LOS ANGELES METROPOLITAN TRANSIT AUTHORITY

ORGANIZATION OF LOS ANGELES METROPOLITAN TRANSIT AUTHORITY 1951

Los Angeles Metropolitan Transit Authority was created by the California State Legislature in 1951. Its powers were in effect limited to study of the mass rapid transit problem. The area of the Authority's concern was defined as the "San Fernando Valley west of the west boundary of the City of Glendale, and within four miles on each side of the main channel of the Los Angeles River from San Fernando Valley to the mouth of the river at Long Beach, by means of suspended overhead monorail....."

To maintain its limited organization and to finance the necessary studies, the Authority relied upon funds appropriated by the Los Angeles County Board of Supervisors.

MONORAIL STUDY 1954

On January 15, 1954 the Authority received reports from Coverdale & Colpitts, Gibbs and Hill, Inc., and Rescardon Engineers, who had been engaged to investigate feasibility of a monorail line between San Fernando and Long Beach within the limits defined in the Act.

The Consultants recommended that the Authority be exempted from taxation on its property and exempted from regulations by the State Public Utilities Commission, and that appropriations should be made by the appropriate agencies of State or County for the further steps in engineering, financing and administration which necessarily must supplement the submitted report. They also recommended that economic and engineering features of a modern elevated rapid transit system be given comparative study.

The Consultants concluded that, "provided appropriate legislative action is taken and further reports are completed as required, the development of a mass rapid transit system by monorail for Los Angeles as herein described appears to be feasible."

The Authority in fact found it impossible to secure either the broadened powers or the financing to carry the project to a successful conclusion.

BUS RAPID TRANSIT STUDY 1955

Seeking a possible alternative to a grade-separated rail rapid transit system, the Authority engaged Coverdale & Colpitts to investigate whether the operation of buses using freeways, highways, streets and loading zones....will be a complete and satisfactory solution to the Los Angeles transit problem. The report to the Authority on January 31, 1955 concluded:

"Buses are an essential part of mass transportation in Los Angeles. In our opinion they cannot be considered as a "complete and satisfactory" answer to the mass rapid transit problem, because on certain routes they cannot compete in speed or convenience with the private automobile sufficiently to cause the automobile riders to use the mass transit facility. On the other hand, on certain routes where the density of travel justifies it, rail rapid transit provides a service superior even to the private automobile. The essential feature of any satisfactory mass rapid transit system in Los Angeles is that it must be such that it can divert people from the use of passenger automobiles and consequently reduce the congestion on the freeways, the highways and the city streets, and furthermore permit the growth of population in the peripheral areas without imposing a severe penalty of excessive travel time between home and business. The proper development of all parts of the metropolitan area requires a reasonable and swift flow of traffic between them."

LOS ANGELES METROPOLITAN TRANSIT AUTHORITY TO DATE 1957

CHANGE IN AUTHORITY POWERS

As it had become apparent that the Authority as then constituted was unable to proceed with the development of a rapid transit system, substantial changes were made in the enabling legislation by the 1957 session of the State Legislature.

In line with the findings of the studies which had been made, the Authority was granted exemption from taxes on its property and was exempted from regulation by the State Public Utilities Commission in matters other than safety standards. The limited area within which the Authority was empowered to act was broadened to cover all of

Los Angeles County, and the definition of "mass rapid transit" was broadened to include all forms of surface, elevated or subway passenger transportation.

Acting under these powers the Authority acquired the properties and operations of the two principal mass transit agencies in Los Angeles County, the Los Angeles Transit Lines and Metropolitan Coach Lines. The acquisition of these properties was financed through the sale of revenue bonds by the Authority.

On March 3, 1958 the Authority commenced operation of those surface systems and proceeded with the coordination of the services into a single unified system.

AUTHORITY SYSTEM OPERATIONS

In the operation of the surface lines system the Authority has integrated the services of the former carriers to improve service to the public and to realize the efficiencies and economies inherent in unified mass transit operations.

