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BOARD OF DIRECTORS MEETING
May 27, 2004

SUBJECT: STATE LEGISLATION

ACTION: APPROVE STAFF RECOMMENDATIONS ON STATE LEGISLATION

RECOMMENDATION

- A. Adopt position on Assembly Budget Subcommittee #5 Item #2660-001-650, which would remove the cap on overruns associated with the San Francisco Bay Area Toll Bridges as proposed by the Department of Finance. OPPOSE
- B. Recommend that the MTA Board of Directors communicate to the legislature that overruns on the Bay Area Bridges be funded out of bay area sources.

ATTACHMENT

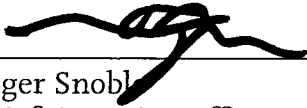
- A. Assembly Budget Subcommittee #5 Item # 2660-001-0650

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BILL: ASSEMBLY BUDGET SUBCOMMITTEE #5
ITEM # 2660-001-0650

SUBJECT: SAN FRANCISCO BAY AREA BRIDGES - COST OVERRUNS

AUTHOR: DEPARTMENT OF FINANCE

STATUS: PENDING ACTION IN ASSEMBLY BUDGET COMMITTEE

ACTION: OPPOSE

RECOMMENDATION

Staff recommends that the MTA Board of Directors oppose the Department of Finance's proposal which would remove the cap on overruns associated with the San Francisco Bay Area Toll Bridges. Staff further recommends that the MTA Board of Directors communicate to the legislature that overruns on the Bay Area Bridges be funded out of bay area sources.

PROVISIONS

Current law establishes the costs of the seismic retrofit of the bay area toll bridges and establishes the funding allocated to the program. Current law also limits overruns to \$448 million and allows those overruns to be funded by statewide taxpayer funds instead of tolls.

The Assembly Budget Subcommittee #5 is considering a recommendation from the Department of Finance that would:

"Authorize the Director of Finance to increase expenditure authority for the Bay Area Bridges upon a 30-day notification to the legislature."

IMPACT ANALYSIS

State law creates the Toll Bridge Seismic Retrofit Program (TBSRP). The program established the costs and funding for the seismic retrofit of the seven toll bridges in the State. The program establishes a total cost for each bridge which includes local tolls and statewide contributions.

ATTACHMENT A

Statewide taxpayer supported funding for this program was originally established in 1996 under Proposition 192, the Seismic Retrofit Bond Act, with the allocation of \$650 million. In 1997 the Legislature passed SB 60 which created the existing funding structure combining state funds and tolls from surcharges applied to the San Francisco Bay Area toll bridges. This bill established the total cost of the program at \$2.6 billion. To fund the \$2.6 billion an additional \$1.97 billion was added to the project, (\$955 million from a toll surcharge and \$1.02 billion from statewide taxpayer supported funds). The \$1.02 billion in funds from the State Highway Account (SHA) would normally have flowed through the State Transportation Improvement Program (STIP) and be allocated to counties through the normal allocation process.

Since the passage of the original SB 60 legislation, the costs of the entire program have risen dramatically. Additionally, controversies surrounding the eastern span of the San Francisco-Oakland Bay Bridge resulted in delays and design changes which ultimately drove up the cost of that bridge. Work on the remainder of the bridges continued with significant cost overruns being experienced on many of the bridges.

In response to these overruns, the Legislature passed AB 1171 in 2001 which increased the cost of the bridge program to \$4.637 billion, plus a contingency of \$448 million. AB 1171 allocated an additional \$1.09 billion in statewide taxpayer supported State Highway Account funds to the program. AB 1171 also extended the \$1 toll and allocated those funds to the toll bridge seismic retrofit program.

At this point in time work on the majority of the bridges has been completed. The remaining segment to be completed is the replacement of the Eastern Span of the San Francisco-Oakland Bay Bridge. Since the 2001 legislation, cost overruns on this segment continue to mount and Caltrans has begun initial work on bridge approaches and the bid solicitation process for replacement of the Eastern span. The full extent of these overruns are unknown at this point, but the California State Auditor in their August 2002 report estimated the overruns to be at least \$580 million.

Under AB 1171, Caltrans is required to submit an annual report to the Legislature outlining the costs of the program and any overruns. These overruns are currently limited to \$448 million. The last report filed was in 2001. At that point, known cost increase had consumed all but \$153 million of the \$448 million AB 1171 contingency.

The continuing expenditure of state funds on this program limits the amount of funds that ultimately flow to counties around the state. Non-Bay Area Counties have contributed significantly to this program from reduced county shares and these reductions have impacted important transportation projects around the state. In the meantime, the San Francisco Bay Area voters passed Regional Measure 2 on March 2, 2004. That measure raises \$125 million per year through a \$1 toll increase on the region's state-owned toll bridges. These funds are to be used on a Regional Traffic Relief Plan, not on toll bridge seismic retrofit costs. Staff recognizes the importance of the bridges to the Bay Area.

However, staff are concerned that significant projects in other counties are being jeopardized by the increasing costs of the TBSRP.

Against this backdrop, language which would have lifted the cap was submitted to the Assembly Budget Subcommittee by the Department of Finance (DOF). DOF represents that this language is intended to address accounting and staffing issues relating to the TBSRP. The actual language, however, provides authority for the Director of Finance to expend funds beyond the \$448 million cap.

This proposal has raised the larger concern that the full cost of the TBSRP has not been fully disclosed and resolved by the Legislative process. The limit on overruns and reporting requirements are established in statute. Staff suggests that issues related to the cost of the TBSRP should be reported as required and addressed through the normal legislative process and not through a budget line item.

Staff recommends that the MTA Board oppose the language sponsored by the Department of Finance and work with the Los Angeles County delegation to insure that all cost overruns, beyond those allowed under AB 1171, be absorbed by those counties in the Bay Area. Staff will work with the L.A. delegation to seek a full accounting of the entire costs of the TBSRP including overruns through the required reporting process. Staff will further work with the delegation to insure that the resolution of the overruns is included in a stand-alone bill and not through the budget process.

