98 CTIP	\$0.0
		STIP (FCR)	\$0.0			STIP (FCR)	\$0.0
		TSM	\$0.0			TSM	\$0.0
		TCI	\$0.0			TCI	\$0.0
		STLPP	\$0.0			STLPP	\$0.0
		Intercity Rail	\$0.0			Intercity Rail	\$0.0
		SCAQMD AB2766	\$2.0			SCAQMD AB2766	\$0.0
		STA Program	\$0.0			STA Program	\$24.4
		<u>Local:</u>				<u>Local:</u>	
		Fares	\$0.0			Fares	\$301.8
		Prop A 35%	\$0.0			Prop A 35%	\$186.7
		Prop A 40%	\$0.0			Prop A 40%	\$148.7
		Prop C 40%	\$7.0			Prop C 40%	\$200.9
		Prop C 5%	\$0.0			Prop C 5%	\$22.6
		Prop C 10%	\$0.0			Prop C 10%	\$11.6
		Prop C 25%	\$0.0			Prop C 25%	\$91.3
		City of Los Angeles	\$0.0			City of Los Angeles	\$0.0
		Commercial Paper	\$0.0			Commercial Paper	\$0.0
		TDA Article 4	\$10.0			TDA Article 4	\$186.0
		General Rev. Bonds	\$0.0			General Rev. Bonds	\$0.0
		Other (Advert. & Aux.)	\$0.0			Other (Advert. & Aux.)	\$28.4
TOTAL	\$171.3	TOTAL	\$94.8	TOTAL	\$1,337.0	TOTAL	\$1,211.7
TOTAL CAPITAL SHORTFALL			(\$76.5)	TOTAL OPERATING SHORTFALL			(\$125.3)

TOTAL CAPITAL & OPERATING SHORTFALL **(\$201.8)**



APPENDIX D

Prior Revenues – FY 1992-93 through FY 1996-97

The MTA administered, directly or indirectly, \$8.3 billion over the past five years. Of this amount, \$3.4 billion was distributed to other agencies as subsidies and \$4.9 billion was retained by the MTA for expenditures on capital or operating projects. Each year, the total amount available can fluctuate by as much as \$100 million or more. For example, in FY 96 \$1.9 billion was received, whereas in FY 97 only \$1.7 billion was received. The principle variables from year to year have to do with capital project funding such as Section 3 New Starts and State TIP funds. Other variables have also occurred. In FY 1993 -94 the California State Legislature transferred \$50 million of sales tax revenue from the MTA's operating budget to the County of Los Angeles for healthcare services. As part of that legislation, the MTA was permitted to issue commercial paper to spread the impact over several years.

Other important variables from year to year have been sales tax growth rates and the amount and type of subsidies to others. Prospectively, sales tax growth rates are discussed in Chapter IV. Looking retrospectively at sales tax growth, one must recall that in the early 1990's, Los Angeles County went through the worst recession since the UCLA Business Forecasting Project began keeping records. The MTA administers sales tax revenue from three sources, Propositions A and C and the Transportation Development Act. Together, these sources amount to a tax on 1.25% of sales and uses in Los Angeles County, totaling slightly over \$1 billion each year. Of this, the MTA has retained between \$410 million and \$610 million annually for the past five years, (an average of \$510 million) and distributed to other agencies as subsidies between \$390 million and \$590 million annually for the past five years (for an average of \$490 million.)

Other revenues from the State were almost \$325 million each year. Of this amount, MTA retained between \$165 million and \$195 million annually (an average of \$180 million each year) and distributed to other agencies as subsidies an average of \$145 million each year for the past five years. Revenues from the Federal level for the past five years average \$370 million. Of this amount, MTA retained an average of \$170 million each year and distributed to other agencies as subsidies an average of \$200 million each year for the past five years.

MAJOR REVENUES SOURCES and DISTRIBUTION

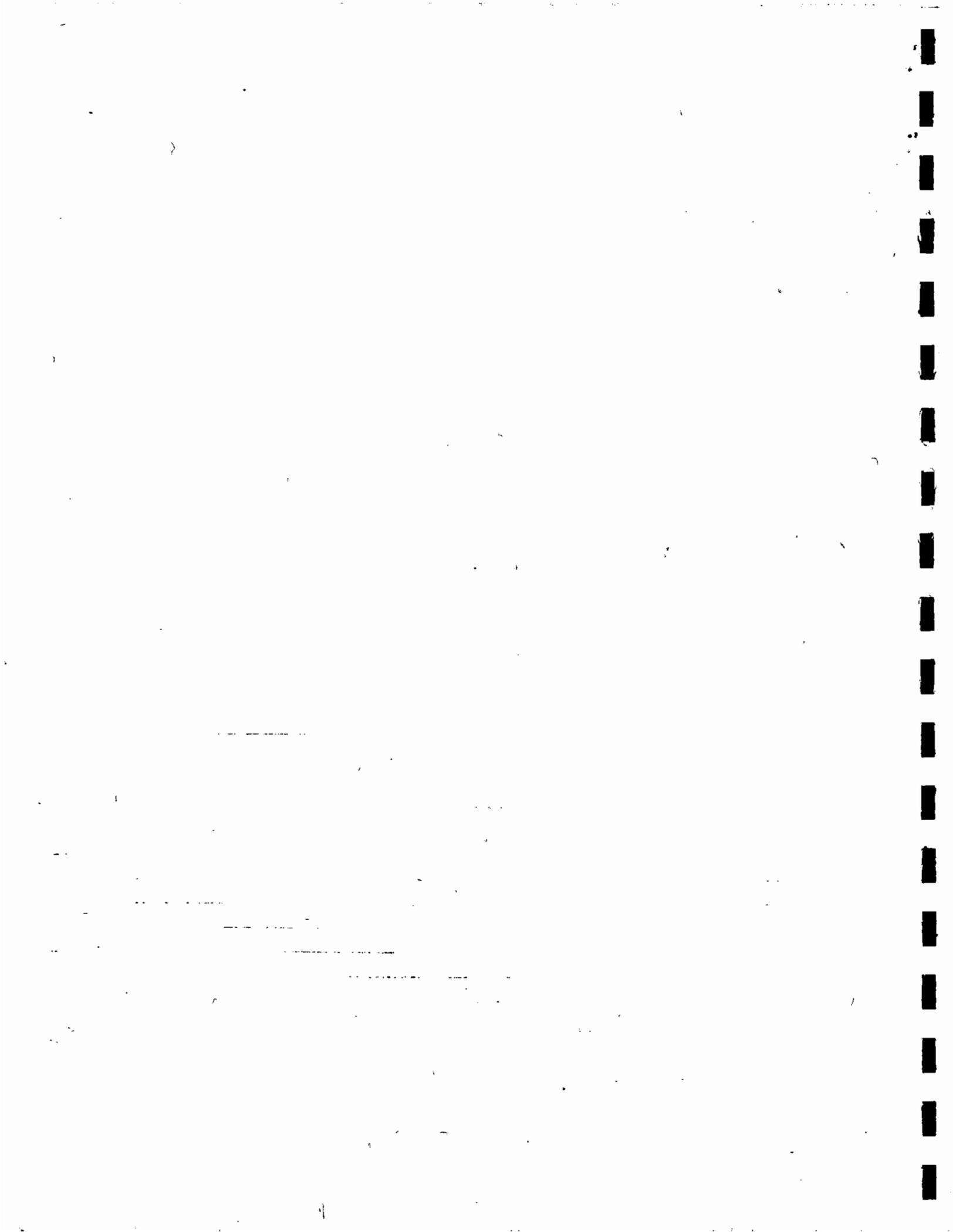
FOR PAST FIVE YEARS

by Fiscal Year (\$M)

Sources	1992-93			1993-94			1994-95			1995-96			1996-97		
	Revenue	Subsidies ¹	MTA	Revenue	Subsidies ¹	MTA	Revenue	Subsidies ¹	MTA	Revenue	Subsidies ¹	MTA	Revenue	Subsidies ¹	MTA
FEDERAL															
Section 3 Rail New Start	109	-	109	169	-	169	164	-	164	84	-	84	70	-	70
Section 3 Rail Mod	-	-	-	-	-	-	5	-	5	5	-	5	7	-	7
Section 9 Fund	83	18	65	117	20	96	127	20	107	101	25	76	106	23	83
CMAQ	50	20	30	49	21	28	50	48	2	43	15	29	49	5	44
Fed ISTEAs RSTP	73	39	34	76	39	37	86	92	(6)	68	80	(12)	86	32	55
Others	4	-	4	7	-	7	34	-	34	7	-	7	20	-	20
Sub-Total Federal	319	77	242	417	80	337	465	159	306	308	120	188	337	59	277
STATE															
STA	17	1	16	13	1	12	22	2	20	23	1	22	19	2	17
State ISTEAs - STP, NHs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STIP (2)	193	162	31	233	60	173	177	112	65	587	86	501	362	319	43
Sub-Total State	210	163	47	246	61	185	199	114	85	610	87	523	381	321	60
LOCAL															
Prop A 40% Disc.	141	141	0	137	41	96	146	34	112	153	45	109	156	55	102
Prop A 35% Rail	124	-	124	120	-	120	128	-	128	134	-	134	137	-	137
Prop A 25% Local Return	88	98	(10)	86	79	6	91	99	(7)	96	86	9	98	89	9
Prop C 40% Disc.	145	148	(3)	140	11	129	151	24	127	161	30	131	162	50	112
Prop C 25% Highway	91	3	87	87	37	50	95	71	23	101	84	17	101	70	31
Prop C 20% Local Return	73	152	(79)	70	68	2	76	75	0	80	78	2	81	77	4
Prop C 10% Comm. Rail	36	1	35	35	6	29	38	0	37	40	35	5	41	33	8
Prop C 5% Security	18	13	5	17	(11)	28	19	0	19	20	0	20	20	0	20
Transportation Dev. Act	290	44	246	188	38	150	199	80	119	204	101	103	209	61	148
Sub-Total Local	1,006	600	406	880	270	611	942	383	559	989	460	529	1,005	435	570
GRAND TOTAL	1,534	839	695	1,543	410	1,133	1,606	657	950	1,906	666	1,240	1,722	814	908

1. Subsidies are funds the MTA programs to other agencies and are not an allocation to the MTA.
2. STIP funds show are for the year programmed actual expenditure may vary.

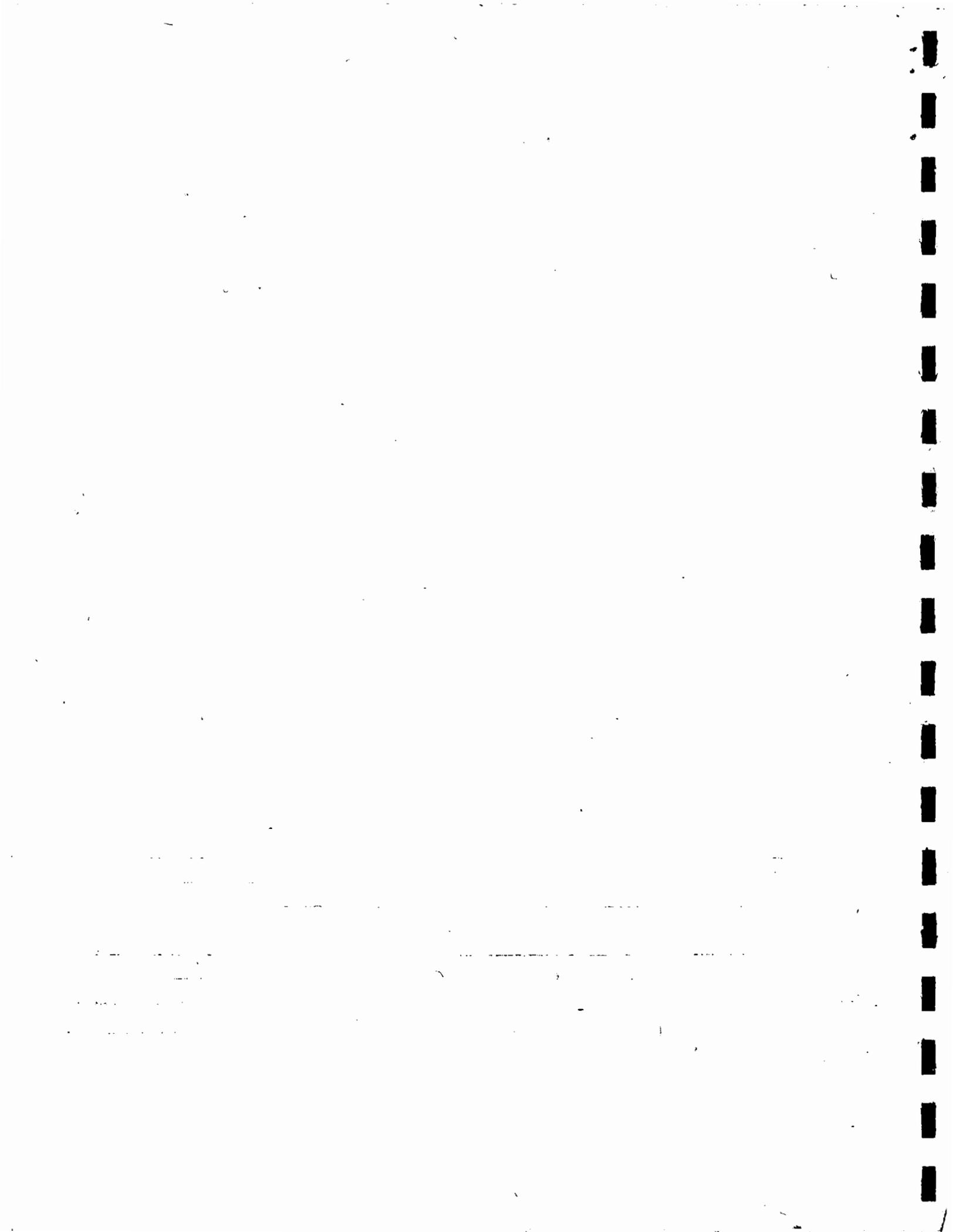
SOURCES: Comprehensive Annual Financial Reports (CAFR) & Capital Development and Programming Files





**EXECUTIVE SUMMARY
RAIL PROGRAM STATUS**
as of January 1998

	RED Segment 1	RED Segment 2	RED Seg 3 N. Hollywd.	RED Seg 3 Mid-City	RED Seg 3 East Side	BLUE Long Beach/LA	BLUE Pasadena	GREEN	Light Rail Vehicle	Summary
Length	4.4 MI.	6.7 MI.	6.3 MI.	2.3 MI.	3.7 MI.	22 MI.	13.6 MI.	20 MI.	—	79 MI.
Number of Stations	5	8	3	2	4	22	13	14	52 cars	71 stas.
Technology	Heavy Rail	Heavy Rail	Heavy Rail	Heavy Rail	Heavy Rail	Light Rail	Light Rail	Light Rail	Light Rail	—
MTA Approved Opening Date	Jan 1993	Wilshire Jul 1996 Vermont Dec 1998	May 2000	July 2008	May 2004	July 1990	Aug 2001	August 1995	Final Car Delivery Aug 1999	Final Completion Jul 2008
Design Status	Completed	98.8%	93.2%	Final Not Started	86.4%	Completed	80.3%	Completed	Based on Milestones 98%	3 of 9 complt.
Construction Status	Completed	92.6%	58.45%	Not Started	Not Started	Completed	10.8%	99%	Based on Milestones 57%	3 of 9 complt.
Expenditures to Date (in mil.)	\$1438	\$1459	\$721	\$13	\$111	\$860	\$217	\$669	\$95	\$5583
MTA Approved Budget (in mil.)	\$1450	\$1641	\$1314	\$491	\$1049	\$877	\$804	\$712	\$258	\$8596
Federal Funding	48%	44%	62%	39%	54%	0%	0%	0%	35%	31%
State/Local Funding	52%	56%	38%	61%	46%	100%	100%	100%	65%	69%





APPENDIX F

Los Angeles County Metropolitan Transportation Authority

**FUNDING SOURCES
MATRIX**

As of April 24, 1998

PREPARED BY:

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
CAPITAL DEVELOPMENT AND PROGRAMMING DEPARTMENT

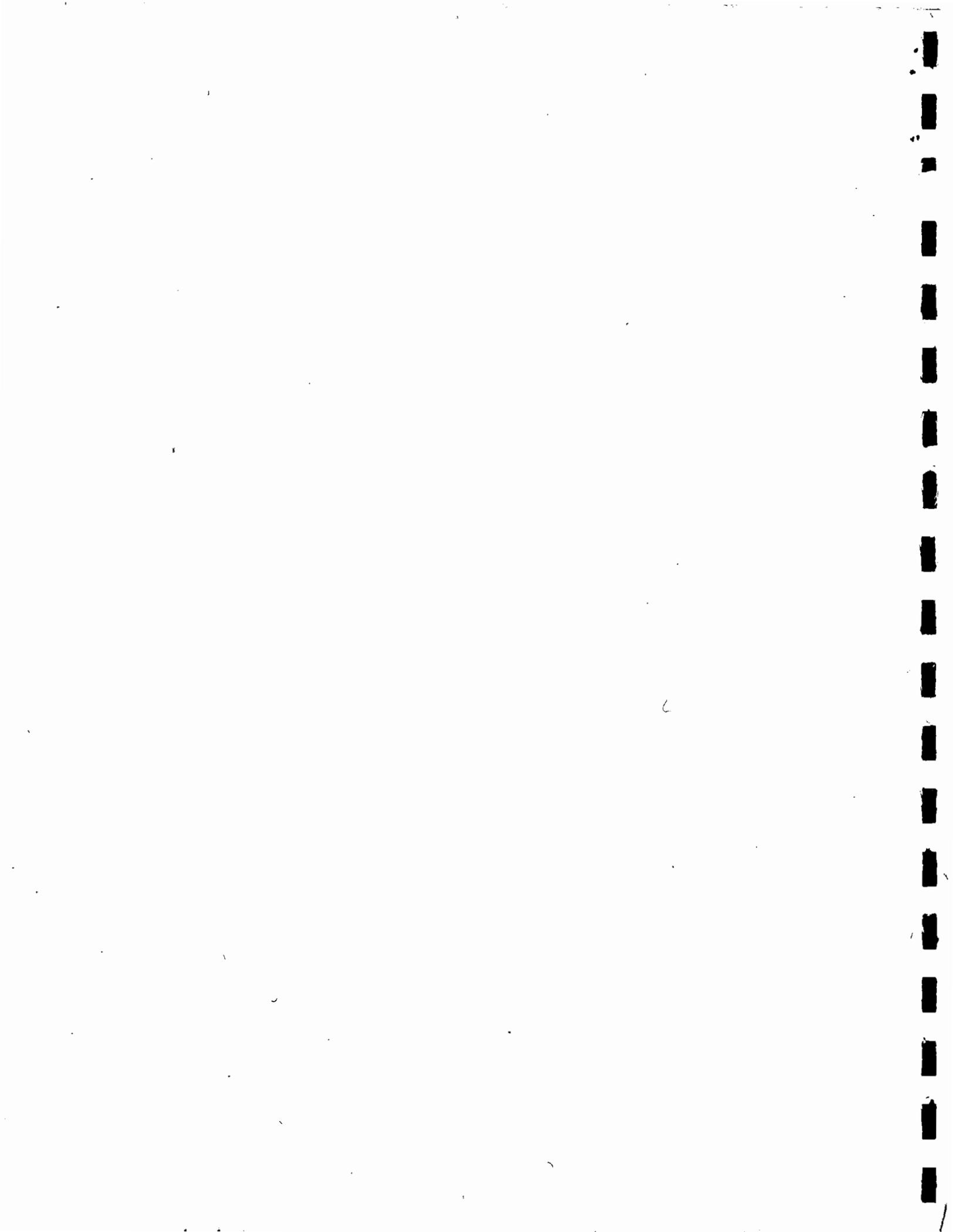


TABLE OF CONTENTS

FUNDING SOURCE

Page

I. LOCAL FUNDING SOURCES

PUBLIC FUNDS

Proposition A	F5
25% Local Return	F5
35% Rail Development	F5
40% Discretionary Grant Program.....	F6
5% Incentive Program.....	F6
Interest.....	F6
Proposition C	F7
5% Security.....	F7
10% Commuter Rail & Transit Centers.....	F7
20% Local Return	F8
25% Transit-Related Highway Improvement	F8
40% Discretionary	F9
Interest.....	F9
Transportation Development Act (TDA)	F9
Transportation Planning & Development (TP&D)	F10
TP&D/State Transit Assistance (STA)	F10
Service Authority for Freeway Emergencies (SAFE)	F11
HOV Violation Fund	F11
PVEA -- State Funding Petroleum Violation Escrow Account	F11
Fare Box Revenues	F12

PRIVATE FUNDS

Benefit Assessments	F13
Other (Advertising, Auxiliary & Charter)	F13
Public/Private Joint Development	F13

FINANCING MECHANISMS

Certificates of Participation	F14
Commercial Paper	F14
Cross Border Lease	F14
Senior Lien Bonds	F15
Subordinated Bonds	F15

II. STATE FUNDING SOURCES

CTIP: SB45 – STIP Reform F16
Proposition 111 State Gas Tax..... F16

STIP (State Transportation Improvement Program) Funds F17
Flexible Congestion Relief F17
SHOPP (State Highway Operation and Protection Program)..... F17
InterRegional Road System..... F18

OTHER STATE FUNDS

Traffic Systems Management (TSM) F18
State/Local Transportation Partnership Program F19
Environmental Enhancement & Mitigation F19
Proposition 108 Rail Bonds F20
Proposition 116 Rail Bonds F20
Transit Capital Improvement (TCI) F21
Article XIX Guideway Funds..... F21
Air Quality Vehicle Registration Fee F22
State Gas Tax Subventions - Sections 2105-2107.5 F22
State PUC Grade Separation Project Fund..... F22
Highway Bridge Rehab & Replacement (HBRR) F23
Transportation Finance Bank (TFB)..... F23

III. FEDERAL FUNDING SOURCES

FEDERAL HIGHWAY ADMINISTRATION (FHWA)

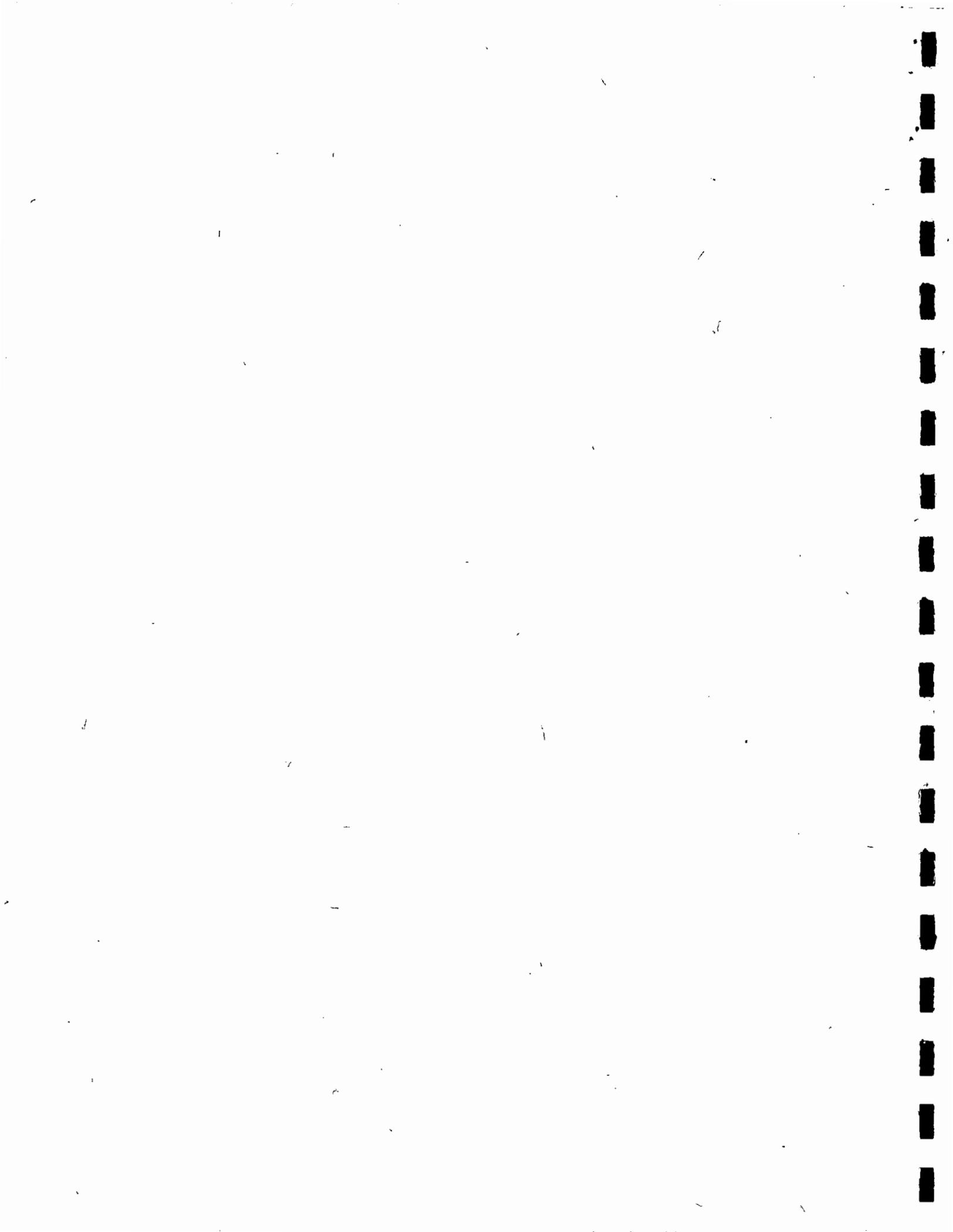
Federal Highway Demonstration Funds F24
Highways of National Significance..... F24
Congestion Mitigation Air Quality Program F24
Surface Transportation Program F25
Regional Surface Transportation Program (RSTP) F25
Surface Transportation Program - Local (STPL) F26
Transportation Enhancement Activities (TEA) F26
Surface Transportation Program - State F27