In 1961 an extensive network of motor coach operations conducted by Cross Town Suburban Bus Lines, Inc. was acquired by the Authority by purchase. These lines, operating in that part of the County south of downtown Los Angeles and extending from the west beach cities to Whittier and Norwalk, permitted a substantial extension of service on the Authority's combined system.

New services were also instituted in the Alhambra, Glendale and Riverside areas where local systems found it financially impossible to continue to provide service.

Although it is apparent that bus operations on the freeways cannot satisfactorily perform the complete rapid transit function, express bus services have been established and expanded on all the appropriate freeway routes as the construction program has made such routes available.

While providing continued and expanding services, the Authority has fully met all of its financial obligations during its five years of existence as an operating agency. During each fiscal period all financial requirements, including provisions for depreciation, interest, reserves and debt retirement have been met in full.

The total amount of the revenue bond issue sold by the Authority to acquire the two principal systems in 1958 was $40,000,000. Bond redemptions made on schedule to December 31, 1963 totaled $3,900,000. A redemption of $1,050,000 was made in March 1964.

As of December 31, 1963, the Authority's funds on deposit with Trustees were as follows:

Operation Fund	$ 4,619,988.00
Interest Fund	704,062.00
Bond Reserve Fund	3,187,313.00
Bond Retirement Fund	875,000.00
Depreciation Reserve Fund	6,841,142.00
Construction Fund	66.00
Equipment Trust Funds	1,157,951.00
TOTAL	$ 17,385,522.00

All revenues of the Authority are d eposited daily with the Trustee who holds the funds and disburses them only upon proper authorization by the Authority. These transactions are audited annually by independent outside auditors.

Operating properties have been maintained in excellent condition and an extensive program of modernization, including the acquisition of 705 new motor coaches, has been carried out.

RAPID TRANSIT PLANNING

In the discharge of its responsibility for developing a feasible repid transit plan, the Authority through its staff and expert consultants has completed the following studies:

Study of Public Transportation Needs for the Determination of Potential Rapid Transit Routes

This study, completed May 5, 1959 under the direction of Coverdale & Colpitts, surveyed the movement of people by all modes of travel in the Los Angeles area and identified eight "corridors," or major streams of travel. Of these, four corridors were chosen for initial study of r apid transit routing, appropriate type of facility, and economic feasibility. These four corridors extended from Santa Monica through Beverly Hills, the Wilshire district and downtown Los Angeles to Covina in the San Gabriel Valley, to Long Beach on the south, and to Reseda in the San Fernando Valley.

Comparative Analysis of Rapid Transit Equipment and Routes

This study was submitted to the Authority by Daniel, Mann, Johnson, & Mendenhall, Engineering Consultants, on August 26, 1960. The report evaluated the many types of rapid transit systems in operation throughout the world, and many concepts not yet fully developed, in terms of performance, passenger comfort and convenience, and economics. The report furnished estimates of construction costs and maintenance costs with respect to several alternative systems serving the four corridors described.

Economic Feasibility Study - Seventy Five Mile System

An estimate of the revenues, operating costs and debt service requirements of the full 75 mile system serving the four corridors was made for the Authority by Coverdale & Colpitts and a report thereon was submitted December 6, 1960. From this study it was concluded that system revenues could meet operating and maintenance costs, equipment cost and make a contribution to debt service, but could not meet full capital costs. Financing of the full system under the Authority's revenue bond powers was found impossible.

For purposes of the study, the "minimum cost" design among those examined by Daniel, Mann, Johnson, & Mendenhall was assumed. This system contemplated elevated construction throughout substantially the entire 75 miles of route, including those portions projected for the commercial areas of the Los Angeles Central Business District and Wilshire Boulevard. The amount of the bond issue assumed to finance this system was $625 million.

Backbone Route Plan

As the Authority's financing powers were limited to the sale of revenue bonds, attention was next directed to an examination of the possibility of financing construction of some portion of the total rapid transit system by this means.

