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**PLANNING AND PROGRAMMING COMMITTEE
MAY 18, 2005
FINANCE AND BUDGET COMMITTEE
MAY 19, 2005**

**SUBJECT: PROGRAMMING OF FEDERAL FUNDS FOR
ACQUISITION OF CNG BUSES**

ACTION: APPROVE PROGRAMMING OF AVAILABLE FUNDS

RECOMMENDATION

Approve the following actions:

- A. Program \$26,559,000 of Congestion Mitigation and Air Quality Improvement (CMAQ) funds in Fiscal Year (FY) 2005, as an advance for \$26,559,000 of CMAQ funds previously programmed in FY 2007 for acquisition of seventy-five (75) forty (40)-foot compressed natural gas (CNG) buses; and
- B. Amend the FY 2005 Budget to reflect the recommended programming for the bus acquisition.

ISSUE

Last March, the Board of Directors approved in concept the programming of \$60 million in federal and local funds for regional priority projects. These regional priority projects include highway and transit projects with existing contracts and other funding sources that are time-sensitive. One of the projects recommended for that programming was the acquisition of 75 40-foot CNG buses. The recommended actions would finalize the March programming action as it relates to these CNG buses.

POLICY IMPLICATIONS

The recommended programming essentially will advance \$26,559,000 of currently available CMAQ funds previously identified in FY 2007 for the bus acquisition. Uses for the \$26,559,000 in CMAQ funds now made available in FY 2005 by our recommendation will be considered in the update of the Long Range Transportation Plan for Los Angeles County.

OPTIONS

The Board may choose not to approve the recommended actions. The Board instead could choose to program all or part of the identified available funding to:

1. Other Metro capital and/or operating needs;
2. Los Angeles County project sponsors for cost increases to existing projects and new capital projects through Countywide Call for Projects processes;
3. Cost increases to the Board-adopted program for state highway improvements; and/or,
4. Other regionally significant capital projects identified in the Short and Long Range Transportation Plans for Los Angeles County.

We do not recommend that the Board consider these other options at this time because our recommended actions would allow us to use available additional CMAQ funds from a Federal FY 2004 appropriation immediately on an existing Board-approved procurement. These additional CMAQ funds must be obligated by September 2006, and they will be used to advance funds previously programmed in FY 2007 for bus acquisitions. Through the Long Range Transportation Plan update, the Board will have the opportunity to consider other options for the federal funds that our recommendation would free up in FY 2007.

FINANCIAL IMPACT

Currently, we have \$26,559,000 in CMAQ funds available in FY 2005 that can be used to substitute local funding previously budgeted to purchase 75 40-foot CNG buses. The CMAQ funds are part of the \$60 million in federal and local funds that the Board programmed conceptually last March. The local funding previously budgeted would then be used to fund other capital projects in FY 2006. The FY 2005 Budget will be amended to accommodate the recommended programming.

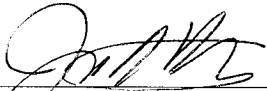
DISCUSSION

Last July, the Board exercised an option to purchase 75 40-foot CNG buses under Contract No. OP33200634 with North American Bus Industries (NABI), at an amount not to exceed \$30,000,000. The option was exercised using local funds of \$15.9 million in General Fund sales/leaseback proceeds and \$14.1 million of right-of-way lease revenues.

NEXT STEPS

With Board approval of our recommendation, we will amend the Federal Transportation Improvement Program (TIP) to make \$26,559,000 in CMAQ funds available for obligation in FY 2005 for the bus acquisition. We also will amend the FY 2005 Budget to accommodate the recommended programming.

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