FEDERAL TRANSIT ADMINISTRATION (FTA)

Section 5309 (3) Rail New Starts F27
Section 5309 (3) Fixed Guideway Modernization F28
Section 5307 (9) - Capital F28
Section 5307 (9) - Operating F29
Section 5310 [16 (b) (2)] F29
Section 5311 (18)..... F29

COLUMN DEFINITIONS

Funding Source:	Name of the source of revenue.
Description:	A brief summary which describes the source of the revenue.
Eligible Uses:	Describe types of expenditures which qualify for support or reimbursement from the specific funding source.
Policies & Guidelines:	Describes (1) the legislative restrictions and guidelines and/or (2) the MTA guidelines for the uses(s) of the specific funding source.
Annual Amount:	Represents the projected amount of funds available for programming to various projects. The amount shown is net of any amount allocated to MTA administrative expenses.
Project Selection:	Represents the MTA Department which coordinates the selection of transportation projects (to be submitted for approval) for funding from the specific funding source, and the agency responsible for approving the project.
Responsible Staff:	<p>Policies and Guidelines represents the person and department or agency responsible for the development and administration of the guidelines and policies governing the use(s) of the specific funding source.</p> <p>Long Range Forecast represents person and department or agency responsible for forecasting annual amount of funds available to the MTA.</p> <p>Programming represents person and department or agency responsible for tracking annual amount of fund source programmed (committed) in the Long Range Plan, Call for Projects, or MTA Budget. In most instances, 100% of projected revenues will be programmed to fund transportation projects and bond repayments in the Long Range Plan.</p> <p>Grants Management represents the lead person within the department responsible for coordinating department actions.</p> <p>Accounting represents person and department responsible for tracking expenditures to date of the specific funding source.</p>



FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
PUBLIC FUNDS						
PROPOSITION A	Revenues generated from 1/2 cent sales tax. Funds are apportioned as follows: (25%) Local Return Program, (35%) Rail Development Program, and (40%) Discretionary. MTA administers these funds and interest earned on these revenues	<p>Bus and Rail Transit; capital and operating</p> <p>35% funds have been used for the Red, Blue, Green Lines and right of way purchases for commuter rail.</p> <p>40% funds can be used for any transit purpose. Current practice limits expenditures to bus capital and operations.</p>	<p>Funds must be used to improve transit in L.A. County.</p> <p>25%: funds subject to lapse after four years.</p>	<p>Actual Prop. A Revenue in FY 1996 = \$408.6 million</p> <p>Forecast from LRTP (10/97): FY98 - \$431.3 FY99 - \$449.4</p>	See Below	
Prop A 25% Local Return	25% of Prop A revenues are distributed directly to cities on a "per capita" basis.	<p>Funds are to be used exclusively for public transit, including: public bus, rail and paratransit services; public transit fare subsidy programs; Transportation Demand Management Programs; and Transportation Systems Management Improvements which exclusively benefit transit. Funds may also be traded for other cities' general funds.</p> <p>25%: conditionally eligible uses: Ridesharing, Guideway projects, Facilities, Recreational Transit, Bus Stop Improvements, Park-and-Ride Lots, non-exclusive school service, Administration, Transportation Planning/ engineering/ design, Specialized Public Transit, Fund Exchanges, Rail, Synchronized Signalization, TDM, Street Improvement and Maintenance.</p>	<p>Revenues allocated to local jurisdictions based on relative percentage share of L.A. County population. Cities have discretion in choosing programs funds are used to support. Funds must be used exclusively for public transit projects.</p> <p>MTA conducts fiscal and compliance audits at project completion.</p>	Actual Prop. A 25% FY 96 = \$102.2	Local Jurisdictions	<p>Policies & Guidelines: Executive Officer, Regional Transportation Planning & Development</p> <p>Long Range Forecast: Mike Smith, Treasury</p> <p>Programming: Area Teams</p> <p>Accounting: William Henderson Controller</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Prop A 35% Rail Development	35% of revenues are used for rail development as specified in Prop. A Rail Corridor Map.	Rail	Revenues must be used on rail development projects. Revenues distributed at Commission discretion. To date, funds have supported Blue Line, Green Line, and Right-of-Way purchases for Commuter Rail.	Actual FY98 - \$ 143.0	Area Teams	Policies & Guidelines: Executive Officer, Regional Transportation Planning & Development Long Range Forecast: Mike Smith, Treasury Programming: Area Teams Accounting: William Henderson Controller
Prop A 40% Discretionary Grant Program	40% of revenues set aside by MTA for Discretionary Grant Program to operators, revenues used for: <ul style="list-style-type: none"> • Transit Operator • Formula Funds • Transit Service • Expansion • Incentive Funds 	Bus (Fixed Route/Public Dial-a-Ride)	<ul style="list-style-type: none"> • <u>Transit Operator Formula Funds</u>; Guidelines adopted April 1991. Operators receive a "base" share (95% of the 40%) plus CPI each year, monitored and adjusted twice annually. • <u>Transit Service Expansion Funds</u>; Only authorized by MTA for FY 91 and 92. • <u>Incentive Funds</u>: Operators may claim up to 5% of the 40% discretionary funds. 	Actual FY98 = \$163.4	Area Teams in coordination with Bus Operations Subcommittee	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Scott Green, BSIP Accounting: William Henderson Controller
Prop A 5% Incentive Program	5% of the Discretionary revenues. Local jurisdiction may claim these revenues for mobility & efficiency improvements. Allocation of funds based on project merit, cost & attainment of performance criteria.	Transit	Only County of Los Angeles, cities, and public transit operators are eligible to apply for funds. Private operators or other agencies can only receive funds through sponsorship of an eligible operator.	Actual FY98 = \$20.4	Area Teams	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Area Teams Accounting: William Henderson Controller
Prop A Interest	Revenues generated from interest on funds in Prop. A Revenue Account	Guidelines adopted by MTA Board in March 1998.	Funds allocated at discretion of Board. If any portion allocated to MTA Operations, then the other included operators receive their share via the formula, by MTA policy.		Area Teams	Accounting: William Henderson Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
PROPOSITION C	Revenues generated from Los Angeles County 1/2 - cent sales tax for public transit purposes. Pursuant to policies of MTA, Prop C revenues will be used as follows: (5%) Rail & Bus Security, (10%) Commuter Rail / Transit Centers, (25%) Improvements to Freeways and Streets, (20%) Local Return, and (40%) Discretionary. Projected Interest Earnings have been programmed by the MTA for the Freeway Tow Service Patrol Program and several FAU Highway projects.	Expenditures which maintain, improve and expand public transit, reduce congestion, and increase mobility.	Proposition C ordinance specifies revenues must be used for "public transit purposes."	Actual Prop. C Revenue in FY96 = \$432.0 Forecast from LRTP (10/97): FY98 - \$429.7 FY99 - \$447.8	See below	See below
Prop C 5% Security	5% of Prop. C revenue will be used to improve and expand rail and bus security.	New Rail Line Security; Security Incentives; Transit Services and Facilities; Security Improvement; Special Demonstration Projects; Security Contingency Reserve Projects	The MTA may allocate funds to eligible projects at its discretion. In FY 95-96, ninety-five percent of Prop C Security Funds were programmed to the MTA Transit Police and 5% was programmed through the Call for Projects.	Actual FY96 \$21.6	Area Teams	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro Programming: Area Teams Accounting: William Henderson Controller
Prop C 10% Commuter Rail & Transit Centers	10% of the Prop C revenue will be used for construction of Commuter Rail, Transit Centers.	Capital cost for Commuter Rail facilities, construction, and land acquisition. Commuter Rail Operating Costs. Transit Centers & Park-n-Ride Lots. Other eligible costs include: administrative & planning costs, environmental clearance and mitigation costs, Rehabilitation and expansion of eligible projects.	Funds are allocated to the Southern California Regional Rail Authority (SCRRA) for construction, operation, and maintenance of the Metrolink commuter rail system in Los Angeles County. If additional funds are available, they are allocated through the TIP Call for Projects.	Actual FY 1996 \$43.2	Area Teams	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Area Teams Accounting: William Henderson Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Prop C 20% Local Return	20% of Prop. C revenue will be used for a Local Return Program, for public transit, paratransit, and related services to meet the requirements of the federal Americans with Disabilities Act.	<u>Public Transit Services:</u> Operating Costs - Fixed Route & Paratransit Capital Costs - Vehicles & Equipment <u>Transit Related TDM/TSM Improvements</u> <u>Fare Subsidy Programs</u> <u>Safety & Security Programs</u> <u>Conditionally Eligible Uses:</u> Ridesharing projects; Right-of-way improvements; Facilities; Recreational Transit; Bus Stop Improvements & Maintenance; Park-n-Ride Lots; Non-Exclusive School Service; Administration; Transportation Planning / Engineering / Design; Specialized Public Transit; Rail; Synchronized Signalization; Transportation Demand Management; Congestion Mgmt. Program Activities; Bikeways and Bike Lanes; Street Improvement & Maintenance.	The MTA has elected to distribute the "Local Return" funds directly to the cities on a per capita basis. The Los Angeles County Auditor Controller will disburse the funds to the cities on a monthly basis. To expend funds, local jurisdictions must submit a three year plan to the MTA Board of Directors. Projects will receive funding if they meet the statutory requirement of being for "public transit purposes."	FY 1998 Actual \$86.4	Local Jurisdictions	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Local Jurisdictions Accounting: William Henderson Controller
Prop C 25% Transit Related Highway Improvement	25% of the Prop. C revenue will be used for countywide highway-related transit improvements	HOV/Transitways; Transportation Demand Management; Incident Management programs; Park-n-Ride facilities; Signal Coordination/TSM Improvements on arterial streets used by transit.	These funds are for new or improved facilities that reduce congestion. The sponsoring agency must provide for the ongoing maintenance and operation of the improvement(s).	Actual FY 1998 = \$108.0	TIP Call for Projects	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Area Teams Accounting: William Henderson Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Prop C 40% Discretionary	40% of the Prop. C revenue can be used to improve and expand rail and bus transit services countywide.	Technology improvements; System Capacity Expansion - Operating; System Capacity Expansion - Capital; Safety & Security Improvements.	These funds are to be the "Funds of Last Resort." They are available after all other reasonable funding opportunities have been exhausted. These funds are to be applied in accordance with the objectives, program priorities and guidelines set forth in Board adopted Long Range Plan.	Actual FY96 \$172.8	Regional Transportation Planning & Development Finance	Policies & Guidelines: Bob Cashin Multimodal Planning Long Range Forecast: Jim Sadro, Treasury Programming: Area Teams Accounting: William Henderson Controller
Prop C Interest	Interest on Proposition C revenues is reserved for allocation by the MTA Board.	Interest revenues may be used for any Proposition C eligible use.	Funds allocated at discretion of Board. If any portion allocated to MTA Operations, then the other included operators receive their share via the formula, by MTA policy.		Capital Development and Programming	Policies & Guidelines: Bob Cashin Multimodal Planning Accounting: William Henderson Controller
Transportation Development Act (TDA)	The Transportation Development Act (TDA) creates a Local Transportation Fund (LTF) in each county in which 1/4-cent of the state sales tax is deposited annually. Funds are allocated to counties based on amount of tax collected in the county. MTA allocates funds to operators on discretionary basis.	Funds are used to support the following programs: TDA Article 3: <u>Bicycle & Pedestrian Facilities</u> ; Up to 2% of available funds county wide (2% of total). TDA Article 4: <u>Public Transportation Systems</u> ; Allocated to municipal transit operators, Transit Districts, and Joint Powers Authorities (87% of Total); TDA Article 4.5: <u>Consolidated Transportation Service Agencies</u> ; Up to 5% of funds may be spent on "restructured" paratransit TDA Article 8: <u>Public Transit Services Provided Under Contract</u> ; Funds used for transit and paratransit programs to fulfill unmet transit needs in areas not serviced by the MTA (4.8% of total). If there are no unmet transit needs, funds may be used for streets and roads.	TDA Article 3: Funds may be spent on bicycle & pedestrian facilities throughout the county. TDA Article 4: Used for bus capital or operating expenses. Often used as local match of FTA Section 3 and 9 Funds. Only provided to "eligible" operators. TDA Article 4.5: Funds available to community transit services, including those who cannot use conventional transit services, such as the disabled. TDA Article 8: Transit and Paratransit, (streets / roads bicycle or pedestrian uses if no unmet transit needs.)	Actual FY96 = \$211.3 Forecast from LRTP (10/97): FY98 - \$217.4 FY99 - \$226.5 Forecast Allocations in LRTP for FY98: Art 3: \$4.3 Art 4: \$169.1 Art 4.5: \$0 Art. 8.: \$10.9 FY98 Bus Cap: \$15.6 FY98 Rail Ops: \$13.4 Approximately \$200/yr from 25% of .06 state retail sales tax.	Area Teams evaluate, but city's propose - Robin Blair. Area Teams & Transit Operators Countywide Planning & Paratransit Operators Area Teams: Patricia Chen	Policies & Guidelines: Bob Cashin, Multimodal Planning Long Range Forecast: Mike Smith, Treasury Programming: Area Teams Capital Development & Programming Funds Management: Area Teams Accounting: William Henderson Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Transportation Planning & Development (TP&D)		See STA Programs	50% of funds go to State Transit Assistance (STA) fund. 50% of funds go to state programs, intercity bus/rail service, rideshare programs. Changes per SB45 on January 1, 1998	Actual FY96 = \$23.1 Forecast from LRTP (10/97): FY98 - \$23.7 FY99 - \$24.1 Changes per SB45 on January 1, 1998	See STA Programs	Policies and Guidelines: David Yale Capital Development & Programming Long Range Forecast: Mike Smith, Treasury Programming: David Yale Capital Development & Programming Grants Management: Brian Boudreau Capital Development & Programming Accounting: William Henderson Controller
TP&D/State Transit Assistance (STA)	Changes per SB45 on January 1, 1998 Fifty percent of Transportation Planning & Development Funds are allocated to the State Transit Assistance (STA) fund. STA funds are allocated to MTA based on ratio of county population to state population and ratio of total county transit operator revenues to total revenue of transit operators in state. Revenues generated from: (1) Sale of diesel fuel (2) Sales tax due to state tax and gasoline above 9 cents per gallon (3) "Spill over" sales tax (revenue generated from 4.75% tax on taxable goods, including gasoline, in excess of revenue generated from 5% state sales tax on all taxable goods except gasoline)	Public transit capital and operations. Approximately 25% used for transit operations or capital, proportionally based on each area's transit fare revenues to the statewide fare revenues. 25% used for transit operations or roads, based on population.	MTA allocates funds to operators by formula (Formula Allocation Procedure). Transit operators must be eligible for TDA Article 4 to receive STA funds. Transit claims must be consistent with Short Range Transit Plan and Short Range Transportation Improvement Program.	Actual FY96 = \$11.5 Forecast from LRTP (10/97): FY98 - \$11.8 FY99 - \$12.05	Area Teams	Policies and Guidelines: David Yale Capital Development & Programming Long Range Forecast: Mike Smith, Treasury Programming: David Yale Capital Development & Programming Grants Management: Brian Boudreau Capital Development & Programming Accounting: William Henderson Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Service Authority for Freeway Emergencies (SAFE)	Revenues generated from a \$1.00 annual registration fee on vehicles in L.A. County. Funds provide emergency call boxes on County freeway system.	Emergency call boxes; operation and maintenance. Freeway Service Patrol, Incident Management.	Developed by state, Implemented by the Los Angeles County SAFE, which is housed in the MTA.	Actual FY98 = \$8.0	Operations, Congestion Relief	<p>Policies & Guidelines: State, Caltrans, CHP</p> <p>Long Range Forecast: Diane Perine & Ken Colman, Congestion Relief Ops.</p> <p>Funds Management: Diane Perine, Congestion Relief Ops.</p> <p>Accounting: Charles Faulkner, Finance</p>
HOV Violation Fund	Revenue generated from fines collected in L.A. County for violations of vehicle occupancy levels and crossing over double parallel solid lines. If violations occur in L.A. city, MTA collects 1/3 from \$100 base fine (\$33/violation), if violations occur in the unincorporated area of the county, MTA collects 1/2 of the fines (\$50/violation).	Freeway Tow Service Patrol Program (FTSP) -- Tow trucks only on Freeways. The service is operated on Peak Hour and heavily congested freeways.	Improve traffic flow operations on the state highway system with in Los Angeles County.	<p>\$0.3 million</p> <p>FY 1997 approximately \$0.5 million.</p> <p>Amount increases proportionately as the number of miles of HOV lanes increases throughout the county.</p>	Operations, Congestion Relief	<p>Policies & Guidelines: State, Caltrans, CHP</p> <p>Long Range Forecast: Diane Perine, Congestion Relief Ops.</p> <p>Funds Management: Diane Perine, Congestion Relief Ops.</p> <p>Accounting: Charles Faulkner, Finance</p>
Petroleum Violation Escrow Account (PVEA)	Revenue generated from the Exxon & Stripper Well settlement	Energy conservation plans; energy outreach programs; Innovative and new programs that result in energy savings and/or displaced or non-renewable fuel.	<p>Funds are allocated to states of the Federal government. Individual projects require specific legislation at the state level.</p> <p>In FY 1996-97 no money was spent on PVEA projects because there was no agreement on a PVEA bill.</p>	<p>MTA has received \$7.5 million for the Santa Monica Freeway SMART corridor and other funds for Los Angeles County ATSAC projects.</p> <p>In FY 1995-96, the State spend \$17 million in PVEA on 60 projects. The average grant was \$170,000. Several Projects in LA Co. were funded</p> <p>In FY 1997-98, 32.7 million of PVEA funds were allocated by SB 368. This included funding for over 30 projects in LA Co.</p> <p>In FY 1998-99, MTA will request \$3 million to co-fund purchase of CNG buses in a PVEA bill.</p>	<p>Area Teams</p> <p>Countywide Planning</p> <p>Operations</p>	<p>Policies & Guidelines: Bob Cashin Multimodal Planning</p> <p>Keith Killough Countywide Planning</p> <p>Long Range Forecast: Jim Sadro, Treasury Doug Kim, Countywide Planning</p> <p>Programming: Area Teams Shahrzad Amlri</p> <p>Countywide Planning Doug Kim</p> <p>Accounting: William Henderson Controller</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
State Highway Account Budget Change Proposal (BCP) for Freeway Tow Service Patrol Program.	This is a line item in the California State Budget initiated by Assemblyman Katz which allocates funds from the State Highway Account for the Freeway Service Patrol (FSP).	Freeway Tow Service Patrol Program (FTSP) – Tow trucks on only on Freeways. The service is operated on Peak Hour and heavily congested freeways.	Allocated by the State of California. MTA contracts with Tow Truck Operators. Programmed in the annual budget. Requires 20% MTA match.	\$3.6 million FY 1997. The annual amount received for L.A. County has decline as more California Counties have become eligible to receive funds and the total amount of funds available statewide is fixed. Legislation is pending which would increase the amount for L.A. County.	Caltrans, CHP and MTA - Congestion Relief Operations	<p>Policies & Guidelines: State, Caltrans, CHP</p> <p>Long Range Forecast: Diane Perine, Congestion Relief Ops.</p> <p>Funds Management: Diane Perine, Congestion Relief Ops..</p> <p>Accounting: Charles Faulkener, Finance</p>
Fare Box Revenues	Funds from farebox and route/service generators; Contract Services like Hollywood Bowl	Flexible		<p>Forecast from LRTP (10/97):</p> <p>FY98 - \$267.9</p> <p>FY99 - \$289.3</p>		<p>Policies & Guidelines: Agapito Diaz, Dir. Revenue Dept.</p> <p>Long Range Forecast: Agapito Diaz, Dir. Revenue Dept.</p> <p>Funds Management: Agapito Diaz, Dir. Revenue Dept.</p> <p>Accounting: Charles Faulkener, Finance</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
PRIVATE FUNDS						
Benefit Assessments	Special benefit assessments levied on local property owners by the MTA to help raise funds for financing public rail rapid transit facilities. Commercial properties which benefit from the rail facilities are assessed.	Metro Red Line and other transit facilities	Developed by the MTA	The approximately \$12 million in annual assessment income goes directly to cover interest and principal payments on approximately \$162 million in assessment district bonds which were sold in 1992.	Benefit Assessment Division (Currently only on Metro Red Line)	Policies & Guidelines, Administration and Programming: David Sikes, Capital Development & Programming. Funds Management: Mike Smith, Treasury
Other (Advertising, Auxillary)	Fees collected for advertising, chartering, leasing & other services provided by MTA Operations and municipal transit operators countywide.	Transit Capital and Operation costs.	Annually determined in the Operating Budget	Forecast from LRTP (10/97): FY98 - \$28.6 FY99 - \$29.4	Bus Operations	
Public / Private Joint Development	Revenues generated from public / private participation in joint development of rail lines and rail stations	Real Estate Development on MTA-owned property. Rental property development to increase revenue from tenant rent.	No specific guide lines approved by the MTA. Potential uses under consideration include restricting revenue use to fund future operational expenses of rail facilities; and enhancements to increase rental revenue MTA-owned real estate.	\$3.4 million will be received in February 1998 if the MTA Board approves a modification to the Joint Development Agreement with adjacent property owner thereby permitting the proposed sale of Location 24 in Van Nuys. Aprx. \$0.64 to be received in Dec 1997 or Jan 1998 if the MTA board approves a modification to the current transaction among the MTA, the LA-CRA & private developer (Grand Central Sq. @ Pershing Square Red Line Station). Aprx. \$0.81 as partial reimbursement of the MTA's pledge of Prop. A (discretionary portion) to be used to pay debt service on bonds issued by LACRA in order to fund the reveovation & Improvement of Grand Central Sq. @ Pershing sq. Red Line Station. \$0.1 for land rent 11/97-6/98 for (Topanga/Marilla golf range in Chatsworth). \$0.0165 for land rent 12/97-6/98 (Chatsworth Storage Co.)	Joint Development	Joint Development department no longer exists, duties now handled by Area Teams

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
FINANCING MECHANISMS						
Certificates of Participation	A COP is a lease obligation whose term should approximately match the average life of the assets being leased. A COP is not a debt obligation, as it is subject to annual appropriations and/or abatement. Thus, the lease payments are considered operating expenses and not debt service. COP's are most appropriate for use where more senior lien, lower cost, debt obligations are not available. A COP could be either taxable or tax-exempt.	It is MTA practice to use these instruments to finance large lease projects primarily rail system rolling stock purchase, bus purchases and bus/rail facility construction.	There are no specific guidelines approved by the MTA, although a debt service ceiling of 50% has been established when using Federal Section 5307 (formerly section 9) revenues.	Variable	Finance Area Teams (Municipal Operators) <i>Note: Any project whose funding anticipates the use of bond proceeds or lease financing must be reviewed and approved by the Treasury Department prior to inclusion in the Long Range Plan or annual budget.</i>	
Commercial Paper	A short-term taxable or tax-exempt debt instrument with maturities ranging from 1 to 270 days. New notes are usually issued to replace the maturing notes, creating a revolving credit facility. Typically the MTA eventually retires the notes by refunding them into a long-term fixed rate bond, but the notes could also be retired using other revenues sources such as grant funds or proceeds from the sale of an asset.	Used to finance capital costs related to acquisition, construction and equipage of bus, rail and other transit related capital projects. The debt service from MTA's Tax-exempt CP program is planned to be paid from Proposition A 35% Rail Funds. The tax-exempt CP program is secured by a pledge of 75% of the Prop. A revenues (35% Rail plus 40% Discretionary). The debt service from MTA's Taxable CP program is planned to be paid primarily from Proposition C 40% Rail Funds. The taxable CP program is secured by a pledge of 80% of the Prop. C revenues (All revenues, less the 20% Local Return).	No specific guidelines. Commercial Paper is frequently used as interim funding for capital projects, later being refunded into the permanent financing source, typically a long-term bond issue. Currently, the taxable CP program is capped at \$150 million and the tax-exempt program is capped at \$350 million.	Variable	Finance	