After examination of data developed in previous studies, the staff concluded, in a report to the Authority on August 25, 1961, that that portion of the 75 mile system extending between Beverly Hills on the west and El Monte on the east could attract sufficient patronage and revenue to meet both operating and capital costs provided long term financing in the required amount of $233 million and a favorable interest rate could be secured. Public discussions of the all-elevated system had established that this type of facility was not acceptable in areas such as the Central Business District and Wilshire Boulevard and the Backbone Route study therefore assumed underground construction of these portions of the route, which are the areas capable of attracting the maximum rapid transit home to work traffic.

In addition to the ability to attract a maximum volume of patronage, this route serving the areas of prime concentration of destination interest would form the logical basis for subsequent extensions and development of a comprehensive system.

Efforts to Secure Federal Financial Aid 1961 Loan Program

Federal interest in the subject of urban mass transit legislation was first evidenced in 1960 with passage of the Williams Bill which proposed to provide loans and demonstration grants to local transportation agencies. As originally enacted, it established the Government's interest in the problem and proposed to provide limited funds for loan and grant programs; $25 million for demonstration grants and $50 million for loans. The demonstration grants were for research and experimentation, not for long term capital improvements. Actual appropriation of funds, however, amounted to only $42-1/2 million, the program to be administered by the Housing and Home Finance Agency.

In an effort to provide a means of financing the Backbone Route, Senator Engle in 1961 introduced Senate Bill No. 2390 which would have increased the loan fund under the Williams Bill to $500 million, which was sufficient to cover the needs of the M. T. A. and other similar agencies. M. T. A. officials made vigorous efforts in support of this Bill.

In the course of work on the proposal with the various interested agencies in the

Federal Government, M. T. A. was requested to devise a method of financing which would not require such a large appropriation by the Federal Government. The alternate method proposed was a Federal Guarantee of M. T. A. revenue bonds, which would have accomplished the same purpose without requiring any appropriation of Federal funds. This concept was introduced by Senator Engle as an amendment replacing the provision for increased loan funds.

Backbone Route Engineering and Economic Studies

In order to provide the expert testimony in support of the Engle loan guarantee amendment, the Authority engaged Kaiser Engineers to perform preliminary engineering design and construction cost studies of the Backbone Route, and engaged Coverdale & Colpitts to prepare a report on the economic feasibility of the project. Preliminary findings, which indicated that the program would be self-supporting and self-liquidating on the basis of a fifty year financing at a 3-3/4% interest rate, were completed in February 1962 for hearings before the Committees of the United States Congress.

The engineering and economic studies were carried to a conclusion in June 1962 in order that complete data required for financing would be available. Based on the more complete study, and the Federal Guarantee financing plan, it was estimated that the total project cost, including the cost of building the Backbone Route, acquisition of rights-of-way, refinancing the M. T. A. $40 million bond issue, and providing for interest during construction, would total $228 million. The economic evaluation of the plan substantiated the conclusion that projected net revenues would be sufficient to meet debt service provided financing could be secured at a favorable rate of interest.

Efforts to Secure Federal Aid - 1962 Guarantee Program

Senator Engle's loan guarantee bill was considered along with the Administration's proposal for increased grant funds in the 87th Congress during the year 1962. Under the new Administration proposal, the grants would be available for the construction of rapid transit facilities with the Federal Government paying two-thirds of the "Net Project Cost," i.e. that portion of the total cost which could not be paid from the revenues of the project. Local sources were expected to supply the other one-third of the "Net Project Cost."

Numerous hearings were conducted by the appropriate House and Senate committees and supporting testimony was presented by Governor Brown, M. T. A. officials, financial experts, consulting engineers, and other supporters of the programs.

Governor Brown made a special trip to confer with President Kennedy and Secretary of the Treasury Dillon to gain support for the loan guarantee bill.

Despite the intense efforts of the supporters of the bill, neither the loan guarantee nor the Administration's grant bill were passed by the Congress.