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Cross Border Lease	A taxable transaction in which the title to the leased asset is held by the foreign domiciled lessor, at least for foreign tax purposes. The lessor typically receives certain tax benefits such as tax credits and accelerated depreciation in its domicile tax jurisdiction. Lessor is then willing to provide what amounts to a low cost loan on the equity component of the lease.	<p>Used to derive financial benefits through the sale or transfer of title to buses or rail vehicles to a foreign domiciled lessor. The benefits of this type transaction are sensitive to interest rates, business climate and changes in, or pending changes to tax laws.</p> <p>These leases can be used to provide a low cost financing, but, more typically the assets are separately paid for and are subsequently cross border leased in a structure which is tied to a defeasance mechanism. The defeasance mechanism generates all of the lease payments, including the purchase option, and results in a residual amount of the lease proceeds being left over as an up-front benefit to the MTA.</p>	No specific guidelines.	Variable	Finance	
Senior Lien Bonds	A long-term debt obligation, typically tax-exempt, which has a senior claim against a the revenue pledged as a source of repayment to the bond holders. Typically Proposition A or Proposition C sales tax revenues.	Capital costs of Rail Transit Programs -- i.e., purchase right-of-way, Engineering costs, construction costs, and purchase rolling stock (transit vehicles).	No specific guidelines. Used primarily to finance rail construction, some operating capital and the Call for Projects. May not be used to finance operating expenses.	Variable	Finance	
Subordinated Bonds	A long-term debt obligation, typically tax-exempt, which has a pledge which is subordinate (by one or more lien levels) to the senior lien pledge.	Used to finance capital costs related to acquisition, construction and equipage of bus, rail and other transit related capital projects.	<p>No specific guidelines. Used primarily to finance rail construction and some operating capital projects. May not be used to finance operating expenses.</p> <p>Subordinated obligations will carry a higher interest cost compared to senior lien bonds.</p>	Variable	Finance	

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT- (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
III. STATE FUNDING SOURCES						
SB 45, STIP reform County Transportation Improvement Program (CTIP)	<p>Repeals the following, effective Jan. 1, 1998: FCR TCI Commuter & Urban Rail Program Mass Transit guideway program TSM Intercity rail corridors eligible for state funding</p> <p>Repeals State-Local Transportation Partnership Program (SLTPP) effective Jul 1, 1999.</p> <p>Shortens the STIP from 7 years to 4 years, but has an interim 6 year STIP in 1998 to transition to the 4 year STIP.</p>	<p>25% of the funds will be available for interregional improvements consisting of the following: interregional roads or intercity rail projects</p> <p>75% for regional choice can be spent on state hwy's, local roads, public transit, pedestrian & bike facilities, grade separation, TSM, TDM, soundwall, intermodal facilities and safety projects.</p>		<p>About \$1,702.5 (1.2 billion) thru FY 2005</p> <p>Forecast from LRTP (10/97):</p> <p>FY98 - \$159.8 FY99 - \$184.8</p>	<p>75% Regional Choice Projects are nominated and programmed by the MTA (county commissions). The CTC must either adopt or reject the entire program.</p>	<p>Policies & Guidelines: David Yale, Capital Development and Programming</p> <p>Long Range Forecast: CTC and Caltrans</p> <p>Programming: Vic Kamhi Capital Development & Programming</p> <p>Grants Management Brian Boudreau Capital Development & Programming</p> <p>Accounting: William Henderson, Controller</p>
State Gas Tax (Including Proposition 111)	<p><u>Replaced by CTIP on Jan 1, 1998</u></p> <p>The state fuel tax is \$0.18/gal</p>	<p>Revenues are used to support the SHOPP, TSM, SLTPP, Environmental Enhancement Program, the TCI Program, STA, & the STIP. The STIP is made up of Flexible Congestion Relief, Inter-Regional Roads, and Retrofit Soundwall Construction programs. Base state gas taxes and Proposition 111 revenues are also used as subventions to counties and cities.</p> <p>Eligible uses also include: Capacity enhancing capital projects (highway & fixed guideway), capital rehabilitation projects and soundwall.</p>	<p>Statewide Policies & Guidelines developed by CTC and Caltrans.</p>	<p>Not Applicable</p>	<p>Varies according to program category: SHOPP - Caltrans TSM - MTA/Caltrans SLTPP - Caltrans EEM - CTC TCI - MTA/CTC STA - MTA IRR - Caltrans Soundwalls - Caltrans*</p> <p>* See detail below.</p>	<p>Policies & Guidelines: David Yale, Capital Development and Programming</p> <p>Long Range Forecast: CTC and Caltrans</p> <p>Programming: MTA RTP&D</p> <p>Grants Management Brian Boudreau, Capital Development & Programming</p> <p>Accounting: William Henderson, Controller</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
STIP (State Transportation Improvement Program) FUNDS * * CTIP will replace STIP effective January 1, 1998						
Flexible Congestion Relief (FCR) <u>Replaced by CTIP on Jan 1, 1998</u>	Statewide capital program for highway and fixed guideway capacity improvements. The purpose to the program is to reduce or avoid congestion on existing streets, highways, and rail systems that carry a significant portion of regional traffic and goods. Funding for this program is composed of state and federal gas tax revenues.	Highway and fixed guideway capacity-enhancing projects. FCR is the only State program that can be used to fund new State highways or major expansions of existing State highways.	FCR funds are targeted in the MTA Long Range Transportation Plan for major gap closures, backbone arterials, carpool lanes, and some fixed guideway uses.	\$0 through FY 96-97 \$175 Beginning FY 97-98. \$778m in existing programmed funds thru FY05. New formula funding \$424m thru FY05. Plus \$100m in discretionary funding. Annual amounts fluctuate due to co. minimums and discretionary amounts.	MTA ranks the projects and submits the list of rankings to the CTC. CTC makes final selection of projects	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller
SHOPP (State Highway Operation and Protection Program)	Capital program used for state highway rehabilitation, operation and safety improvements by Caltrans. Revenues used to support program are comprised of state and federal gas taxes.	Rehabilitation, operation, and safety improvements to the state highway system.	MTA only has responsibility for tracking and forecasting. Caltrans is responsible for programming the fund.	\$144.5 (Four year total funding for LA Count FY 1994-95 to FY 1997-98. Average of \$36/year FY98 \$195m	Caltrans District 7	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Inter-Regional Road System (IRR)	Major inter-regional highway improvements on state highways and Intercity rail. Administered by Caltrans. Composed of state and federal gas tax revenues.	Capacity-enhancing highway improvements administered by Caltrans. Composed of state and federal gas tax revenues. Intercity rail capital improvements.	Caltrans develops all policies and guidelines. All projects must be rural eligible routes. 60% (60% of the 25%) of the funds required to be used for interregional roads or intercity rail projects that are outside the boundaries of an urbanized area with a population of more than 50,000 and for inter city rail projects. A minimum of 15% must be used for intercity rail. The remaining 40% (40% of 25%) can be for projects that are needed to facilitate interregional movement of people and goods. Projects may include state hwy, intercity rail, mass transit guideway, or grade separation projects (projects can be inside urbanized areas). 75% Regional Choice can be used for projects anywhere in the county	\$ 025 FY 94-95 \$25.8 FY 95-96 \$0 FY 96-97 to 00-01 * Funding is deducted from co. mins. Under FCR program	25% Interregional: projects nominated by Caltrans or MTA, selected by the CTC.	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhl, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller
OTHER STATE FUNDS						
Traffic Systems Management (TSM)	TSM projects are projects designed to make better use of existing transportation rights-of-way. Revenues in this program are targeted for ready-to-go TSM projects on an annual basis. A portion of TSM funds are used to match federally-funded projects allocated through the TIP Call for Projects. Expires at end of FY 1998	Freeway operation improvements, HOV lanes, range metering, traffic signal synchronization, peak hour parking restrictions (signing and striping), bus turnouts, loop detectors, and changeable message signs are some examples of eligible TSM projects.	Caltrans	TSM: \$0 through 96-97 \$22 beginning in FY 97-98 State ISTE A Match: \$6.5 Statewide \$40-60m annually competitive program. ISTEA state match is provided for all projects funded with STP and CMAQ.	Caltrans, District 7 in coordination with MTA (TIP Call for Projects)	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, LRTP Programming: Vic Kamhl, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
State/Local Transportation Partnership Program (SLTPP)	Provides state funds to local agencies for construction of locally-funded highway and mass transit guideway construction projects. Local entities are reimbursed for a portion of the construction costs for eligible projects. Actual reimbursement amounts depend upon the number of eligible projects that have applied for SLTPP funding statewide during each annual funding cycle. Past award amounts have varied from 9 to 22 percent of project construction costs. Ends in FY 1999.	Construction costs for: public roads, streets, highways and mass transit guideways, and rehabilitation projects which extend the useful life or a roadway by at least ten years. Only construction contract items are eligible for SLTPP reimbursement. Right-of-way and administrative costs are not eligible.	Developed by Caltrans. Projects must be locally-funded and increase capacity, extend service to new areas, or extend roadway life for at least ten years.	\$4 annually (approx.)	MTA Area Teams Local Jurisdictions MTA Capital Development & Programming (TIP Section)	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller
Environmental Enhancement & Mitigation (EEM)	Revenues available for mitigation of the negative environmental effects of transportation.	Projects eligible for funding may include, but are not limited to the following: highway landscaping, the provision of roadside recreational opportunities, and projects to mitigate the impact of proposed transportation facilities or to enhance the environment.	To be eligible, projects must be over and above any mitigation required in the environmental document for the transportation project. The MTA coordinates and promotes use of these funds in Los Angeles County. Statewide discretionary program - No LA Co. guarantee or targets	Funding eliminated in FY 1996 State Budget. Approx. \$10m statewide	State Resources Agency ranks projects, CTC selects final projects for funding.	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Proposition 108 Rail Bonds	Revenue generated from legislation authorizing the state to sell \$1.0 billion in general obligation bonds in 1990.	Rail Capital expenditures as follows: Acquisition of railroad rights-of-way, constructing rail facilities, acquiring rolling stock or rail vehicles for intercity rail, commuter rail and rail transit programs. Uses are eligible under FCR program	The California Transportation Commission (CTC) decides which projects should be funded on a priority basis. The projects include those proposed by Caltrans and by local and regional agencies. The selected projects are scheduled in the 7-year STIP adopted by the CTC. 15% of the revenue must be spend for intercity rail purposes. These funds must be allocated among projects in eligible intercity rail corridors, based upon the relative population served by each corridor.	\$234.7 in prior years. <u>Funds completely depleted now.</u>	MTA & Caltrans rank projects and submit the list of rankings to the CTC. The CTC makes the final selection of projects.	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller
Proposition 116 Rail Bonds	Revenue generated form the state sale of \$1.99 billion in general obligation bonds.	Rail Capital statewide: \$1033M for commuter and Intercity rail projects. \$728M for urban rail transit and local projects. \$229M for other rail projects.	Funds are to be used for rail systems, public mass transit guideways, paratransit vehicles, bicycles and ferry facilities, and a railroad technology museum. The bond funds are allocated by the CTC to state and local agencies according to a grants process set up by the measure. This program will require some matching funds from local entities. 20% of the revenue would be given to Caltrans, & 80% to specific local government agencies. The measure identifies the eligible projects and their funding level for the entire amount of the bond measure.	\$20 <u>Funds completely depleted now.</u>	Specified In Prop. 116 state legislation. MTA Area Teams Commuter and Intercity Rail.	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Transit Capital Improvement (TCI) Program	Annual state program funded by CTC with Transportation, Planning & Development (TP&D) account and Article XIX (state gas tax) funds.	Eligible project include abandoned railroad right-of-way acquisition, bus rehabilitation, exclusive public mass transit guideways and rolling stock, grade separation, intermodal transfer stations, ferry vessels & terminals, and short-line railroad rehabilitation.	Counties that apply for the program must submit Regional Guideway Financial Plan which includes projects for which funding is requested. Funding requested is not to exceed 50% of non-federal portion of total project cost.	<u>Program over except for previously funded projects</u>	CTC – Statewide MTA – LA County	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast:: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller
Article XIX Guideway Funds	Revenues generated from the state gas tax. Article XIX of the California State Constitution allows gas tax to be used for public mass transit fixed guideway systems (rail transit capital projects); if voters of county enact Prop. 5, which allows that use.	Rail Transit Capital Projects	Funds are allocated at CTC discretion and can only be allocated to counties which have approved, by vote, Proposition 5.	Previously funded under TCI and FCR Now funded through CTIP	MTA	Policies & Guidelines: David Yale Capital Development and Programming Long Range Forecast:: Ron Smith, Long Range Plan Programming: Vic Kamhi, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Air Quality Vehicle Registration Fee	AB 2768 authorizes Air Quality Management District to impose \$4 annual vehicle registration fee.	Bus/Rail/Highway	40% of revenues distributed to cities/counties in the District on the basis of a share of the population. 30% of revenues used by the District for programs that reduce pollution from vehicles and for studies needed to implement the Clean Air Act. 30% of revenues distributed at the discretion of the Mobile Source Pollution Reduction Review Committee for programs that reduce air pollution.	\$39	Cities and Counties SCAQMD MSRC – (Mobile Source Air Pollution Reduction Committee)	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast, Programming: Doug Kim, Countywide Planning Grants Management: Brian Boudreau, Grants Management
State Gas Tax and Motor Vehicle Fee Subventions – Sections 2105, 2106, 2107, 2107.5	These funds are directly disbursed to the cities from the state.	For street and highway projects only – increase capacity, repaving, busways. Not to purchase transit vehicles	In order for the cities to get these subvention funds the city must be in conformance with Congestion Management Plan (CMP) requirements. The only bearing the MTA has on these subventions is that the MTA certifies the cities CMPs. If the MTA does not certify the CMP then the subventions will not be transferred to the city.	FY97 \$267 m/yr statewide \$86m is subject to CMP conformity.	Projects are chosen by cities and county	Cities and county.
State PUC Grade Separation Project Fund	The fund provides 80% of the cost to modify an existing railroad/roadway crossing (by grade separation, relocation or other means); the railroad pays 10%, and the local jurisdiction (applicant) pays 10%. The fund provides 50% of the cost of grade separating a new railroad/roadway crossing. The local jurisdiction is responsible for paying the remaining 50% (the railroad is not required to pay any of the local share, but the local jurisdiction can seek some or all of this share from the rail road if it chooses).	Rail grade separations.	Applications are made to the California Public Utilities Commission (CPUC), which applies a formula to rank projects in priority order.	About \$15 m/yr statewide	Projects are chosen by cities and county Vehicle volume and number of train/vehicle accidents with injuries are the principal prioritization criteria.	Cities and county.

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Highway Bridge Rehabilitation and Replacement (HBRR) Program	ISTEA (federal) funds administered by Caltrans with varying local match requirements, depending on project type.	Bridges	PROJECT TYPE(FED/LOCAL SHARE): Seismic Retro (88.53%/11.47%) Replacement Proj(80%/20%) Rehab. Proj (80%/20%) Bridge Painting (88.53/11.47) Low Water crossing(80/20) Barrier Rail Replace(88.53/11.47) Special Bridge Program(80/20)	Until the seismic retrofit requirements stabilize, Caltrans sources are unable to provide an annual HBRR Program fund estimate for planning purposes.	Seismic retrofit projects have had the highest priority in recent years, claiming most of the available HBRR funding. The remainder of the funding is allocated to other eligible projects on a first come first served basis. Applications are made to Caltrans Dist. 7 office, which forwards them to Sacramento for approval.	Caltrans
State Infrastructure Bank (SIB) Transportation Finance Banks (TFB)	<p>The Federal Highway Administration (FHWA) recently selected California to be one of ten states to participate in its State Infrastructure Bank (SIB) pilot program. Participating states are authorized to create a SIB that uses federal transportation funds to provide financial assistance for public and private transportation projects. The FHWA believes that SIBs can facilitate increased private and public investment in transportation facilities, without increasing transportation taxes.</p> <p>A state will begin by depositing federal transportation funds, and optionally state funds as well, in its bank. The bank will then provide loans or other financial assistance, such as loan guarantees, to transportation projects that generate revenues. In order to complete financing for the projects, developers can then seek additional funding from private lenders or through the state's traditional transportation funding process. As the transportation projects begin operation and generate revenues, their operators will repay the SIB loan, along with interest and/or fees. The SIB will then "recycle" these funds into assistance for other projects, thus allowing a relatively small amount of funds to support a much larger amount of projects.</p>	Because projects must generate revenue to repay SIB and other loans, only certain types of projects will be eligible for assistance. Public or private toll roads, rail and other transit projects, and park-and-ride lots could be candidates for SIB financing, because such projects can generate revenue from user fees. Even nontoll roads could benefit from SIB funding in special cases, if future dedicated revenues, such as developer fees and taxes, are available for repayment of SIB loans. However, SIBs will not benefit traditional types of projects, including most projects in the State Transportation Improvement Program. This is because traditional projects are financed from current transportation revenues and do not generate dedicated revenues when in operation.	<p>Rather than making direct loans as other SIBs will do, the TFB will instead guarantee loans received by project developers from commercial banks and other private lenders. This approach has the advantage of allowing the TFB to operate without cash in the bank, thus yielding even greater leverage compared to other SIBs that require cash in order to provide direct loans.</p> <p>Applicants will be required to put up \$100,000 with \$10,000 non-refundable. The fee will be used to defray bank expenses in processing the application. Any unexpended expenses over \$10,000 will be refunded to the applicant.</p>	Caltrans does not intend to deposit any cash in the TFB. Instead, the TFB will be funded with a \$100 million credit that can, if necessary, be redeemed from California's future allotments of federal transportation funds.	<p>MTA, SCAG, Caltrans, CTC, California Economic Development Finance Authority (CEDFA)</p> <p>Requirements:</p> <p>3rd party certification of projected revenue flow sufficient to establish a minimum of a 1.15x debt service coverage on all bank insured debt.</p> <p>Mitigation of construction cost risk by virtue of a design build or fixed price procurement contract and litigation opinion by counsel.</p> <p>The review and recommendation for approval by the competent 3rd party of a financial plan for each project application.</p> <p>Approval of the project by relevant MPO/RTPA and placement in the Regional Transportation Plan.</p>	<p>Policies & Guidelines: Frank Flores, Capital Development and Programming</p> <p>Long Range Forecast: Ron Smith, Long Range Plan</p> <p>Programming: David Yale / Vic Kamhl, Programming and Economic Analysis</p> <p>Grants Management: Brian Boudreau, Grants Management</p> <p>Accounting: William Henderson, Controller</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
III FEDERAL FUNDING SOURCES						
FEDERAL HIGHWAY ADMINISTRATION (FHWA)						
Federal Highway Demonstration Funds	Federally-authorized funding for projects designated in the 1991 ISTEA.	May be used for project development, right-of-way and construction for projects designated in the ISTEA.	Must follow state guidelines for reimbursement of project expenses from the State Highway Account. No direct MTA involvement is necessary.	FY 94-95 \$14.06 FY 95-96 \$21.75 FY 96-97 \$12.48	Projects selected by Congress when the 1991 ISTEA was enacted.	Congressional Earmarks: Intergovernmental Relations Grants Management: Brian Boudreau, Grants Management
Highways of National Significance (NHS)	Federal Highway program administered by Caltrans for Highways of National Significance, to be determined by the Metropolitan Planning Organization.	All capital highway uses on the eligible system.	Programmed by the CTC through the STIP process.	To be determined. Included in CTIP funding level.	Projects selected through the STIP and SHOPP programs by the CTC, Caltrans and the MTA. See STIP section for process.	Programming: David Yale, Programming and Economic Analysis
Congestion Mitigation & Air Quality Program (CMAQ)	Program designed to fund projects that contribute to the attainment of national ambient air quality standards with a focus on ozone and carbon monoxide. Projects in this program must be consistent with a State Implementation Plan (SIP) that has been approved pursuant to the Clean Air Act. Funds may not be provided for projects which result in construction of new capacity available to single occupant vehicles.	Typical projects include: public transit improvements, high occupancy vehicle lanes, employer-based transportation management plans and incentives, traffic flow improvement programs, fringe parking facilities servicing multiple occupancy vehicles, shared-ride services, and bicycle and pedestrian facilities.	To be determined. Funds are to be distributed through the State Highway Account by Caltrans.	Forecast from LRTP (10/97): FY98 - \$49.1 FY99 - \$49.8	MTA RTP&D TIP Call for Projects	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Surface Transportation Program	<p>A transportation program administered by the Federal Highway Administration and Caltrans. Funds can be used for any roads or highways which are not functionally classified as local or rural minor collectors.</p> <p>ISTEA legislation requires states to distribute STP funds in the following manner:</p> <p>10% - Safety construction 10% - Transportation Enhancement Activities 50% - Regional STP, STP 110% guarantee program, and rural areas guaranteed return 30% - State discretionary.</p>	<p>Construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways (including interstate highways and bridges), capital costs for transit projects eligible for assistance under the Federal Transit Act and publicly-owned intracity or intercity bus terminals and facilities, carpool projects, fringe and corridor parking facilities, bicycle and pedestrian walkways, highway and transit safety improvement & programs. Transportation Enhancement Activities are also eligible uses for STP funds.</p>	See Below.	<p>See Below.</p> <p>Included in SB45 CTIP funding levels.</p> <p>Forecast from LRTP (10/97):</p> <p>FY98 - \$78.5 FY99 - \$77.6</p>	See Below. funded in CTIP	See Below.
Regional Surface Transportation Program (RSTP)	<p>Portion of STP funds which are programmed by the MTA as LA County's Regional Transportation Agency.</p>	<p>Construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways (including interstate highways and bridges), capital costs for transit projects eligible for assistance under the Federal Transit Act and publicly-owned intracity or intercity bus terminals and facilities, carpool projects, fringe and corridor parking facilities, bicycle and pedestrian walkways, highway and transit safety improvement & programs. Transportation Enhancement Activities are also eligible uses for STP funds.</p>	<p>MTA allocates RSTP funds to eligible projects based on inclusion in the Long Range Plan and through the competitive TIP Call for Projects process.</p>	<p>Forecast from LRTP (10/97):</p> <p>FY98 - (\$50.8) FY99 - \$8.2</p>	<p>MTA RTP&D</p> <p>TIP Call for Projects</p>	<p>Policies & Guidelines: Frank Flores, Capital Development and Programming</p> <p>Long Range Forecast: Ron Smith, Long Range Plan</p> <p>Programming: David Yale, Programming and Economic Analysis</p> <p>Grants Management: Brian Boudreau, Grants Management, And MTA Area Teams</p> <p>Accounting: William Henderson, Controller</p>

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Surface Transportation Program Local (STPL)	Includes the 110% Guarantee Program and Rural Area Guaranteed Return Program. This is the portion of STP funds which is allocated by population to each of the cities in the County and to the County of Los Angeles.	Construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements for highways (including interstate highways and bridges), capital costs for transit projects eligible for assistance under the Federal Transit Act and publicly-owned intracity or intercity bus terminals and facilities, carpool projects, fringe and corridor parking facilities, bicycle and pedestrian walkways, highway and transit safety improvement & programs.	Caltrans establishes policies and guidelines. The MTA includes all STPL-funded projects in the RTIP.	\$31.7 - STPL \$1.2 - Rural Areas Forecast from LRTP (10/97): FY98 - \$31.7 FY99 - \$31.7	Local jurisdictions.	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast:: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, And MTA Area Teams Accounting: William Henderson, Controller
Transportation Enhancement Activities (TEA)	10% of STP funds is reserved for the TEA program. This program funds the design and construction of improvements which beautify or enhance the interface between transportation systems and adjacent communities.	Projects eligible for TEA funds include: Pedestrian facilities; acquisition of scenic or historic sites or easement; funding of scenic or historic highway programs; archaeological planning and research; landscaping and other scenic beautification; rehabilitation and operation of historic transportation buildings, structures, or facilities; acquisition of abandoned rail rights-of-way for public use; control of or removal of outdoor advertising; and the mitigation of water pollution due to highway run-off.	Caltrans and the CTC established policies and guidelines for the TEA program.	Forecast from LRTP (10/97): FY98 - \$0 FY99 - \$8.3	MTA ranks projects in the TIP Call for Projects. Selected projects must then compete at the state level for funding commitments from the CTC. Projects are programmed through the STIP process.	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast:: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, And MTA Area Teams Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Surface Transportation Program - State	30% portion of STP funds which is retained for the state to use at its discretion. Funds flow into FCR and other state programs.	See FCR and SHOPP above.	Set by CTC	\$51.5 (varies)	CTC through the STIP process.	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller
FEDERAL TRANSIT ADMINISTRATION (FTA)						
Section 5309 (3) Rail New Starts	Funds come from a mass transit fund, generated by one cent of the 9-cent federal gas tax.	Funds are used for rail transit capital improvements.	Developed by FTA. Full funding grant agreements negotiated by MTA with FTA.	\$175.3 Forecast from LRTP (10/97): FY98 - \$69.5 FY99 - \$99.5	Capital Development and Programming	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Section 5309 (3) Fixed Guideway Modernization	Fixed guideway modernization funds are allocated by formula in Section 3 of the Federal Transit Act. The formula is based on the number of miles of existing fixed guideways (busways or railways) and passenger miles traveled in the urbanized area. A fixed guideway must be operating for 7 years before it can begin to receive allocations. MTA's allocations will increase dramatically when the Long Beach Blue Line begins receiving allocations in 1998.	Funds can be used for fixed guideway transit capital improvements on lines which have been in operation for at least 2 years.	Developed by FTA. Full funding grant agreements negotiated by MTA with FTA.	\$4.7	Capital Development and Programming through MTA Capital Budget.	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming and Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller
Section 5307 (9) Capital	Funds appropriated by Congress from General Funds.	Funds use restricted to Bus and Rail capital and operating expenses, with a limit on the amount that can be spent for operations. Funds are allocated on a formula basis to each urbanized area in the nation.	National guidelines and formula allocation developed by FTA.	\$86	Capital Development and Planning. Short Range Transit Plan	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF
Section 5307 (9) Operating	Funds appropriated by Congress from General Funds.	Funds use restricted to Bus and Rail capital and "preventative maintenance" expenses and, operations. Funds are allocated on a formula basis to each urbanized area in the nation.	National guidelines and formula allocation developed by FTA.	\$45.5	MTA share allocated by bus operations formula. Short Range Transit Plan.	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Plan Programming: David Yale, Programming and Economic Analysis Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller
Section 5310 [16 (b)(2)]	Funds purchase of paratransit vehicles by private non-profit agencies.	FTA pays 80% of the vehicle cost; the social service agency pays 20% of the cost.	National Guidelines developed by FTA. State Guidelines developed by Caltrans. Local guidelines developed by MTA.	\$5 available statewide. MTA share expected to be \$0 to \$1.	MTA Countywide Planning	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast, and Programming: Chip Hazen Grants Management: Brian Boudreau, Grants Management, Accounting: William Henderson, Controller
Section 5311 (18)	Funds are allocated on a formula basis to each rural area in the nation. Section 18 funds are for rural areas only.	Funds use restricted to bus and rail capital and operating expenses, with a limit on the amount that can be spent on operations. A new requirement is that a State must use 5% of the funds it receives in FY 1992, 10% in FY 1993, and 15% in FY 1994 for intercity bus service projects, unless the State certifies that intercity bus needs have been met.	National guidelines developed by FTA. State guidelines developed by Caltrans. Local guidelines developed by MTA		MTA Area Teams	Policies & Guidelines: Frank Flores, Capital Development and Programming Long Range Forecast: Ron Smith, Long Range Economic Analysis Programming: David Yale, Programming & Economic Analysis Accounting: William Henderson, Controller

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF

FUND SOURCE	DESCRIPTION	ELIGIBLE USES	POLICIES & GUIDELINES	ANNUAL AMOUNT (\$ Millions)	PROJECT SELECTION	RESPONSIBLE STAFF

SPECIAL BOARD MEETING
January 14, 1998



Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

Mailing Address:
P.O. Box 194

Los Angeles, CA 90053

SUBJECT: SUSPENSION OF CONSTRUCTION OF THE EASTSIDE AND MID-CITY EXTENSIONS OF THE METRO RED LINE AND PASADENA BLUE LINE

ACTION: AUTHORIZE THE CEO TO SUSPEND EASTSIDE AND MID-CITY EXTENSIONS OF THE METRO RED LINE AND PASADENA BLUE LINE PROJECTS AND IMPLEMENT A DEMOBILIZATION PLAN

RECOMMENDATION

Authorize the CEO to:

1. Suspend the East Side Extension of the Metro Red Line Project and Implement the Demobilization Plan (Attachment A).
2. Suspend the Pasadena Blue Line Project and Implement the Demobilization Plan (Attachment B).
3. Suspend the Mid-City Extension of the Metro Red Line Project and Implement the Demobilization Plan (Attachment C).

BACKGROUND

In December 1997, the CEO presented a re-forecast FY 1997-98 Capital Budget and Six Year Capital Plan which demonstrated that the MTA's financial condition could not sustain the rail construction program on its present schedule. In addition, the CEO discussed the severe strains added rail projects would have on the management team. Based on these problems the CEO advised the Board that he would recommend suspension of new development activity on the Eastside and Mid-City Extensions of the Metro Red Line and the Pasadena Blue Line.

The proposed plan is for an orderly demobilization to conserve the large investment on the three projects. Staff consulted with the Tunnel Advisory Panel to determine appropriate cut off points for design work. The three Panel members advised that "completed" design work should have a "shelf life" of 12 to 18 months, depending on the availability of the original design team. Shelf life is defined as the "period of time beyond which a major redesign by a new

design team would be necessary with significant cost impacts." In order to achieve this shelf life the Panel stated that "it is imperative that the project is shelved in some form of completeness, preferably signed and sealed by the responsible engineers." Construction Division staff was instructed to prepare a design demobilization plan to achieve this condition with a minimum incremental expenditure. In addition to suspension of design work, each department responsible for work on the suspended projects prepared a demobilization plan. The requirement was to wind down project activity as quickly as possible, while making adequate provision for preservation of the agency's investment.

BUDGET IMPACT

The forecasted budget of \$65.68 M associated with this proposed suspension represents a reduction from the reforecast Capital Budget adopted by the Board in December of 1997. The reforecast budget, in turn, represented a substantial reduction in capital outlays from those costs approved by the Board in the FY 98-99 Capital Budget. The chart below more fully sets forth these costs:

(\$ millions)	Actual & Accrued Expenditures through 1/15/98	Costs to Complete Work Identified in Demobilization Plan ⁽¹⁾	Extraordinary Costs to Demobilize	Reforecast Budget Assuming Demobilization	Dec '97 Reforecast Capital Budget	Adopted FY 97-98 Capital Budget
Eastside	\$21.70	\$11.9	\$1.01	\$34.61	\$ 34.5	\$ 145.9
Pasadena BL	15.60	11.16	2.17	28.93	44.9	76.3
Mid-City	.18	.11	1.35	2.14	2.1	7.6
Total:	\$37.48	\$23.17	\$5.03	\$65.68	\$ 81.5	\$ 229.8

⁽¹⁾Includes projected costs related to the suspended projects, including costs in FY 98-99 which will be accrued and capitalized in the current fiscal year.

The Demobilization Budget does not include any preservation and maintenance expenses for the sealed design packages, employee severance costs or real estate management and maintenance or other agency costs related to these projects once they are fully suspended. Any such costs will be considered in connection with the development of the agency budget for FY 99.

ALTERNATIVES CONSIDERED

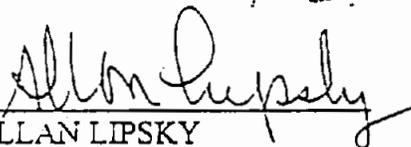
During the preparation of the Six Year Capital Plan, staff developed a matrix of development options for the three rail projects. Alternatives included extended construction schedules, various funding assumptions and different alignment options (including elimination of the Little Tokyo/Arts District station and termination of the Pasadena Blue Line at Del Mar). Each combination of alternatives was examined to determine an optimal financial and development mix. After extensive analyses, the CEO determined that none of the options would satisfy the FTA's requirements that the agency's financial and managerial problems be fully resolved before funding could

resume. The agency's unresolved structural operating and capital deficit problem was also considered in rejecting any partial suspension.

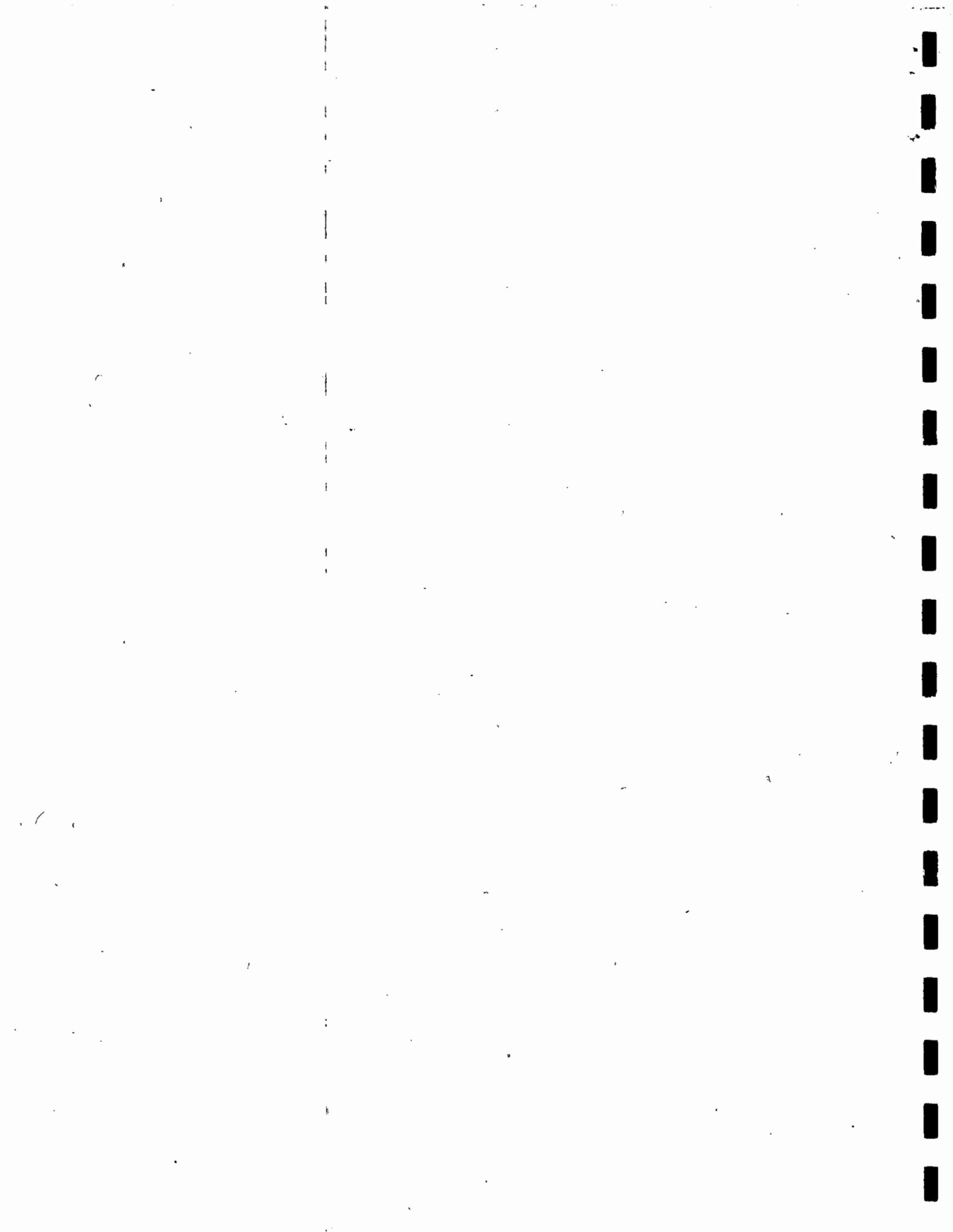
The CEO also considered final termination of the rail projects (other than the Hollywood and North Hollywood extensions of the Metro Red Line) rather than suspension. This alternative was rejected because the CEO plans to present a new cost/benefit analyses to the Board before a decision is made to resume construction or terminate any of these projects.

RISK FACTORS

Suspension of these rail projects could lead to the deprogramming/deobligation of the existing federal and state capital funding for these projects. However, the CEO has had encouraging conversations with the FTA, the U.S. DOT and the CTC about retaining the programmed funding. While there is no guarantee that programmed funding will be retained, the CEO will direct efforts at the local, state and federal level to maintain the agency's options with respect to the amount and application of funding.


ALLAN LIPSKY
Deputy Chief Executive Officer

Attachments
AGL:jm.a\spbrdrept



EASTSIDE EXTENSION DEMOBILIZATION PLAN

Design

Final design of the "Facility" element of the ESE will be completed under the existing CWO47 issued to EMC. The Facility design is for the tunnels and Little Tokyo/Arts District, 1st & Boyle, Cesar Chavez/Soto & 1st and Lorena stations. The University of Illinois study will be completed to support changes in the tunnel liner design to reduce future construction costs. Plans and specifications for the completed facility work will be signed and sealed by the EMC.

Design Demobilization Budget
Estimated Cost to Complete: \$1,812,000

Construction

Since there is no active facilities construction on the Eastside Extension no construction demobilization is required. However, environmental remediation which includes assessment of buildings for environmental contaminants and remediation of any hazardous material will be completed. International Technology Corporation is currently providing these services. In addition, there is one active demolition contract covering the remaining eighteen MTA owned parcels. Costs to complete demolition are budgeted. A budget is also required to store special trackwork acquired for the project.

Construction Demobilization Budget
Estimated Cost to Complete: \$1,337,000

Construction Management/Other Professional Services

There are three professional services firms working on the ESE. Fluor Daniel, Inc. performs limited construction management services including constructability review and Resident Engineering services for demolition activities. FDI will continue to provide these services until final project demobilization in July, 1998. No expenses under FDI's contract are budgeted thereafter. LKG provides document control; its work is also expected to end in July, 1998. Enviro Rail provides environmental engineering services. It will complete its work when design is sealed in June.

CM/Professional Services Demobilization Budget
Estimated Cost to Complete: \$1,063,000

Utility/Force Accounts

Only services required to complete final design will be authorized. Expenditures in this category include payments for support from third parties such as the City of L.A. DWP, Bureau of Street Lighting, LADOT and CalTrans.

Utility/Force Account Demobilization Budget
Estimated Cost to Complete: \$300,000

MTA Construction Division Administration

Construction Division staff assigned to the ESE work currently consists of 18 FTE's. The Construction Division plans to reduce staff monthly as work is completed and to be fully demobilized by September, 1998

Administration Demobilization Budget
Estimated Cost to Complete: \$2,813,000

Real Estate

Twenty-one parcels have been acquired and 107 relocations have been completed. Currently one parcel is in escrow and 21 relocations are underway. There are three offers made that have not been accepted and one accepted offer awaiting final payment. The Demobilization Plan is to complete acquisition of the parcels with outstanding offers to avoid inverse condemnation liability. All buildings scheduled for demolition will be demolished and the land will be maintained by Facilities Maintenance. Until demolition is completed 16 hour security will remain in effect. There are currently 10.3 FTEs assigned to the Eastside Extension. Upon suspension, the FTEs will be reduced to 3 in order to complete the work discussed above.

Real Estate Demobilization Budget
Estimated Cost to Complete:

3 FTEs	\$250,000	
Property Acquisitions	1,412,000	
Estimated Condemnation Costs	1,440,000	
Facilities Maintenance	55,000	
	Total	\$3,157,000

Procurement

The Procurement Department currently has 8.5 FTEs assigned to work on ESE contracts. The demobilization plan is to reduce the number of FTEs to 2 by July

1998 and to continue staffing at that level through June 1999 to complete contract close-outs. There is one CWO which will not be completed and may require a settlement payment to terminate. The Procurement Department estimates the approximate settlement payment liability to be a maximum of \$500,000

Procurement Demobilization Budget
Estimated Cost to Complete:

Department Administration	\$ 1,420,000	
Contract Terminations	500,000	
	Total	\$ 1,920,000

Systems Contacts

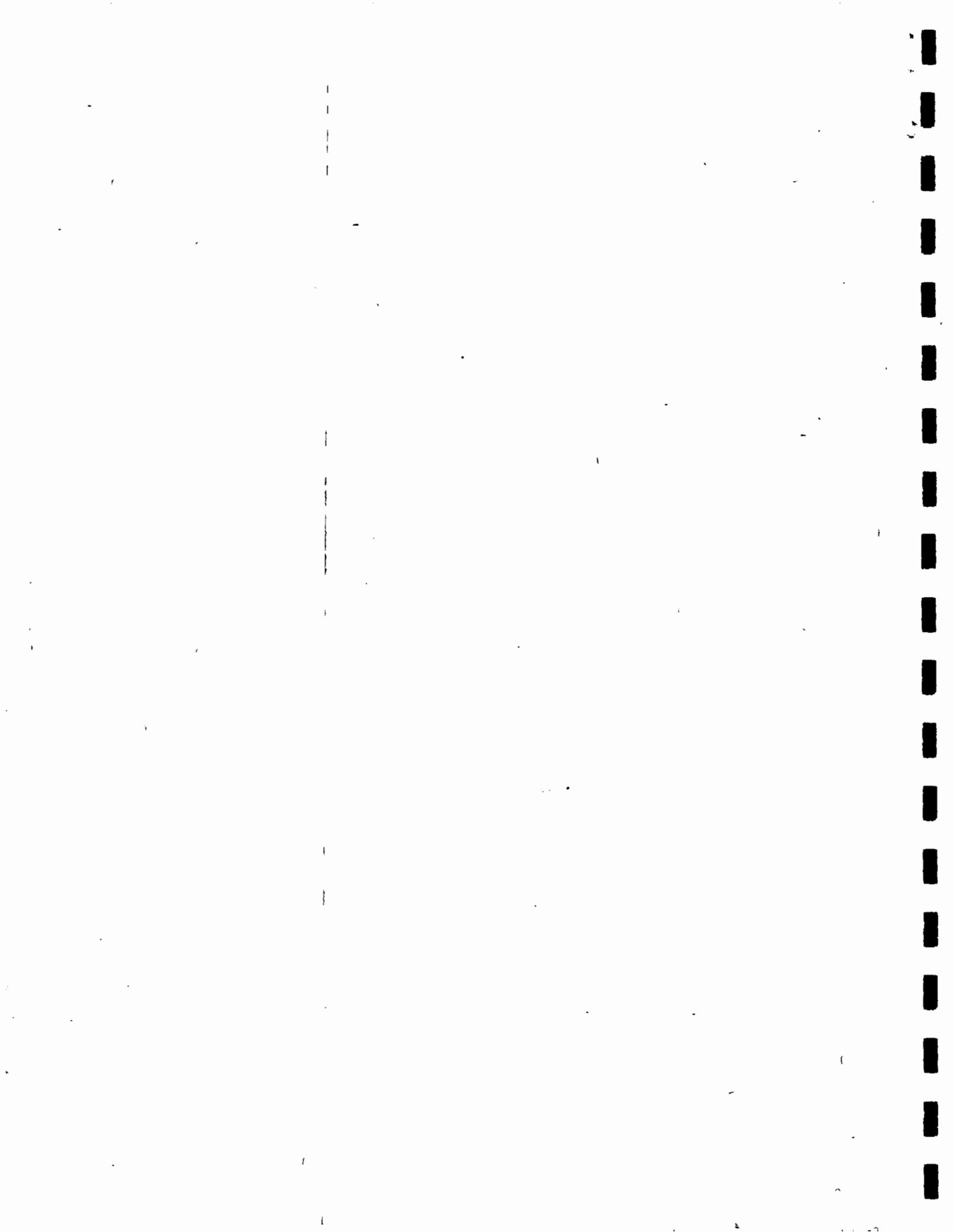
The agency has outstanding contractual commitments for materials and equipment of approximately \$4,700,000 of which \$400,000 has been expended. Should the MTA determine that cancellation of the remaining commitments is in its best interest, it is estimated that the termination costs would not exceed 12% of the remaining cost commitment of \$4,300,000, which is \$516,000.

Systems Contracts Demobilization Budget
Estimated Cost to Complete: \$516,000

Note:

This Demobilization Budget does not include the cost of closeout audits and agency overhead costs of ancillary support departments. Additional demobilization related costs may be identified such as office space leases for professional service consultants, legal costs associated with ongoing litigation, and any claims which may arise as a result of this action. Should they arise, these costs will be considered in connection with the development of the FY 99 budget.

No costs associated with rail vehicles on order have been factored into this estimated budget.



PASADENA BLUE LINE DEMOBILIZATION PLAN

Design

All design activity will be terminated immediately, except for the design related to four line segment contracts: C6390 Chinatown Aerial, C6420 L.A. River to Arroyo Seco, C6440 Arroyo Seco to Del Mar and C6450 Del Mar to Memorial Park. Each of these design contracts is at, or beyond, the 85% completion stage under fixed price contracts with the respective Section Designers. The design of these four line segments will be continued to completion. Signed and sealed packages ready for bidding will be stored. All other design work will be discontinued and staff and consultants will document the status and what is required for completion prior to storage.

Design Demobilization Budget
Estimated Cost to Complete:

Section Designer (Fixed)	\$990,000	
EMC (Estimated)	1,846,000	
	Total	\$2,836,000

Construction

Construction activity will cease on completion of punch list items and all in-process third party work orders for the only active construction contract, C6435 Bridge Retrofit.

Construction Demobilization Budget
Cost to Complete: \$900,000

Construction Management/Other Professional Services

The CM Consultant, MTC, will provide basic construction management services including final constructability reviews on the four line section contract packages, monitoring punch list completion, performance of close out activities on contract C6435, monitoring Third Party Work Order activities, and continued support of Project Control and reporting requirements. Other professional services include document control provided by LKG, program management support by Fluor Daniel Inc. and environmental services by Tetra Tech. These additional services will be completed by June 1998.

CM Demobilization Budget
Cost to Complete: \$1,840,000

Utility/Force Accounts

Utility relocations already in progress and other Third Party Activities to support demobilization efforts, such as the completion of the four line segment designs, must be funded to completion. No new Third Party or utility relocation work will begin following suspension.

Utility/Force Account Demobilization
Estimated Budget Cost to Complete: \$ 1,950,000

MTA Construction Division Administration

Construction Division staff assigned to PBL work currently consists of 16 FTEs. The Construction Division plans to reduce staff monthly as work is completed and to be fully demobilized by September 1998.

Administration Demobilization Budget
Estimated Cost to Complete: \$ 2,424,000

Real Estate

Twenty-four parcels have been acquired and 14 relocations completed. Currently there are no active acquisitions or relocations pending. There are nine vacant lots, two vacant easement areas, two MTA occupied buildings, six leased residential buildings and 2 leased commercial buildings. The Demobilization Plan is to continue to lease the occupied properties and have Facilities Maintenance maintain the vacant properties. Security has not been a problem for the MTA owned parcels. Currently 4.5 FTEs are assigned to the PBL. Upon suspension the FTEs will be reduced to 0.6 FTE positions.

Real Estate Demobilization Budget
Estimated Cost to Complete:

1.0 FTE	\$ 100,000	
Facilities Maintenance	31,025	
	Total	\$131,025

Procurement

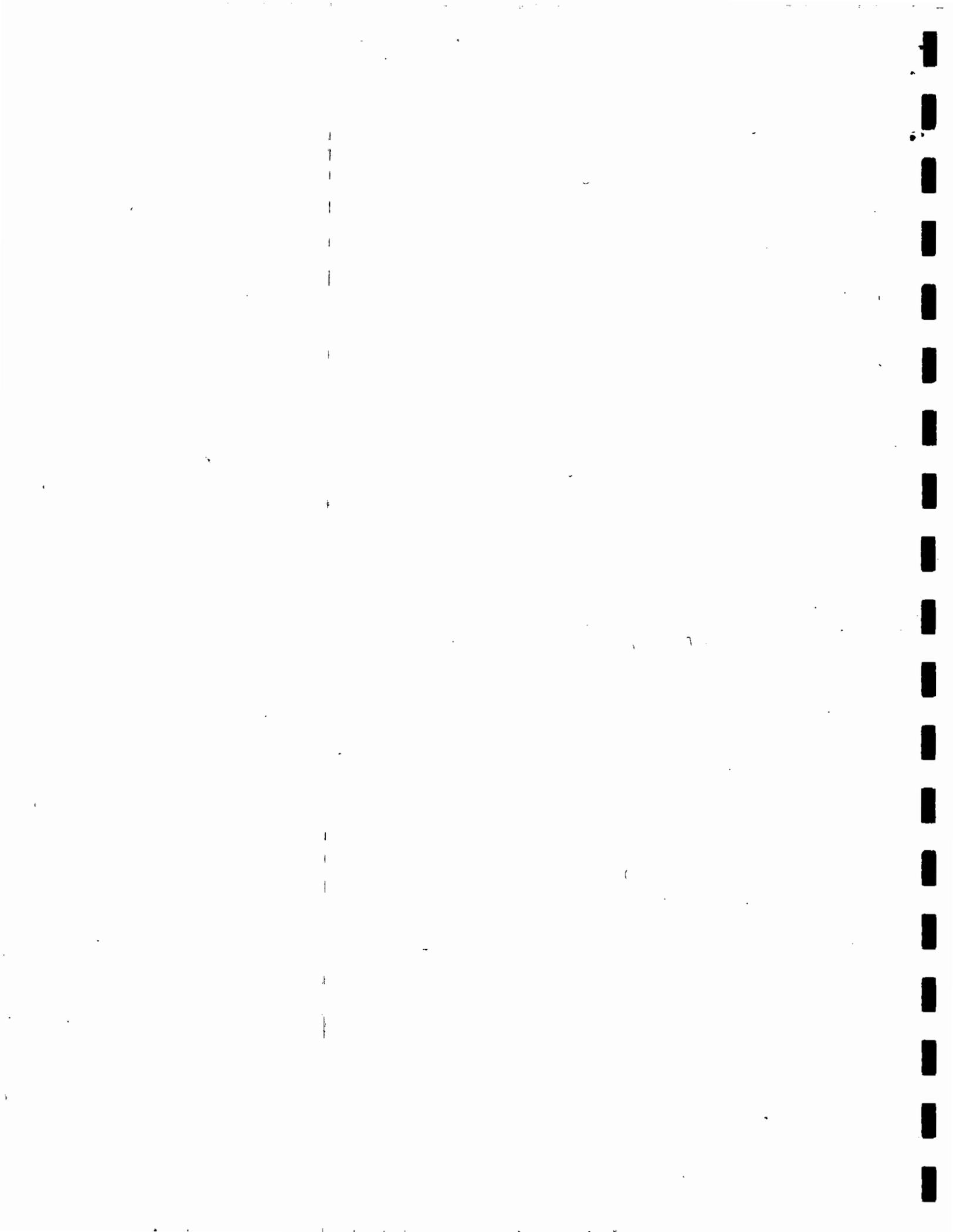
The Procurement Department currently has 5.5 FTEs assigned to work on PBL contracts. The Demobilization Plan is to reduce the number of FTEs to 2 by July 1998 and to continue staffing at that level through June 1999 to complete contract close outs. There are four CWOs which will not be completed and which may require a settlement payment to terminate. The Procurement Department estimated the approximate settlement liability at \$2,150,000.