Following the close of the 87th Congress, M. T. A. officials sought to arrive at a proposal for Federal legislation which would be satisfactory to the Treasury Department, the principal opponents to the guarantee bill. As a result of these negotiations, it was found that Treasury support could be obtained if the tax exemption feature were removed from the guaranteed bonds. While it still appeared possible to work out a program for financing the Backbone Route under these more restrictive conditions, it was found that many groups, such as the American Municipal Association, were opposed to any legislation which might threaten the tax exempt status of the bonds of any Municipal, County, or State agency, and the Authority was advised by the Administration and Senator Engle that this opposition would be sufficient to defeat the legislation.

The Administration's bill was subsequently passed and provided a $500 million fund for making grants to local transportation agencies. However, the Bill as written offered little help to the M. T. A. In order to qualify for a grant, it is necessary to provide one-third of the "Net Project Cost" from sources other than the operating revenues of the system. This requirement could only have been met by extending some tax powers to the Authority.

Program for Tax Supported Fifty-Eight Mile System

It was then apparent that the Federal Transit aid Program, which appeared to offer the only possibility of financing even a minimum first stage rapid transit program out of revenues alone, will not alone provide the support necessary. M. T. A. studies, made from its own resources since 1958, had been advanced to the point of defining the need and the potential for action on a rapid transit program. Each year of further delay in starting construction would not only dangerously postpone the time when traffic relief and the advantages of improved transportation could be realized, but also would increase the cost of the program because of rising prices.

Since other means of financing had been exhausted, the Authority proposed an immediate start on construction of a basic rapid transit system which included 58 miles of route providing service to many areas of pressing need, with the modest level of tax support necessary to finance such a system.

The proposed system included the Backbone Route between Beverly Hills and El Monte, with subway extension westward from Beverly Hills through Westwood, an area of rapid growth in residential and commercial development and the site of the University of California at Los Angeles. The Backbone Route would also be extended a short distance beyond El Monte on the east to provide better integration with the highway system and more adequate parking facilities for commuters. A line serving Hollywood and the San Fernando Valley would be built from the Wilshire trunk line north through Cahuenga Pass through North Hollywood to Victory Boulevard, and a line extending south from the Los Angeles Central Business District would be built to Long Beach, serving the cities of Huntington Park, South Gate, Lynwood, Compton and conveniently accessible to many neighboring communities in the southern part of the County.

The plan proposed that, if financing could be promptly accomplished, the first section of the system, between the Central Business District and El Monte, would be opened to traffic in the fall of 1966. The Long Beach line would be completed in the spring of 1967, the Wilshire-Beverly Hills section in subway by the summer of 1967. The San Fernando Valley route, involving the more difficult construction through the Santa Monica Mountains, would be in service by 1969.

It was estimated that the system, when completed, would be carrying nearly a quarter million passengers a day, a large proportion of them in the areas where traffic problems are most acute and where the healthy economic development and growth will be increasingly handicapped by street congestion and parking problems.

The cost of the 58 mile system was estimated at $649 million. This represented the entire cost and included all construction, right-of-way and land costs, parking facilities, and rolling stock. It also included refinancing the existing M.T.A. bonds. This refinincing is not due to any financial difficulties of the present system; as described above, all obligations are being met and generous reserves are being maintained. Refinancing is required because portions of the existing surface lines traffic, which provide the security for the present financing, would be transferred to the new rapid transit lines.

It was estimated that the Authority's total integrated system, including surface and rapid transit systems, would meet all of its operation, maintenance and depreciation costs and approximately two-thirds of the total capital cost on a 40 year 4% financing.

The Authority proposed that the remaining portion of the capital cost of the program be met by a property tax in Los Angeles County, the rate being limited to a maximum of 15¢ per $100 of assessed value. It was estimated that the maximum actual requirement will not exceed 13¢ during the construction period and will decline to 8-1/4¢ in the first year of system operation. In later years, because of growth of system traffic and growth of community tax resources, the rate should decline to 6¢ or less.

The property tax means of support for the system was suggested for several reasons:

1. It has been the experience in other cities that good rapid transit facilities encourage property improvement and development and increase property values and therefore increase total community property tax resources.

2. The tax is relatively simple and can be assessed and collected without great overhead cost.

3. The rate is readily adjusted to meet current requirements from year to year.