**Procurement Demobilization Budget
Estimated Cost to Complete:**

Department Administration	\$1,075,000	
Contract Terminations	2,174,000	
	Total	\$3,249,000

Note:

This Demobilization budget does not include the cost of closeout audits and possible termination costs associated with the Project Management Oversight Consultant, and agency overhead costs of ancillary support departments. Additional demobilization related costs may be identified such as office space leases for professional service consultants, legal costs associated with ongoing litigation, and any claims which may arise as a result of this action. Should they arise, these costs will be considered in connection with the development of the FY 99 budget.



MID-CITY EXTENSION DEMOBILIZATION PLAN

Regional Transportation Planning and Development

During the suspension period, RTP&D will continue processing the draft Environmental Impact Statement and Environmental Impact Report. Limited geotechnical field work will be completed at which time staff will coordinate FTA review.

Regional Transportation Planning Demobilization Budget
Estimated Cost to Complete: \$110,000

Systems Contracts

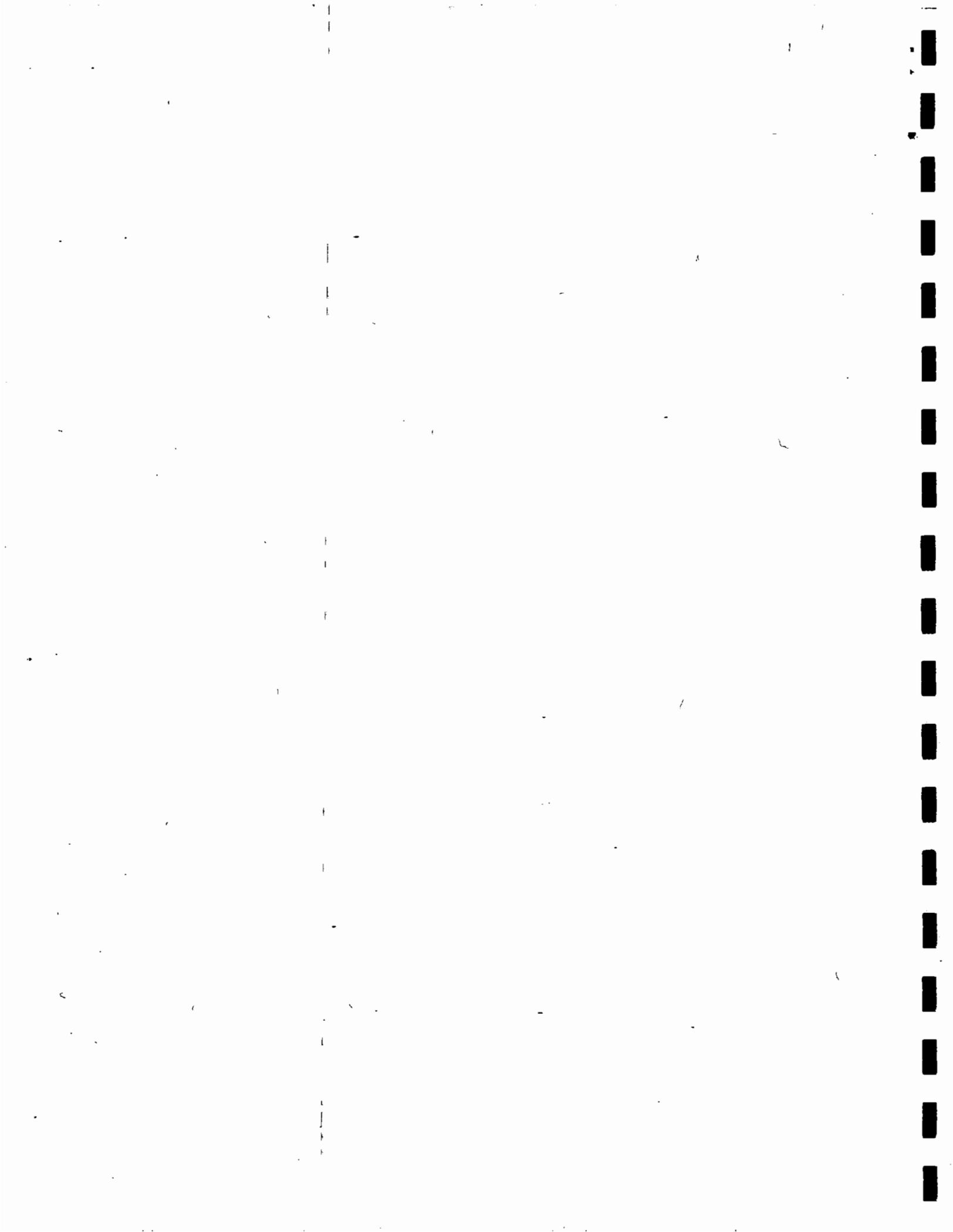
The agency has outstanding contractual commitments for materials and equipment of approximately \$15,700,000 of which \$300,000 has been expended. Should the MTA determine that cancellation of the remaining commitments is in its best interest, it is estimated that the termination costs would not exceed 12% of the remaining cost commitment of \$15,400,000, which is \$1,848,000.

Systems Contracts Demobilization Budget
Estimated Cost to Complete: \$1,848,000

Note:

This Demobilization budget does not include cost of closeout audits and agency overhead costs of ancillary support departments. Additional demobilization related costs may be identified and will be considered in connection with the development of the FY 99 budget.

No costs associated with rail vehicles on order have been factored into this estimated budget.



SP4

MTA Rail Program

Suspension & Demobilization Plan

Special Board Meeting

January 14, 1998

Demobilization Plan

Eastside Extension

Complete Design	\$1,812,000
Construction	
(Demobilization & Remediation)	1,337,000
Construction Management	1,063,000
Utility/Force Accounts	300,000
MTA Construction Admin	2,813,000
Real Estate	3,157,000
Procurement	1,920,000
Systems Contract Terminations	<u>516,000</u>
Total:	\$12,918,000

Demobilization Plan

Pasadena Blue Line

Complete Design	\$2,836,000
Construction (Demobilization & Remediation)	900,000
Construction Management	1,840,000
Utility/Force Accounts	1,950,000
MTA Construction Admin	2,424,000
Real Estate	131,025
Procurement	<u>3,249,000</u>
Total:	\$13,339,025

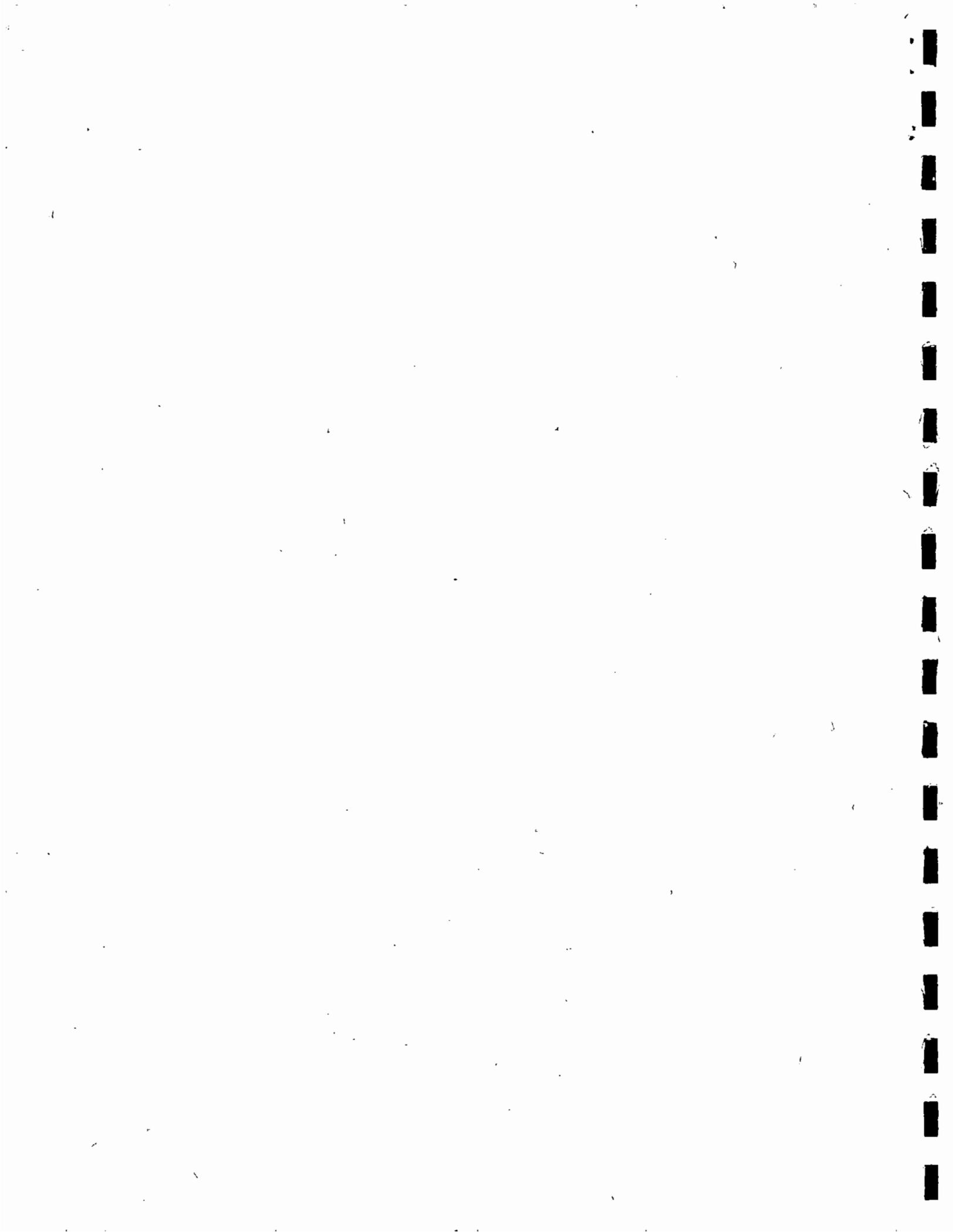
Demobilization Plan

Mid-City Extension

Regional Transportation Planning & Development	\$ 110,000
Systems Contract Terminations	<u>1,848,000</u>
Total:	\$1,958,000

Budget Impact of Suspension

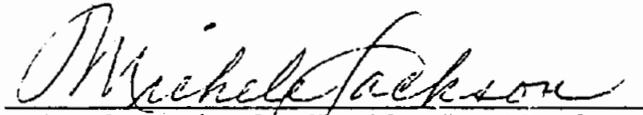
(\$ millions)	Expenditures through 1/15/98	Cost to Complete Work	Extra- ordinary Costs to Demobil	Refore- cast Budget Assuming Demobil	12/97 Refore- cast Budget	Adopted 97-98 Capital Budget
Eastside	\$21.70	\$11.9	\$1.01	\$34.61	\$34.5	\$145.9
Pasadena Blue Line	15.60	11.16	2.17	28.93	44.9	76.3
Mid-City	.18	.11	1.85	2.14	2.1	7.6
Total	\$37.48	\$23.17	\$5.03	\$65.68	\$81.5	\$229.8



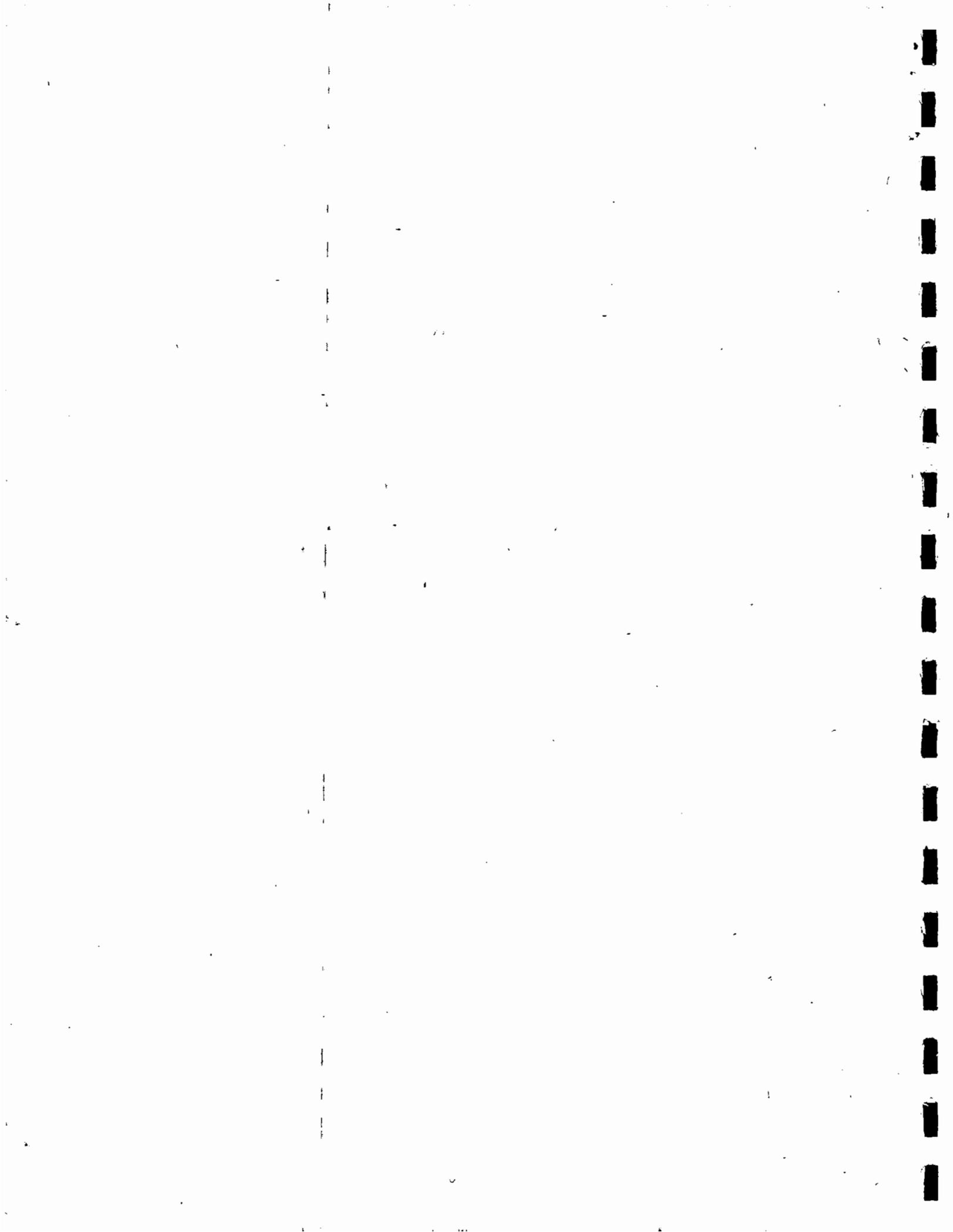
APPENDIX H

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the following is a true and correct copy of the Minutes of a legally-convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on January 14, 1998.


for Georgia B. Hamilton (Seal)
MTA Secretary

DATED: April 3, 1998





MINUTES

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

SPECIAL BOARD MEETING BOARD OF DIRECTORS

MTA Headquarters
3rd Floor - Board Room
One Gateway Plaza
Los Angeles

January 14, 1998 - 1:30 p.m.

Call to order at 1:53 p.m.

Directors Present:

Richard Riordan, Chair
Yvonne Brathwaite Burke, First Vice Chair
James Cragin, Second Vice Chair
Richard Alatorre
Michael Antonovich
Har Bemson
John Fasana
Don Knabe
Jose Legaspi
Gloria Molina
Jenny Orópeza
Zev Yarosiavsky
Larry Zarian
Tony V. Harris, Ex Officio

Interim Chief Executive Officer - Julian Burke
Board Secretary - Georgia Hamilton
Inspector General - Arthur Sinai
General Counsel - County Counsel

CEO Julian Burke announced the appointment of Ms. Sharon Landers, Deputy Chief Executive Officer. Ms. Landers comes to MTA from the New Jersey Department of Transportation where she served as Deputy Commissioner.

1. CONSIDERED authorizing the CEO to SUSPEND:

- A) the East Side Extension of the Metro Red Line Project and Implement the Demobilization Plan.
- B) the Pasadena Blue Line Project and Implement the Demobilization Plan.
- C) the Mid-City Extension of the Metro Red Line Project and Implement the Demobilization Plan.

Deputy CEO Allan Lipsky presented to the Board a summary of the staff recommendation to suspend and demobilize the East Side Extension, Pasadena Blue Line and Mid-City Extension of the Metro Red Line. Mr. Lipsky stated the approval of the recommendation would accomplish two goals; namely, 1) shutting these projects down as quickly as possible with the lowest possible additional expenditure, 2) demobilizing these projects in an orderly manner. Mr. Lipsky concluded that the suspension of these rail projects could lead to the deprogramming/ceobligation of existing federal and state funding. He noted, however, that the CEO has had encouraging conversations with the FTA, The U.S. DOT and the CTC and will direct his efforts at the local, state and federal levels toward maintaining the agency's options with respect to the amount and application of funding.

CEO Burke said that after much consideration of the comments and issues raised by the members of the Board and the staff, he is more convinced today than ever, that there is no way to proceed with the current schedule of these projects; although he is not advocating termination.

Director Antonovich presented a motion to direct the CEO to implement final termination of all subway extensions, terminate all subway contracts for the east side and mid-city projects immediately, and return to the Board at the February meeting with 20-year cash flow projections that reflect the elimination of all future subway extensions.

The motion FAILED on a Roll Call vote as follows:

Ayes: Antonovich, Yaroslávsky, Zarian
Noes: Alatorre, Burke, Cragin, Knabe, Fasana, Legaspi,
Molina, Oropeza, Riordan
Abstain: Bernson
Absent: None

Comments were received from Congresswoman Lucille Roybal-Allard, Congressman Xavier Becerra and staff member Chi Mui of State Senator Polanco's office expressing the opinion that a suspension will adversely affect federal funding.

Councilman Mike Hernandez, Pasadena Mayor Chris Holden and representatives from the offices of State Senators Tom Hayden and Adam Schiff, Assemblymen Antonio Villaraigosa, Jack Scott and Gill Cedillo, Congressman James Rogan, and Councilpersons Sid Taylor, Laura Blakely and Harry Baldwin spoke against any delay to the Pasadena Blue Line and suggested pursuing public/private funding partnerships.

Director Burke suggested that the staff recommendation be amended to specify a 6-month suspension.

A substitute motion was offered by Directors Alatorre and Molina to establish a peer review panel to recommend cost-saving proposals related to both the construction and financing of the East Side Extension project, including options to scale back the existing project's scope, and report their recommendations back to the Board within 60 days.

Directors Alatorre and Molina presented an amended motion to suspend the East Side Extension of the Red Line, the Pasadena Blue Line and the Mid-City Extension of the Red Line for six months. During this time the staff is directed to investigate a wide range of cost-saving measures in both operations and construction. This effort should include cost-benefit analyses of: public-private partnerships to construct and operate rail lines; partnerships with independent bus service providers; redesign of rail lines, rail types, and stations; operational savings measures; and financing alternatives.

The CEO is directed to proceed with the suspension activities outlined in his recommendation. He is directed to consult with the Board of Directors before taking any action regarding the outstanding systems contracts related to the East Side extension. The CEO is directed to provide monthly reports and recommendations to the Board on the results of staff analyses.

After considerable discussion and a 10-minute recess, the Board ADOPTED, on a Roll Call Vote the following RESOLUTION:

Whereas the Board underscores its continuing directive to complete the East Side and Mid-City Extensions of the Metro Red Line Project and the Pasadena Blue Line Project;

Whereas Los Angeles County has expended tremendous efforts to secure funding at the federal and state level for the rail program;

Whereas the Board strongly desires that every effort be made to preserve funding for the affected projects;

Now, therefore the Board hereby resolves that:

- A) The CEO suspend for at least six months the East Side Extension of the Metro Red Line Project and implement the Demobilization Plan.
- B) The CEO suspend for at least six months the Pasadena Blue Line Project and implement the Demobilization Plan.
- C) The CEO suspend for at least six months the Mid-City

Extension of the Metro Red Line Project and implement the Demobilization Plan.

- D) The Board directs the CEO to report on a monthly basis regarding the unfolding ability to preserve the federal and state programmed fundings and on all developments bearing on the ability and timing of restarting one or more of these projects, including any third party proposals to support such efforts.
- E) Board members will, to an appropriate extent, support and engage in the ongoing effort to preserve the federal and state fundings programmed for these projects.
- F) The CEO will return to the Board in six months or less with a report to the Board of any feasible funding options for the remobilization of any of the subject projects.

Resolution APPROVED on the following Roll Call vote:

Ayes: Alatorre, Bemson, Burke, Cragin, Knabe, Fasana,
Legaspi, Molina, Oropeza, Riordan
Noes: Antonovich, Yaroslavsky, Zarian
Abstain: None
Absent: None

2. CONSIDERED adopting the 1998 County Transportation Improvement Program (SB 45) as follows:

- A) Deobligate \$12.0 million of previously approved Transportation Improvement Program (TIP) Call for Projects and 1996 State TIP commitments due to project savings, cancellations, and lapsing, and reprogram the funds to projects in the 1998 County TIP;
- B) Reserve \$3.7 million for MTA administrative expenses related to the 1998 County TIP projects;

- C) Adopt the Regional Transportation Improvement Program of Projects totaling \$746.5 million for the 1998 County Transportation Improvement Program (TIP) with the following stipulations:
- 1) Complete the Metro Rail Red Line North Hollywood Extension by committing \$207.1 million to the project;
 - 2) Reserve \$48.4 million for programming to Transportation Enhancements Activities (TEA) as required by the California Transportation Commission (CTC). Reserve half of these funds (\$24.2 million) for future programming;
 - 3) Eliminate the 1997 TIP Call for Projects Shortfall by committing \$474.4 million to projects. Of this amount, \$24.2 million will be TEA funds from the reserve required by the CTC;
 - 4) Resolve the 1997 Call for Projects Eligibility Issue by committing \$3.3 million to the projects;
 - 5) Commit to funding \$11.7 million in 1996 State TIP Underfunded projects; and
 - 6) Allocate the remaining \$25.8 million in available County TIP funds to Carpool Lane Soundwalls (\$8.1 million) and Regional Ridesharing (\$17.7 million).

APPROVED, by voice vote, motion presented by Director Zanin requesting the CEO to:

- A) Work cooperatively with Caltrans District #7 to develop a joint list of interregional road projects in Los Angeles County for a the CTC's consideration during the 1998 STIP process; and
- B) Work cooperatively with Caltrans to consider the project eligibility of the Burbank-Glendale Mobility & Safety

improvements and other MTA projects for incorporation into the proposed ITIP and report back to the Board as to the status of this cooperative process envisioned by CTC.

Director Yaroslavsky requested the list of projects.

Directors voting: Antonovich, Bemson, Burke, Cragin, Knabe, Fasana, Legaspi, Oropeza, Riordan, Yaroslavsky, Zarian

Director Antonovich commented that Senate Bill 45 was to provide funds for transportation in the region and that the City of Los Angeles ought to come back with additional funding for the Red Line within their jurisdiction instead of taking funds from communities in the Northern, Eastern and Southern parts of the County.

Director Antonovich presented a substitute motion to adopt the 1998 County Transportation Improvement Program (SB45) with the condition that the CEO be directed to identify funds, other than state money if possible, to complete the North Hollywood Metro Rail project and return to the Board in 60 days with his recommendations.

The substitute motion was subsequently amended and APPROVED as follows:

Adopt the 1998 County Transportation Improvement Program (SB45) and direct the CEO to identify funds, other than State money, to complete the North Hollywood Metro Rail Project, and return to the Board on January 29 with his recommendations: with the proviso that the Board not be obligated with respect to the use of funds identified.

Directors voting: Antonovich, Bemson, Burke, Cragin, Knabe, Fasana, Legaspi, Oropeza, Riordan, Yaroslavsky, Zarian

APPROVED motion presented by Director Zarian to direct CEO and staff to work with local agencies to analyze the concept of a local return or other funding component in future Transportation Improvement Program cycles and return to the Board within 90 days with a recommended policy for funding beginning with the 2000 CTIP

Directors voting: Antonovich, Bemson, Burke, Cragin, Knabe, Fasana, Legaspi, Oropeza, Riordan, Yaroslavsky, Zarian

CARRIED OVER to January 29 Board Meeting, motion introduced by Director Fasana that CEO fully fund the MTA Carpool Lane Soundwall list described in Attachment G of the staff report by reducing the funding for the North Hollywood Red Line shortfall by a like amount; and this action be contingent upon the state funding the 1989 Soundwall Retrofit Projects off the top of the State Highway Account. If the state refuses to do this, the Retrofit Soundwall Projects and the MTA Carpool Lane Soundwall Projects shall return to the Board for funding priority reconsideration.

APPROVED, on a voice vote, motion presented by Director Yaroslavsky, seconded by Director Antonovich, that if any highway projects on the 1996 or 1998 STIP list become deobligated, these funds be set aside any funds from deobligated highway projects on the 1996 or 1998 STIP list to help fund the Santa Monica Boulevard Transit project, subject to Board approval.

Directors voting: Antonovich, Bemson, Cragin, Knabe, Fasana, Legaspi, Oropeza, Riordan, Yaroslavsky, Zarian

3. APPROVED, on a voice vote, FASANA/OROPEZA MOTION - to direct the CEO to return to the Board within 90 days with an implementation plan to divest MTA bus service into subregionally-governed bus service providers, or zones. The CEO is directed to work with the City of Los Angeles, entities studying a San Fernando Valley zone, San Gabriel Valley Council of Governments (COG), Foothill Transit Zone, Gateway COG, South

Bay COG, Arroyo Verdugo cities and other subregional agencies to develop alternative bus service delivery structures based upon the Transit Zone concept; **AMENDED** to include consideration of the following issues in the development plan:

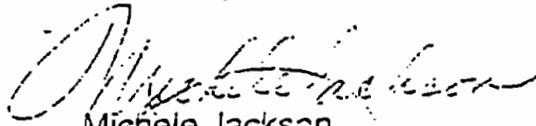
- Impact on existing municipal operators and their options to provide service in the sub-regions
- Impact on the MTA as the regional planning agency for Los Angeles County
- Equity/fairness to disadvantage communities such as Inner City areas
- Cost/savings of such actions
- Amount of funds/assets to be transferred with each line
- Fleet replacement issues
- Analysis of regional formula funding issues and mitigation, if necessary
- Divestiture of lines that cross multiple municipal operator service areas
- Impact on MTA labor agreements
- Consent Decree ramifications
- Interagency transfer and fare agreements
- Divestiture of MTA Operating assets

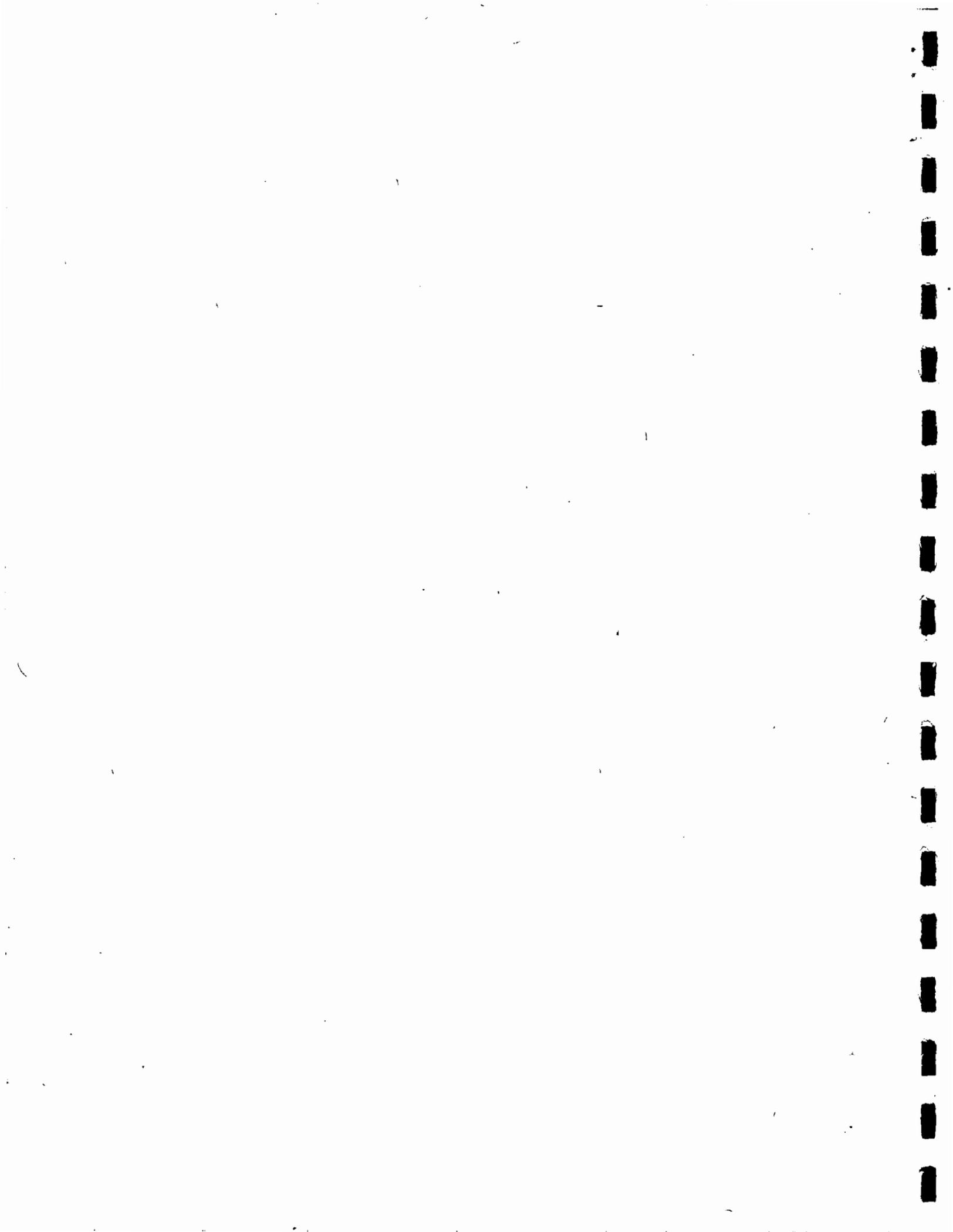
Directors voting: Antonovich, Bemson, Cragin, Knabe, Fasana, Legaspi, Oropeza, Riordan, Yaroslavsky, Zarian

Received Public comment.

Meeting adjourned at 5:22 p.m.

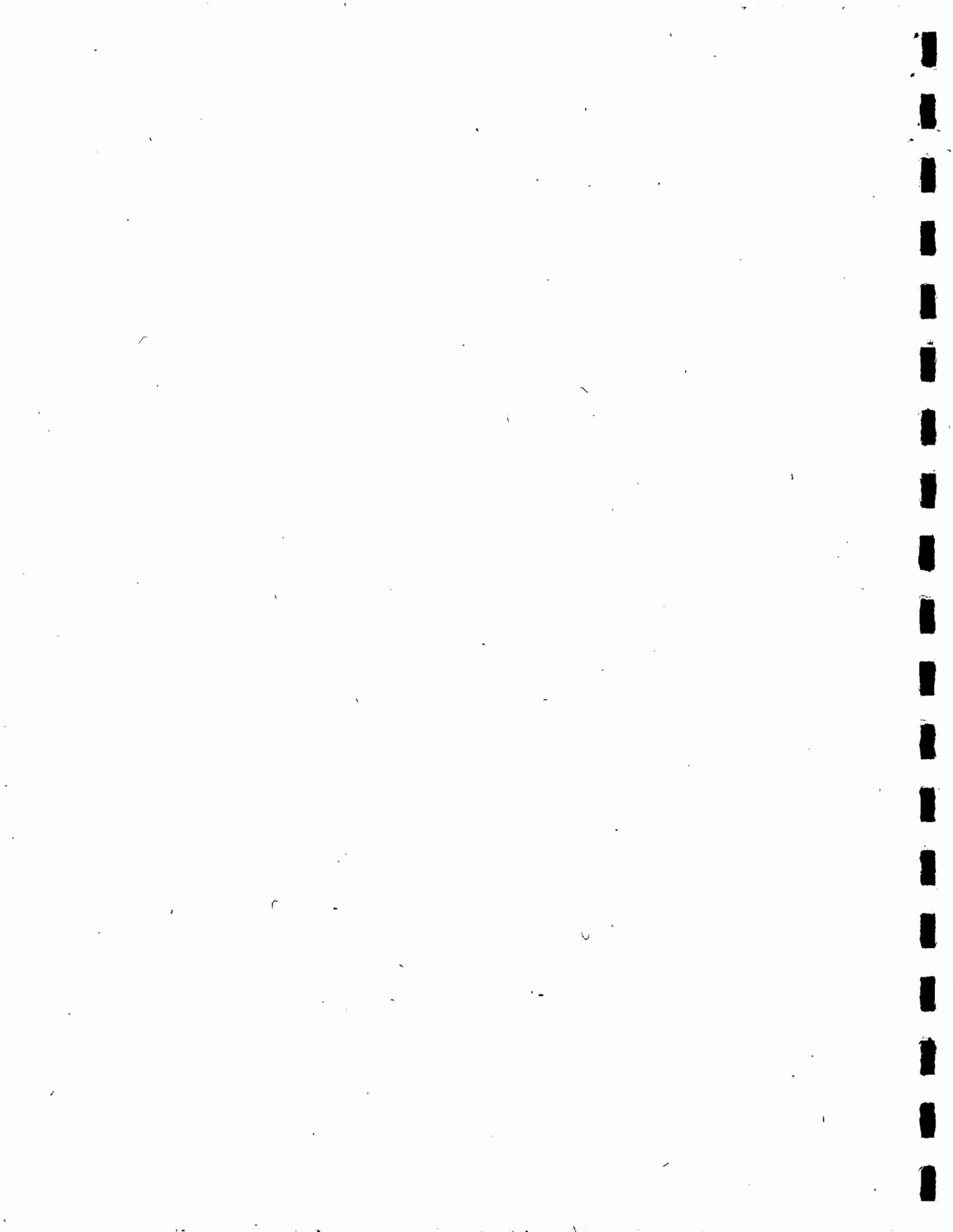
Prepared by: Christina Lumba-Gamboa
Recording Secretary


Michele Jackson
Assistant Board Secretary



APPENDIX I

This appendix describes the reserves of the MTA relating to the Revised and Restated North Hollywood Full Funding Grant Agreement and the cash operating reserve. The latest available monthly statements on the two reserves is included along with a chart showing the bonding capacity of Proposition C first tier & second senior lien.



MTA FY98 REVISED BUDGET

Distribution of Unallocated Revenues

(\$000)

Reserves

Proposition A Interest	\$	5,000
Proposition C Interest		<u>20,000</u>
Subtotal		25,000

MTA/Municipal Operators FAP Funds (1)

Proposition A Discretionary (95% of 40%)	4,309
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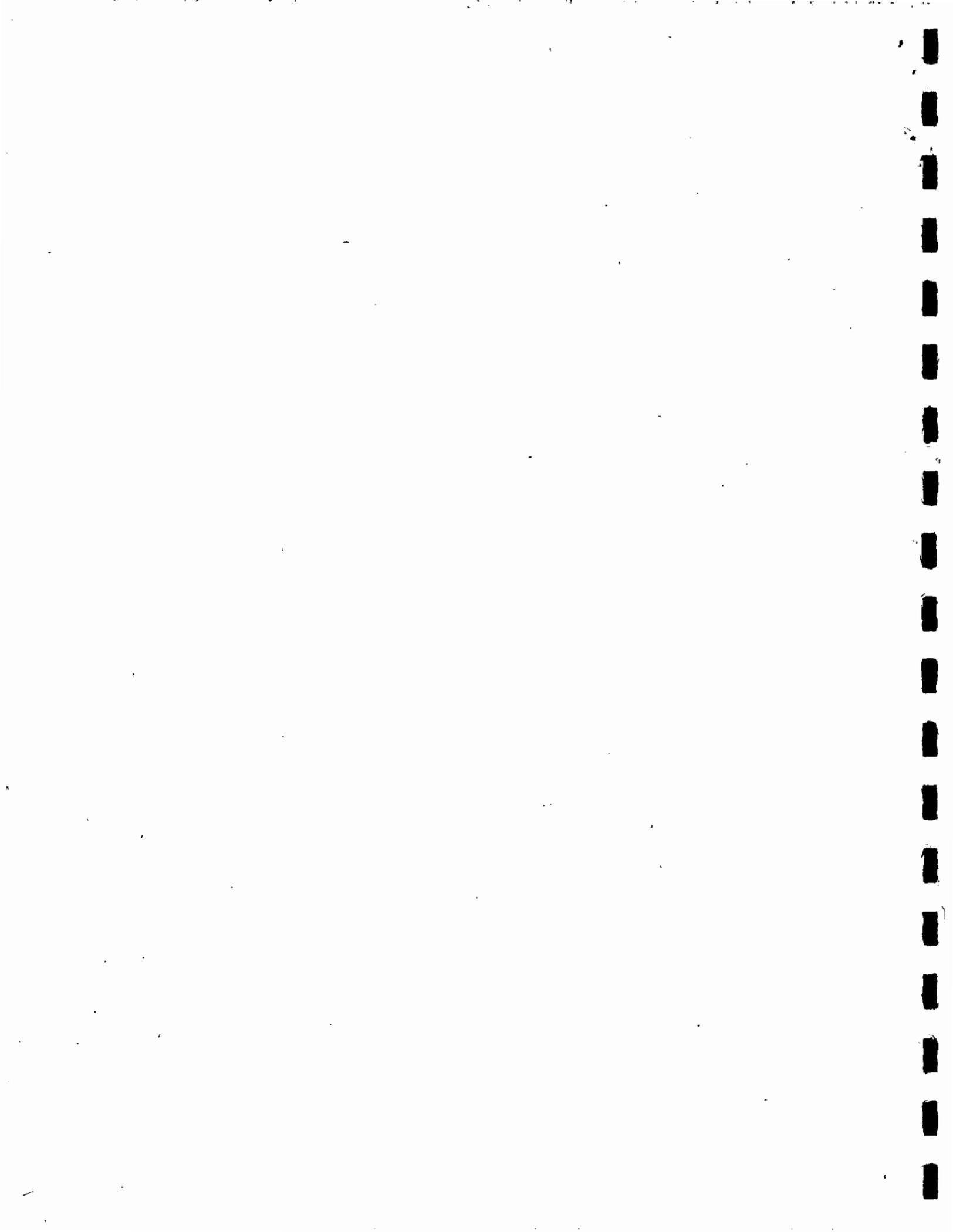
MTA Funds

General Revenue Bonds (2)	580
Lease Revenues	1,706
TDA (3)	73,386
Prop C 25% - Streets & Highways (4)	138,377
Prop C 10% - Commuter Rail (4)	35,891
Prop C 40% - Discretionary (4)	14,298
SAFE (5)	13,345
Federal Section 9 Capital (6)	<u>24,000</u>
Subtotal	277,583

300

Total	\$	<u>307,192</u>
-------	----	----------------

- (1) Subtotal to allocation
- (2) Restricted for Gateway Improvements
- (3) Prior years' carryover local match funds
- (4) Restricted due to prior programming commitments
- (5) Restricted eligibility for call box program only
- (6) Programmed for future bus purchase



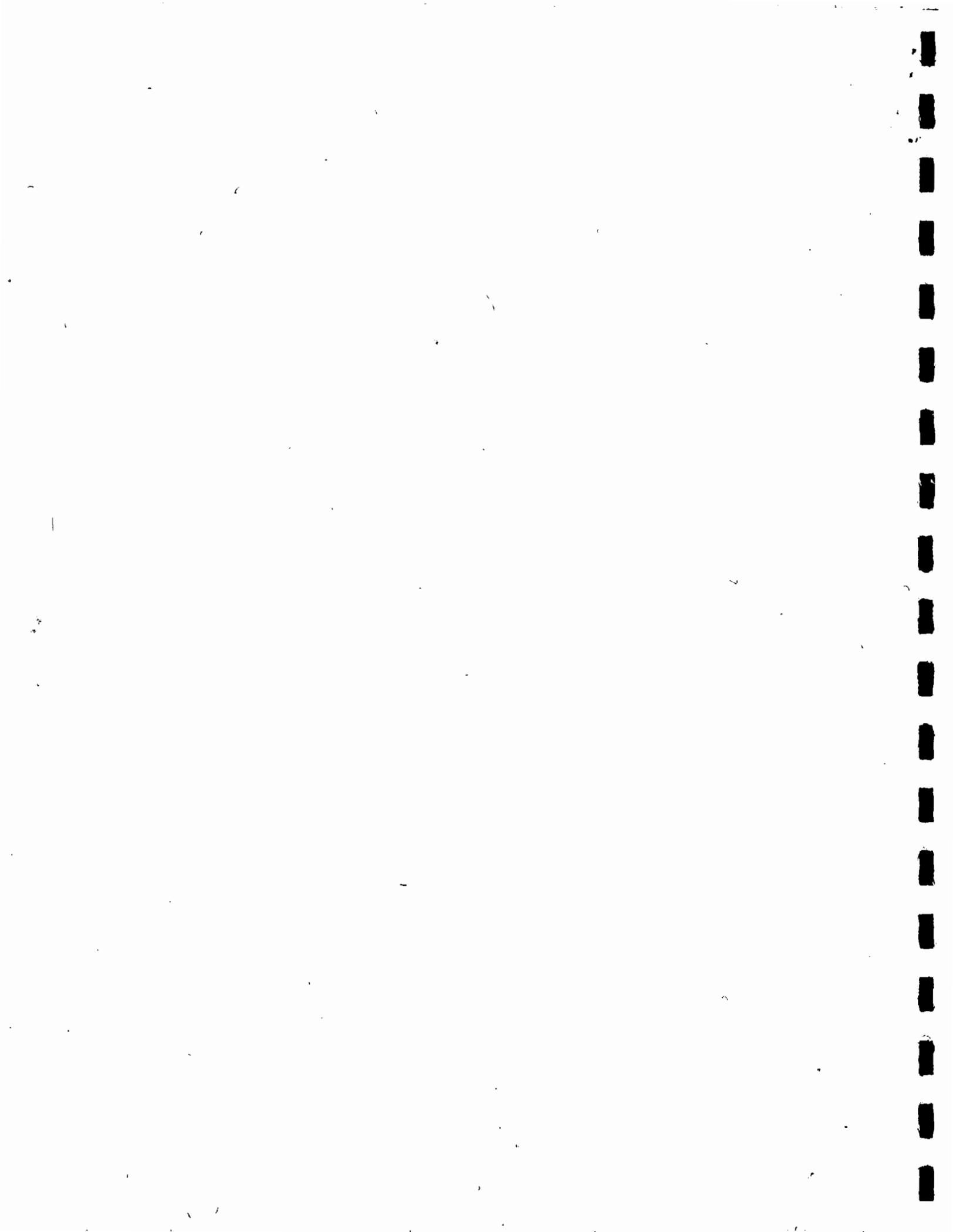
Summary of Unallocated Revenues

The following schedule shows the distribution of unallocated revenues. These revenues represent the difference between the Total Available Revenues and the Expenditure Budget. As shown on the schedule, these funds are categorized into Reserves, Funds subject to Allocation through FAP, and Restricted MTA funds.

The MTA has set aside \$25 million in Proposition A and C funds for reserve, consistent with the MTA Recovery Plan.

The MTA is holding \$4.3 million in Proposition A Discretionary funds that are subject to allocation through the Formula Allocation process. This fund balance will be reviewed in the Mid-year Transit Operators Allocation process.

The MTA is carrying \$277.6 million in restricted funds for prior year funded capital projects or from prior year programmed funds for the Call for Projects and commuter rail.




Sanwa
Trust &
Investment

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTION AUTHORITY (MTA)
FTA RESERVE NORTH HOLLYWOOD FFGA
ACCOUNT NO. 61-C125-13-7

FINANCIAL STATEMENT FOR THE PERIOD
03/01/98 THROUGH 03/31/98

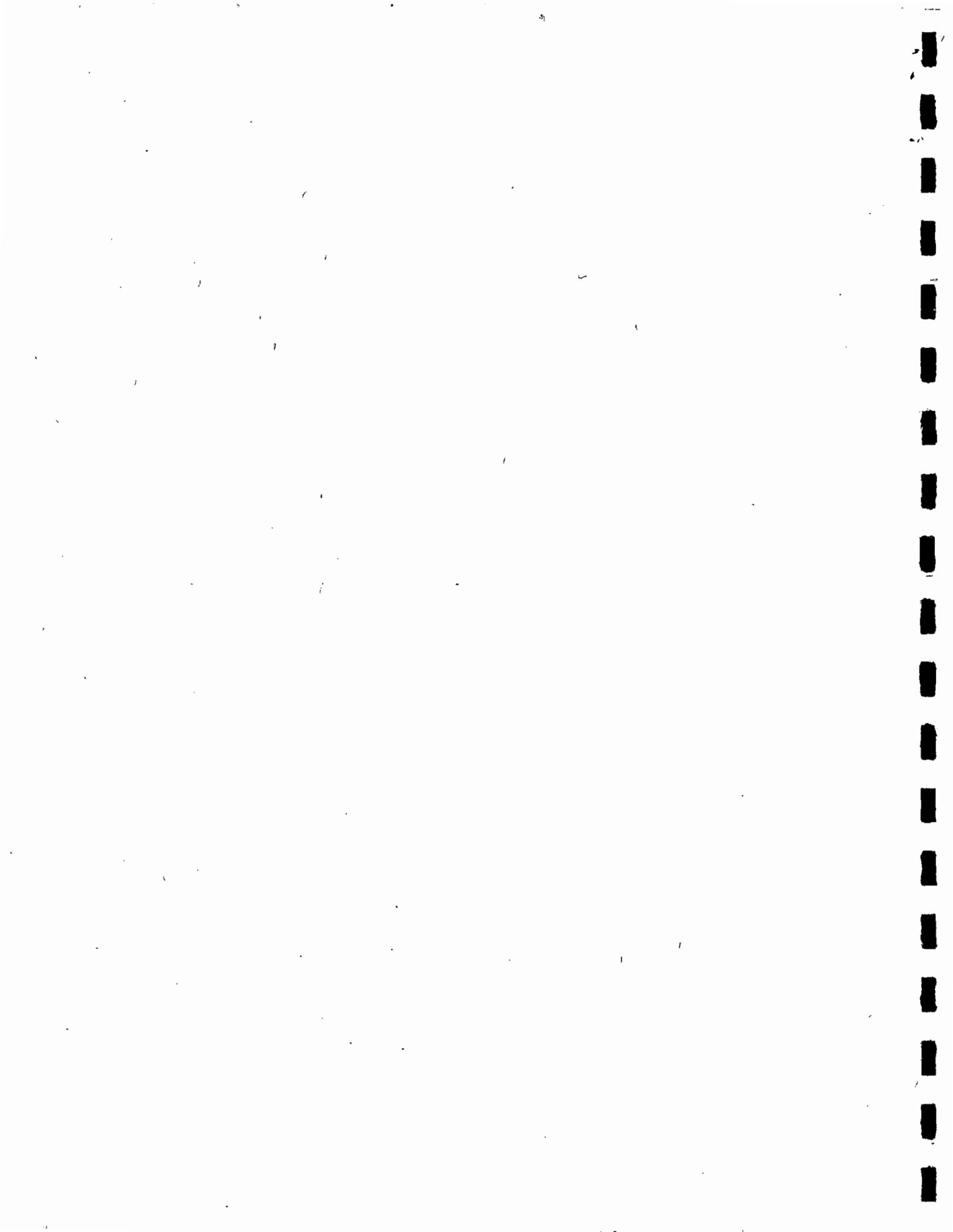
ADMINISTRATOR:
MARSHA LINDEN

(213) 727-6222



L.A. COUNTY METRO TRANS AUTH.
ATTN: JOYA DE FOOR, ACTING TREASURER
P. O. BOX 194
LOS ANGELES CA 90053-09194

093



MARKET VALUE RECONCILEMENT
 FOR PERIOD 03/01/98 THRU 03/31/98

LOS ANGELES COUNTY METROPOLITAN
 TRANSPORTION AUTHORITY (MTA)
 FTA RESERVE NORTH HOLLYWOOD FFGA

MARKET VALUE BEGINNING OF PERIOD			10,065,264.73
INCREASES			
INCOME	SCHEDULE D	62,345.97	
REALIZED GAINS	SCHEDULE G	.00	

TOTAL INCREASES			62,345.97
DECREASES			
EXPENSES	SCHEDULE E	177.22-	
CASH TRANSFERS	SCHEDULE H	69,747.08-	
MARKET DEPRECIATION			
END OF PERIOD		47.76-	
BEGINNING OF PERIOD		1,510.22	

TOTAL MARKET DEPRECIATION		1,557.98-	
ACCRUED INCOME			
END OF PERIOD		31,270.28	
BEGINNING OF PERIOD		45,305.20	

TOTAL ACCRUED INCOME		14,034.92-	

TOTAL DECREASES			85,517.20-

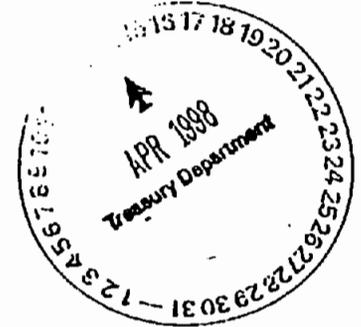
MARKET VALUE END OF PERIOD			10,042,093.50

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY (MTA)
FTA RESERVE-ENTERPRISE
ACCOUNT NO. 61-C125-14-5

FINANCIAL STATEMENT FOR THE PERIOD
03/01/98 THROUGH 03/31/98

ADMINISTRATOR:
MARSHA LINDEN

(213) 727-6222



L.A. COUNTY METRO TRANS AUTH.
ATTN: JOYA DE FODR, ACTING TREASURER
P. O. BOX 194
LOS ANGELES CA 90053-09194

MARKET VALUE RECONCILEMENT
FOR PERIOD 03/01/98 THRU 03/31/98

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY (MTA)
FTA RESERVE-ENTERPRISE

MARKET VALUE BEGINNING OF PERIOD		15,084,548.56
INCREASES		
INCOME	SCHEDULE D	80,390.79
REALIZED GAINS	SCHEDULE G	.00

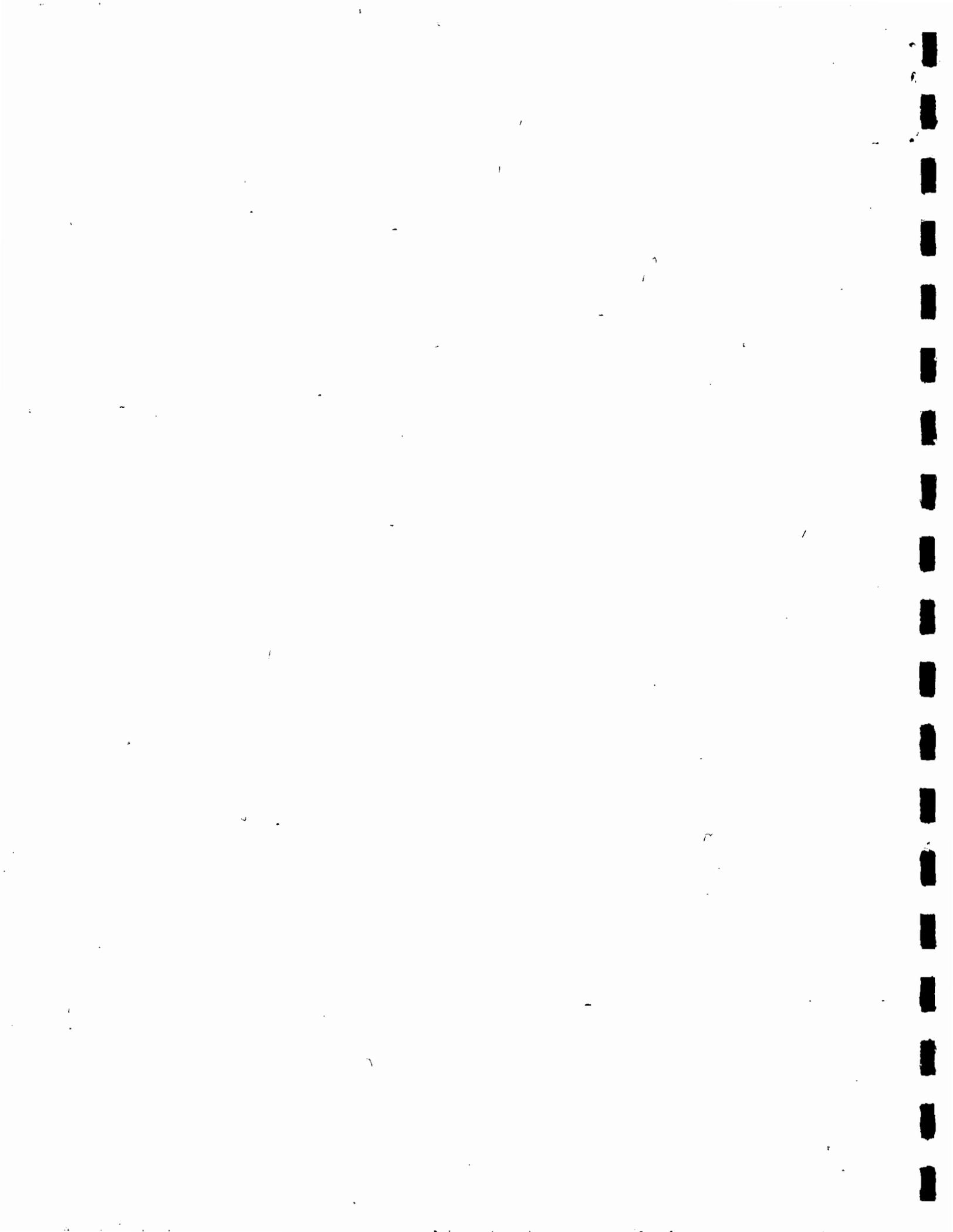
TOTAL INCREASES		80,390.79
DECREASES		
EXPENSES	SCHEDULE E	314.24-
CASH TRANSFERS	SCHEDULE H	87,477.61-
MARKET DEPRECIATION		
END OF PERIOD		102.08-
BEGINNING OF PERIOD		2,194.11

TOTAL MARKET DEPRECIATION		2,296.19-
ACCRUED INCOME		
END OF PERIOD		43,025.09
BEGINNING OF PERIOD		51,286.73

TOTAL ACCRUED INCOME		8,261.64-

TOTAL DECREASES		98,349.68-

MARKET VALUE END OF PERIOD		15,066,589.67

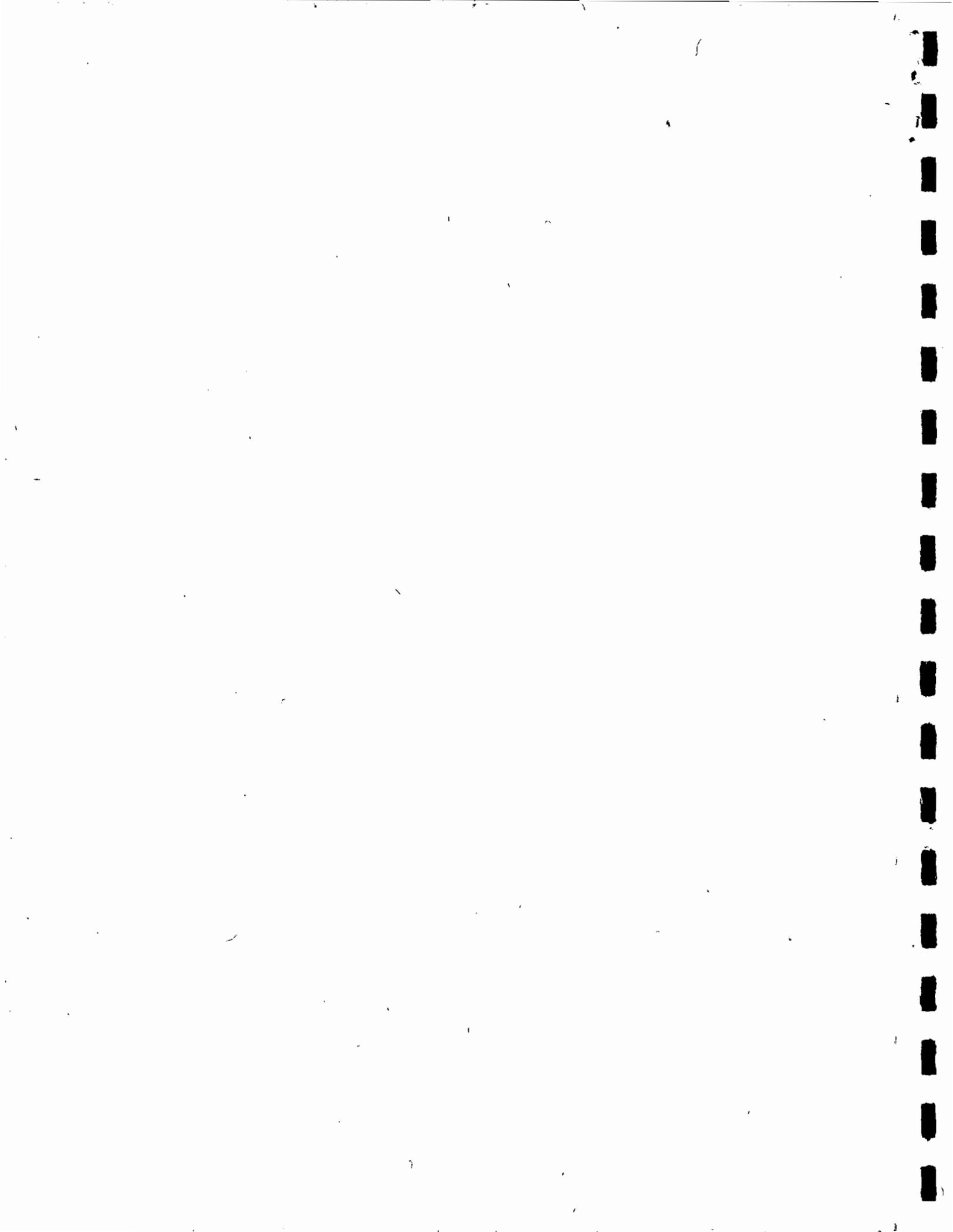


Attachment

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

ANALYSIS OF ADDITIONAL BONDING CAPACITY
PROPOSITION C FIRST TIER SECOND SENIOR LIEN

Proposition C Sales Tax Revenues for FY97	413,206,437
Pledged Revenue of 80%	330,565,150
Maximum Annual Debt Service for Senior Lien	78,847,637
Coverage Ratio as of 7/1/97 (1.30 minimum)	4.192
Additional Bonding Capacity as of 7/1/97 - Assumes 6.25% Interest Rate on Bonds	2,292,862,737



MTA BOARD MEETING
APRIL 23, 1998



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2932

(213) 922-2000

SUBJECT: RESPONSE TO INSPECTOR GENERAL'S REPORT

ACTION: CORRECTIVE ACTION PLAN TO ADDRESS THE
INSPECTOR GENERAL'S MANAGEMENT CONTROLS
PROJECT PLAN

RECOMMENDATION

Receive status report on implementing steps to address recommendations and action items in the Inspector General's Management Report on Status of Internal Controls at the MTA.

BUDGET IMPACT

Not applicable.

BACKGROUND

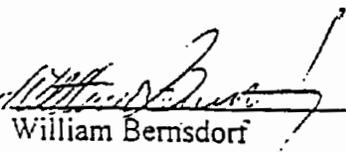
On March 9, 1998, the Inspector General released a report on the status of internal controls at the MTA. The report recommended that MTA immediately begin implementing a comprehensive system of internal controls following the generally accepted framework developed by COSO (the Committee of Sponsoring Organizations). It also recommended that MTA establish a resolution and tracking system to ensure that recommendations made by auditors and other outside reviewers are promptly resolved and tracked until implemented. The report contained examples of numerous internal control weaknesses that had been identified in past IG audits and investigations. On March 19, 1998, Director Gloria Molina presented a motion directing the MTA Chief Executive Officer to return to the Board with an analysis for implementing the Inspector General's recommendations.

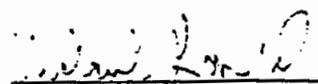
Management has been working closely with the IG on the implementation of his recommendations. We have budgeted the necessary resources in the coming year to fully implement a control self assessment process based on the COSO framework recommended by the IG. Work has also started to develop an MTA-wide Resolution and Tracking System, which was the IG's second recommendation. The milestones for completing these tasks are shown in Attachment A.

With regard to the specific examples of control deficiencies cited in the IG report, actions have already started to correct those conditions, as indicated in the following examples:

1. Uncontrolled cost growth on the Pasadena Blue Line design project was one of the major items cited by the IG. We have been vigorously pursuing identified overcharges on that project and will be seeking restitution wherever warranted.
2. A number of reported deficiencies in MTA's procurement practices were cited as having never been corrected, even though they were the subject of several outside reports. We have since completed the Board-directed consolidation of construction contracting under the Office of Procurement. A new MTA Procurement Manual was approved by the Board and more recently detailed desk procedures have been issued. Strict adherence to those procedures is now required, and will be regularly audited.
3. Absence of internal audits was cited as a serious internal control weakness. Management Audit Services is being reorganized to provide a strong internal audit function throughout the MTA. We are budgeting additional resources to accomplish this in FY 1999.
4. Failure to correct serious internal control weaknesses in collecting and processing farebox revenue was another major example given. We have established a compliance unit within the Revenue Department to ensure proper safeguards are put in place to protect those revenues, and a separate revenue workout team has been established to ensure MTA revenues are maximized.
5. An MTA-wide audit report resolution and tracking system has been put in place to report the status of all outstanding recommendations made by auditors and outside reviewers. A Special Projects Manager, reporting directly to the CEO, will resolve all recommendations lacking concurrence, and develop an automated tracking system to ensure recommendations are carried out.

Attachment A includes an analysis of the IG's recommendations, as discussed above. A Project Management Team has been formed to handle the two formal recommendations and 13 action items highlighted in the IG's report. The Project Management Team (which includes an IG representative) will report monthly to the Board on the progress in resolving each item. The Attachment delineates milestones, deadlines, and the MTA staff members responsible for each item.


William Bernsdorf
Acting Director
Management Audit Services


Michael Gonzalez
Office of the Chief Executive Officer

ATTACHMENT A

ANALYSIS OF IG RECOMMENDATIONS AND ACTION ITEMS

IG RECOMMENDATIONS

1. CSA
2. Resolution & Tracking System

RESPONSIBLE STAFF

W. Bernsdorf
W. Bernsdorf

ACTION ITEMS*

1. Financial Reporting of Real Estate Inventory
2. Recording Receivables
3. Implementing Recommendations of Outside Auditors
4. Controls over Farebox Revenue

5. Prequalification
6. Lack of Internal Audits
7. Lack of Audit Follow-up

8. PBL Design Issues
9. Accurate Cost Data on Construction Projects

10. Procurement Controls (File Documentation)
11. Control Authorization over Construction Payments
12. Follow-up on Collection of Questioned Costs
13. Processing Contractor Invoices

FINANCE

T. Matsumoto
T. Matsumoto
T. Matsumoto
T. Matsumoto

AUDIT

W. Bernsdorf
W. Bernsdorf
W. Bernsdorf

CONSTRUCTION

C. Stark
C. Stark

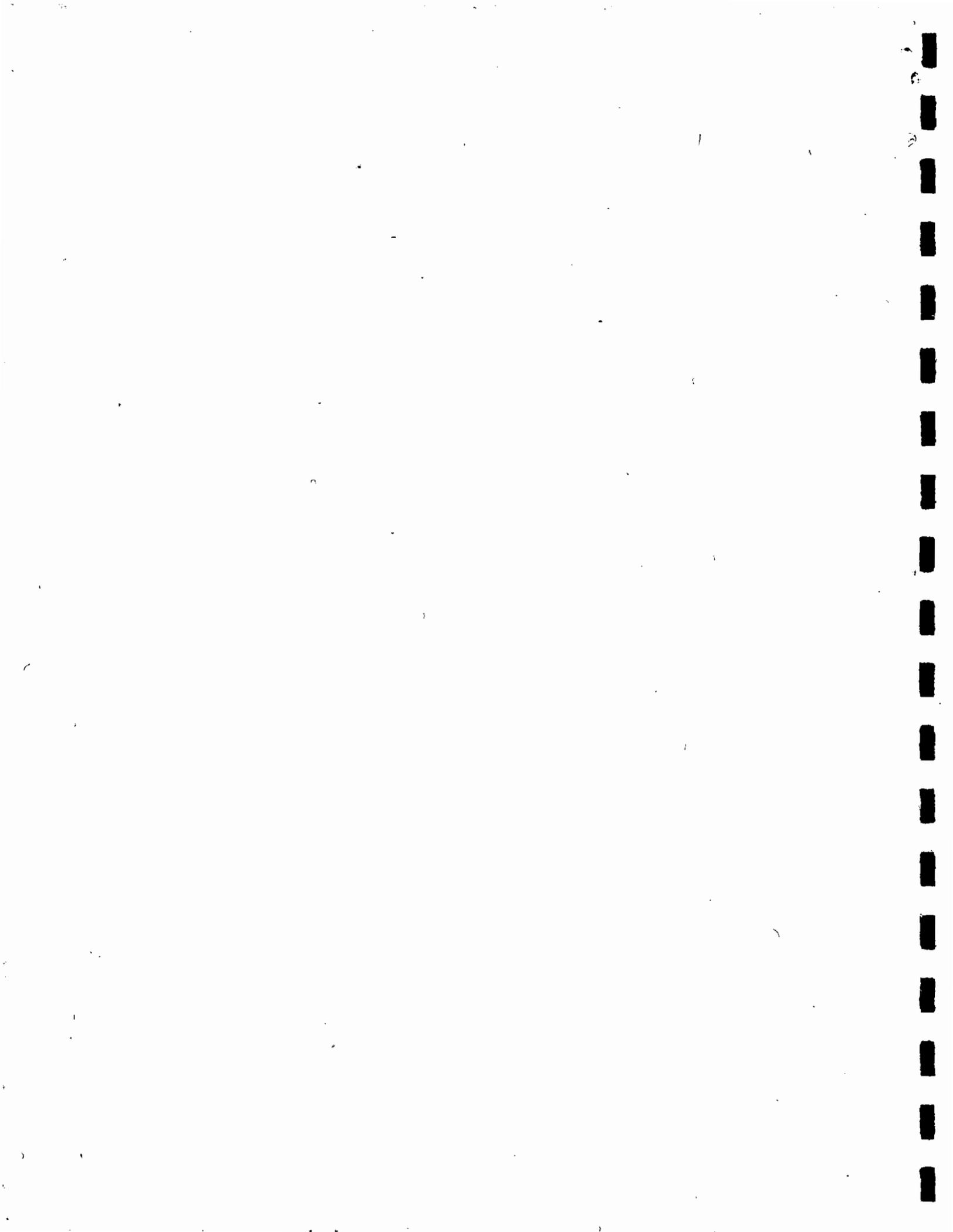
PROCUREMENT

A. Kimball
A. Kimball
A. Kimball
A. Kimball

PROJECT MANAGEMENT TEAM*

Bill Bernsdorf (Chair)	MASD
Mike Bravman	IG
Al Loreda	OCEO
Bill Henderson	Finance
Agapito Diaz	Finance
Jeff Christiansen	Construction
Maureen Tamuri	Construction
Rick Carron/Anne Fisher	Procurement

*The Project Management Team will develop milestones and completion dates for each of the action items, which will be included in the monthly reports to the Board.



RECOMMENDATION #1

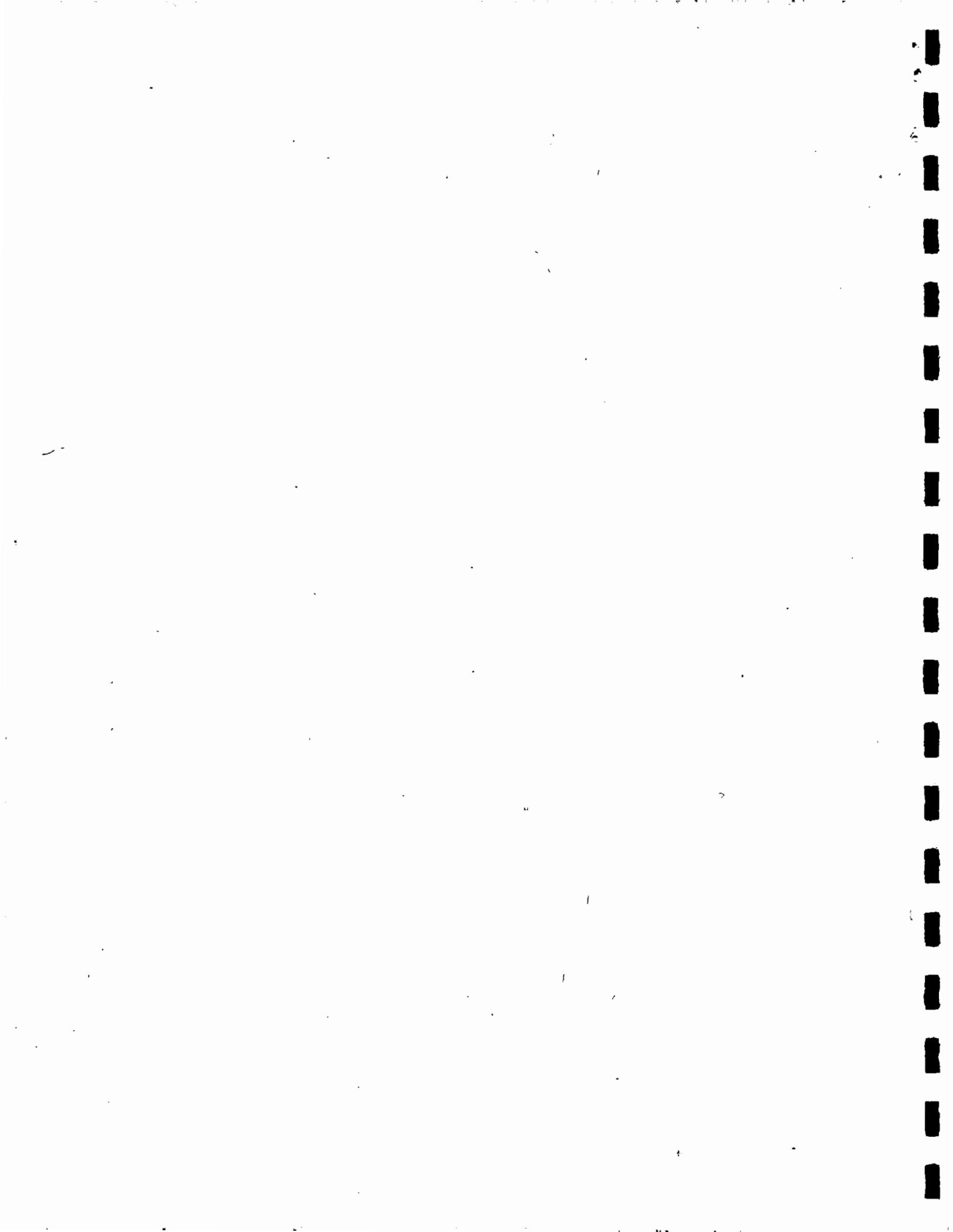
COSO INTERNAL CONTROL SELF-ASSESSMENT

PHASE I. PROJECT ORGANIZATION AND ANNOUNCEMENT			
	MILESTONES	DATE	PERSON RESPONSIBLE
1.	CEO approve concept	Done	J. Burke
2.	Budget for facilitator/trainers	Done	W. Bernsdorf
3.	Recruit facilitator/trainers	July '98	W. Bernsdorf
4.	Announce project	August '98	J. Burke

PHASE II. ORIENTATION AND TRAINING			
	MILESTONES	DATE	PERSON RESPONSIBLE
5.	Kick-off general & specific training (Pilot Group)	Sept. '98	EOs TBD
6.	Understanding process & documentation requirements	Oct. '98	DEOs/Directors TBD
7.	Revise schedule as needed	Nov. '98	DEOs/Directors TBD
8.	Track problems to solutions	Dec. '98	DEOs/Directors TBD

PHASE III. ASSESSMENT OF MANAGEMENT CONTROL SYSTEMS			
	MILESTONES	DATE	PERSON RESPONSIBLE
9.	Conduct assessments	Jan. '98	DEOs/Directors TBD
10.	Identify assessable units	Feb. '99	DEOs/Directors TBD
11.	Resolve problems	Mar. '99	DEOs/Directors TBD
12.	Prepare corrective action plans	Mar. '99	DEOs/Directors TBD
13.	Provide status reports	Mar. '99	DEOs/Directors TBD
14.	Prepare documentation of assessments	Apr. '99	DEOs/Directors TBD

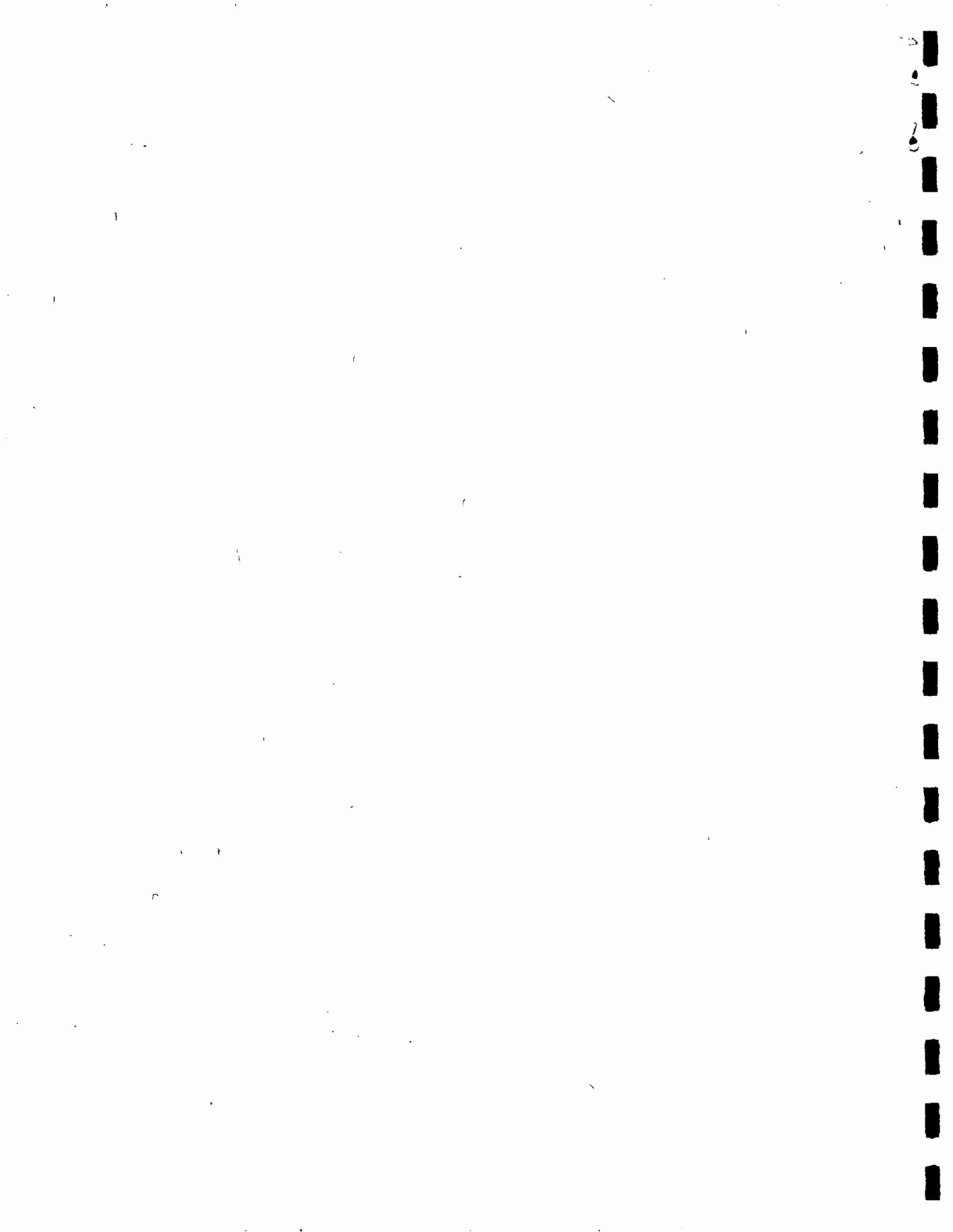
PHASE IV. REPORTING RESULTS OF ASSESSMENT			
	MILESTONES	DATE	PERSON RESPONSIBLE
15.	Prepare individual reports with summaries	May '99	DEO/Directors
16.	Receive reports/act on summaries	June '99	EOs TBD
17.	Prepare accountability letters to CEO	June '99	EOs TBD
18.	Receive/review accountability letter	June '99	J. Burke
19.	Report to Board on accountability and controls	June '99	J. Burke



RECOMMENDATION #2

IMPLEMENTATION OF A RESOLUTION AND TRACKING SYSTEM

	MILESTONES	DATE	PERSON RESPONSIBLE
1.	Determine system requirements and items to be tracked	Done	W. Bernsdorf
2.	Develop and MTA procedure	May '98	W. Bernsdorf
3.	Select a relation data base to enter all outstanding recommendations	May '98	W. Bernsdorf
4.	Develop automated tracking system	June '98	W. Bernsdorf
5.	Commence monthly tracking and exception report to the CEO	June '98	W. Bernsdorf



APPENDIX K

EMC4

July 9, 1997



TC

TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER
INTERIM CHIEF EXECUTIVE OFFICER

L. Bohlinger

SUBJECT: ADOPT THE NEW PROCUREMENT POLICIES AND PROCEDURES MANUAL DEVELOPED UNDER CONTRACT PS63110107 IN THE IMPLEMENTATION OF A CONSOLIDATED PROCUREMENT ORGANIZATION

RECOMMENDATION

1. Adopt the new Procurement Policies and Procedures Manual developed by Administrative Management, Inc. (AMI) under Contract PS63110107 in the implementation of a consolidated Procurement organization.
2. Authorize the Chief Executive Officer to make changes to the manual as laws, regulations, business or economic conditions require.

ORGANIZATIONAL IMPACT

The above action will facilitate the standardization of uniform Procurement policies and procedures, thereby, ensuring the maximization of full and open competition in the Procurement process. Further, it solidifies the consolidation of the two former MTA Procurement Organizations, e.g., Materiel and Construction Contracts.

BUDGET IMPACT

There is no budget impact anticipated.

ALTERNATIVES CONSIDERED

No alternatives were considered because the development of the new Procurement Policies and Procedures Manual was done at the Board's direction.

BACKGROUND

At the November 1996 meeting, the Board approved Director Burke's motion for the development of a uniform set of contracting policies and procedures, which will ensure ethical, efficient and compliant implementation of the procurement process.

Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

Mailing Address:
P.O. Box 194
Los Angeles, CA 90053

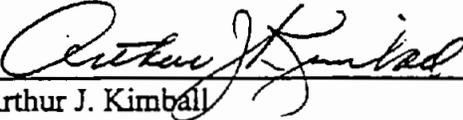
AMI, which was awarded the contract to facilitate the consolidation of the two former MTA Procurement Organizations and the development of the uniform procedures, is presenting the new Procurement Policies and Procedures Manual to the Board at this meeting. At the March meeting, the Board passed Director Molina's motion to have AMI make a presentation regarding the contents of the new MTA-wide Procurement system policies, procedures, performance and training standards as well as a single approach to compliance reviews and contractor protests. In addition, AMI staff developed a draft "Procurement-specific Standard Code of Conduct included in this manual, which incorporates the comments of the MTA's Ethics Department.

Additionally, the new manual provides more in-depth coverage of the following:

- Procurement Integrity and Control
- Procurement Planning and Methods
- Contract Management and Administration
- Cost Principles
- Contractor Responsibility and Debarment
- Contract Payments and Funding

Further, upon adoption of the new policies and procedures manual, AMI will commence the effort to develop implementing desk procedures, standardized contractual "Boilerplate" documents and the training of MTA staff in the use and requirements of the new policies, procedures and instructions to ensure standardization and compliance.

Prepared by: Anne M. Fischer, Acting Deputy Executive Officer, Materiel


Arthur J. Kimball
Executive Officer, Office of Procurement

Attach.

ATTACHMENT A

MTA PROCUREMENT POLICIES AND PROCEDURES MANUAL



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MTA Procurement Policies and Procedures Manual

Goal:

Our role today is to describe for you the new uniform, complete, consolidated Procurement Policies and Procedures Manual that you have been asked to adopt. In order to present the sequence of events leading us to this day, we are making this presentation in the following manner:

- How We Started
- Development of the Manual
- Review Process
- Highlights of the Content of the New Manual
- Where We Go From Here
- What are the Internal Mechanisms for Assuring Implementation in a Timely and Comprehensive Way

The Manual is organized to allow the user maximum flexibility to initiate, develop, execute and administer MTA contracts within the parameters of Federal, State, local and MTA requirements.

How We Started:

Our review of existing procurement policies led us to an incomplete set of desk instruction and two different manuals, none of which contained all procurement principles, standards, policies or procedures we believed were necessary to provide MTA with a complete, comprehensive set of policies and procedures. We also discovered that much of what existed was a collection of individual policies and procedures assembled in one place. They were incomplete in that they did not cover all the topics required for good contracting. They were difficult to use as a working tool because they lacked a comprehensive content flow from the beginning of the procurement cycle to the end with an associated numbering scheme that facilitate quick reference.

As we reported in our initial review of MTA Procurement Policies in 1996, the Policy and Procedure Manual was a misnomer in that it contained only a few very broad generalized policies and procedures. Ideally, each procedure should be grounded in the policy it serves.

The existing manuals did not contain a standardized deviation procedure which caused the procedures to be considered all mandatory and nearly inviolate. This can lead to instances of inappropriate compliance with procedures that do not fit a particular procurement situation.

The system-wide baseline documents (sample solicitation and contracts) we considered excellent in concept, however, there was no relationship between these baseline documents and the Policy and Procedures Manual or the existing Desk Instructions which should provide the principles standard and policies underlying contract clauses and solicitation provisions. It is important that personnel understand the principles of the policies as well as the standard procedures because procedures alone almost never cover all circumstances as comprehensively as principles. The guiding standard we used as we reviewed the existing document was whether or not, taken as a whole, they provided simple, clear, comprehensive and cohesive regulations and guidance for contracting officers, contract administrators, their supervisors, as well as the organizations carrying out their missions using or supporting the procurement process. We found that these documents did not meet this standard.

Development of the Manual:

To determine all of the principles, standards, policies and procedures that should go into this manual in addition to existing MTA policies, we reviewed many documents such as:

- Our initial findings concerning MTA policies and procedures in 1996;
- Six (6) other reviews done by various companies and the FTA citing shortcomings with the MTA Procurement functions;
- Best Procurement Practices;
- State and Local Requirements;
- Federal Requirements;
- FTA Circulars;
- Principles and Standards used in the Federal Acquisition Regulations; and
- Procurement Manuals used by other large transit Authorities.

In addition, the Manual needed to include policies which assured Senior Management's involvement with and sensitivity to the procurement process.

The policies and procedures needed to be written in a form which would foster trust and confidence in the MTA Procurement process and help assure that there would be uniform, open, fair and free competition in the day-to-day procurement activity.

Within any procurement system there can be internal weaknesses, lack of integrity and control, less than adequate definition of roles and responsibilities, and poor or inadequate

administration of contractual documents. Our developmental criteria included incorporated principles and standards which would provide guidance and, in some cases, requirements to mitigate these types of problems.

Review Process:

In May, 1997, we submitted a draft of the MTA Procurement Policies and Procedures Manual to the MTA for review and comments by MTA staff. Comments ere received from nine (9) departments. There were many comments, observations and recommendations concerning the draft manual.

All comments were reviewed carefully and thoroughly and, in several instances, meetings were held with the respondents to assure that we all understood the purpose of the Manual, the legal requirements included in the Manual, format of the manual, and, of course, policies and procedures which were different than those now being used or which had never been used.

All legal requirements and existing MTA policies which were not in the draft or not complete in the draft were automatically included in the final version of the Manual. Other comments and/or recommendations which were made that did not impact the overall principles and standards were accommodated as appropriate. There were several comments and/or recommendations that were not incorporated into the final version of the Manual.

Most of the respondents received a written response to their comments with either a confirmation of acceptance or our rationale as to why we did not include their recommendation.

It is important to note at this time that the Manual is a living document which will need to be changed from time to time, but only under certain conditions, for specific reasons and with proper approval from appropriate levels of management.

Highlights of the New Manual:

The new Procurement Manual meets the standard of providing simple, clear, comprehensive and cohesive regulations and guidance. It also balances policies and related procedures.

It contains Best Practices Techniques to help detect and avoid problems; procurement principles and standards and specific guidance to assist MTA staff in the appropriate and proper administration of procurement activity and includes all state, local, and federal requirements to be followed by the MTA.

The manual includes more thorough and specific guidance in the following areas:

- Procurement Integrity
 - (Proper Checks and Balances)
 - (Contracting Officer Delegation System)
 - (Pre-qualification System)
 - (Establishes Delegation of Authority)
- Procurement Planning and Methods
 - (Advance Procurement Planning)
 - (Publicizing Contract Actions)
 - (Initiation and Approval of Procurement Actions)
- Contract Management and Administration
 - (Pre-Award Orientations)
 - (Post-Award Conferences)
 - (Contract Modifications)
 - (Change Orders)
 - (Suspension of Work)
 - (Closeout of Contracts)
- Cost Principles
 - (Determining Allowability)
 - (Determining Reasonableness)
 - (Direct Costs)
 - (Indirect Costs)
 - (Proposal Analysis)
 - (Cost or Pricing Data)
 - (Price Analysis)
 - (Cost Analysis)
- Contractor Responsibility and Debarment
 - (Responsible Prospective Contractors)
 - (Determination and Documentation)
 - (Pre-award Surveys)
 - (Federal Debarment Listing)
 - (Suspension Procedures)
- Contract Payment and Funding
 - (Progress Payments)
 - (Liquidated Rates)
 - (Protection of MTA Title)
 - (Contract Debt Determination and Collection)

- Competitively Negotiated Contracts
(Proposal Evaluations)
(Price Negotiations)
(Pre-Negotiation Objectives)

Where We Go From Here:

A detailed step-by step desk instruction, complete with flow charts will be prepared to cover each requirement in the manual.

These instructions will be developed in concert with MTA Staff to assure that 1) they reflect complete requirements for procurement activity, and 2) they will be written so that they are clear, concise and understandable.

Along with development of these instructions, contract clauses commonly referred to as "boilerplates" will be reviewed, edited, or created, as required, to assure consistency, accuracy and completeness in contract clause language for all contracts.

Internal Mechanisms:

The newly organized Procurement Administration staff, which will include a compliance staff, will be responsible for on-going procurement compliance audits to assure the manual is being followed.

An on-going training program will be in place in response to Director Burke's motion to assure that appropriate staff will be trained in the use, the importance, and the need for following these principles and standards.

Implementation of the manual will begin almost immediately by virtue of the fact that detailed desk instructions are being developed as well as standardized contract clauses. This will provide an opportunity for these requirements to be included in all new contracts. Developing these instructions and clauses will assist in the training process in that we will be working with Procurement and Management staff to identify all functional steps in order to have comprehensive instructions.

We see no reason for there to be any delay in the implementation of these basic procurement requirements.

Prepared by: Jean K. Wilson, AMI President
July 23, 1997



ADOPTION OF THE NEW PROCUREMENT POLICIES MANUAL

In November, 1996, as we were engaged in the contract manager dilemma for the Eastside Extension, it became clear that the time had arrived where we could no longer put off dealing with or ignore the problems and issues concerning the confusion and lack of coordination of proper procurement policies for large procurements undertaken by this agency. Based on consultant reports and audits provided by the Office of Inspector General, this Board instructed staff to retain an outside consultant and set about developing a uniform set of policies and procedures that would simplify and clarify MTA Procurement actions. Encompassed in this overarching set of goals were the clear instructions for the consultant to revise and provide a set of uniform procedures that would:

- Make such procedures consistent with all jurisdictional and federal laws;
- Ensure fair and equitable treatment of all persons doing business with MTA;
- Provide increased economy in procurement activities and maximize, to the fullest extent practicable, the purchasing value of public funds;
- Foster effective broad-based competition within the free enterprise system; and
- **Provide safeguards for the maintenance of a procurement system of quality and integrity.**

This month the MTA Board is being asked to approve the first major milestone in this effort: Volume I of the new Procurement Manual. The purpose of this new Procurement Manual is to highlight and emphasize the importance and responsibilities of those individuals and departments involved in procurement and contract administration. The new Procurement Manual contains best practices,

procurement standards, principles, and guidance gleaned from the Federal Acquisition Regulations. All of these represent tried and tested processes that will assure that MTA can meet the purposes set forth in this "**Purposes of Procurement Manual**" in order to assist the MTA in becoming a **model procurement agency**.

This has been a long and arduous assignment and the new Procurement Manual will soon be followed and augmented by a more detailed "Desk Manual." This second volume - "Desk Manual" currently being developed will assure that the new procurement organization staff will all be following the **same procedures**, use the **same clauses**, and administer the contracts following the **same rules**. It is critical that the action we take this month re-emphasize to staff throughout the agency that everyone must continue to work together to accomplish this task.

In addition, thorough training must be provided to assure that all procurement personnel understand the rules and the importance of following the desk instructions. As part of this Motion, I am recommending that this Board further instruct staff to require continued procurement training and performance evaluations that reflect the level of responsibility, training and quantitative measures relative to contract awards, contract administration, and contract closeouts. I believe this issue is so important that I would like my own staff to be educated in the main issues of this new manual.

This emphasis on continued training is paramount. During this development process, a number of organizational weaknesses were identified in several areas. For example, in the area of contract administration practices, contracting officials have often allocated more time to awarding contracts rather than administering existing contracts.

This leads to problems in contractor performance, cost overruns, and delays in receiving goods and services. Other areas of weakness within contract administration included:

- Unclear roles and responsibilities of contract administrators and project managers;
- Excessive backlog in contract closeout and incurred costs audits;
- Improperly trained officials performing contractor performance leading to a lack of documentation on contractor performance thereby preventing the agency from adequately judging past contractor performance, responsiveness and responsibility; and
- Inadequate guidance on invoice processing and contract closeout.

Improving Contract Administration practices will help to achieve excellence in contractor performance so that the MTA receives goods and services on time, and within budget.

If applied properly, these improvements will also help:

- prevent cost overruns and the loss of funds,
- allow staff to pick-up potential changes more quickly,
- provide faster negotiations of claims, and
- provide faster closeouts of contracts and claims thereby freeing up potential savings for re-programming.

It is important for us to step back for a moment and realize that this Board and agency are moving through a period of watershed issues that underscore the need for us to come together, more than ever before, to demonstrate the leadership necessary to restore public confidence and integrity in the "Mission" of the MTA. We must acknowledge that the most important product and service this Board and agency can

deliver are the restoration of (1) the integrity of the agency, and (2) public confidence in the decisions we make and how the public's tax dollars are spent. While the function of procurement is eclipsed by the glamour of major construction projects and the importance of delivering transportation services, procurement remains the core function of this agency that touches every fiber of its being. Without maintaining stability and confidence in MTA procurement practices, we will not be successful in our efforts to bring about the change needed to correct the problems confronting the MTA.

I, THEREFORE MOVE, THAT THE MTA BOARD OF DIRECTORS :

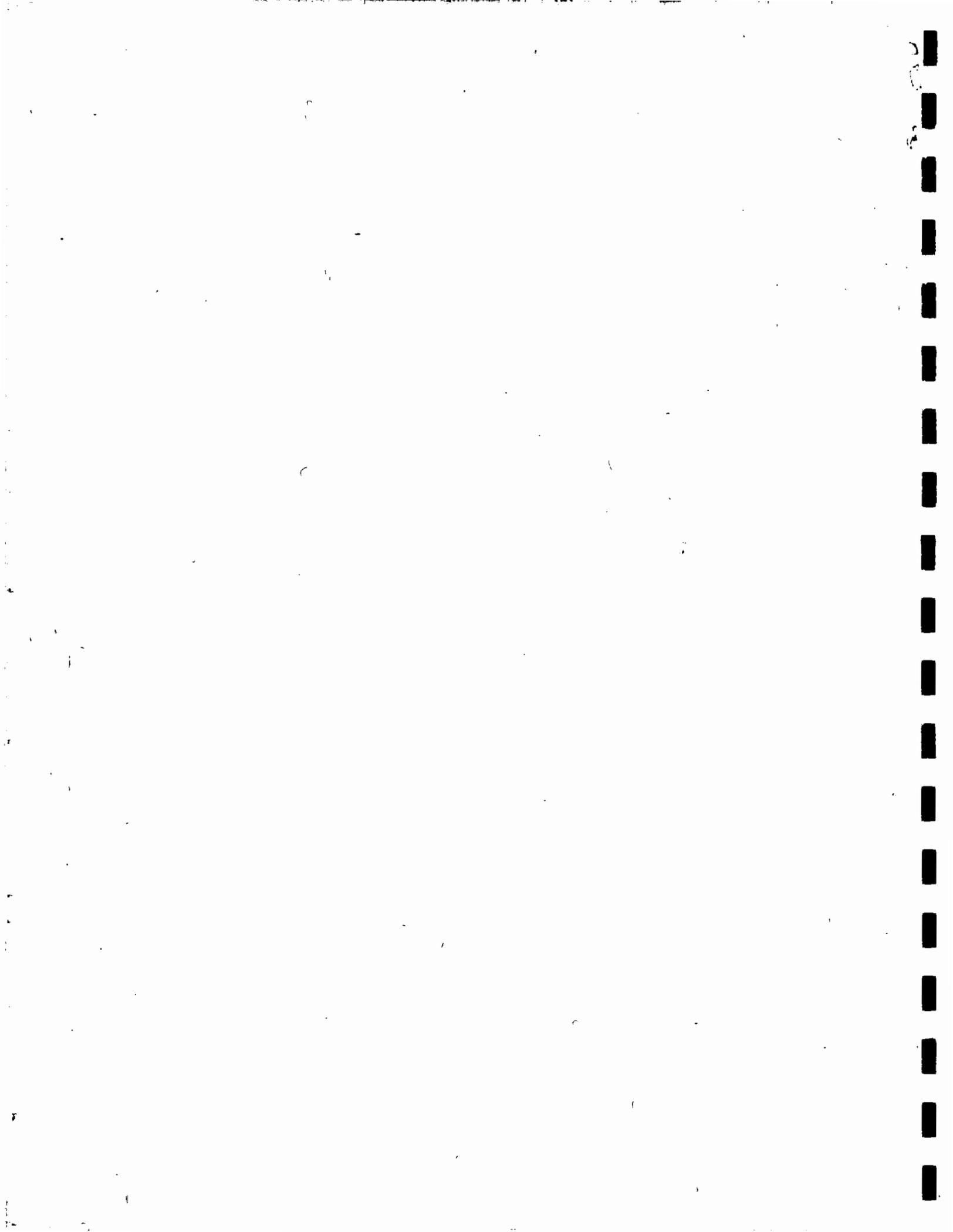
- **Accept the staff recommendation and adopt the first volume of the new Procurement Manual as the only MTA Board prescribed set of policies on procurement and contract administration.**
- **Instruct all agency staff to continue to work closely with the Executive Officer of Procurement and the consultant in developing the Desk Manual.**
- **Instruct the interim Chief Executive Officer to undertake, with the assistance of the Executive Officer of Procurement and the consultant, the development of a training and testing program for all procurement-related staff throughout the agency, and to develop personnel performance evaluation standards based on the knowledge of the new Procurement Manuals. Additionally, an abbreviated seminar approach should be developed to further educate our own Board of Directors' staff regarding this revised compilation of procurement policies.**

Motion by Supervisor Yvonne Brathwaite Burke

July 24, 1997

Page Five

- **Return to the Executive Management Committee each month hereafter to apprise the Board on the progress being made towards completion of this enterprise.**



EMC ITEM #4

ADOPTION OF PROCUREMENT POLICY MANUAL

Having listened to the staff briefings and the presentation, I propose that as a means to expeditiously move the "Desk Manual" project forward, we amend my Motion and formally establish a task force to proceed in this matter.

I, **THEREFORE MOVE to amend my motion** to include the establishment of a seven member Task Force comprised as follows:

- ◆ One representative from the Operations, Planning and Programming, Finance and Construction departments, and
- ◆ Two representatives from the Procurement department

to work with and assist the ¹Consultant over the next six months in the preparation of the new Desk Manual.

