



**Metro**

Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.2000 Tel  
metro.net



**PLANNING AND PROGRAMMING COMMITTEE  
NOVEMBER 19, 2008**

**SUBJECT: STATE PROPOSITION 1B TRANSIT MODERNIZATION FUNDS  
FOR MISCELLANEOUS TRANSIT PROJECTS**

**ACTION: APPROVE PROGRAMMING RECOMMENDATION**

**RECOMMENDATION**

Approve programming of up to \$90.2 million in state Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (Prop 1B Transit Modernization) bond funds, which the Los Angeles County Metropolitan Transportation Authority (LACMTA) is entitled to receive as the regional transit operator for Los Angeles County, and apply the funding to those Miscellaneous Transit Projects described in Attachment A.

**ISSUE**

Up to \$90.2 million in state Prop 1B Transit Modernization funds are available for programming towards the Miscellaneous Transit Projects category that we identified for the Board of Directors in recommendations presented in November 2007 and January 2008.

**POLICY IMPLICATIONS**

The recommendation would implement LACMTA bus and rail capital priorities that the Board of Directors had established previously through the 2001 Long Range Transportation Plan (LRTP) and the 2003 Short Range Transportation Plan (SRTP) for Los Angeles County. The Draft 2008 LRTP for Los Angeles County provides a continued funding allowance for these previously established bus and rail capital priorities, as well as new ones, to maintain equipment and facilities for regional transit services in a state of good repair. The recommended programming of Prop 1B Transit Modernization funds continues the support for the allowance already established through the LRTP process and addresses funding for critical transit capital needs that are part of our budget deficit.

**OPTIONS**

The Board of Directors could elect to defer the recommended programming of \$90.2 million of Prop 1B Transit Modernization funds to a later time. However, we do not recommend deferring this action further for two main reasons:

- 1) If no programming request for Los Angeles County is submitted, there is always the risk that substantial state funding could be deferred due to state budget issues or other related funding availability reasons; and
- 2) Ready-to-go bus and rail projects will be delayed if the funds are not programmed promptly.

## **FINANCIAL IMPACT**

The Board of Directors previously programmed \$27.5 million of FY 2008 Prop 1B Transit Modernization funds for Miscellaneous Transit Projects at its January 2008 meeting. This \$27.5 million was assigned to the FY08 Bus Rebuild Program and is included in our FY09 budget for capital project #CP203005, Bus Rebuild Program in Cost Center #3442.

With Board approval of our current recommendation, up to \$90.2 million of Transit Modernization funding will be included in our FY09 and FY10 budgets, as well as future budgets as appropriate, for each bus and rail project. The bus and rail projects will include those capital projects that the Board already has approved or new capital projects that the Board may approve during budget processes for FY10 and beyond.

As our programming recommendation applies to multi-year bus and rail projects, the individual project managers for each activity will be responsible for budgeting costs in the FY09 and FY10 budgets, as well as in future years as appropriate. Programming the \$90.2 million of Prop 1B funds for these needed bus and rail projects will ensure that we continue to move forward with critical transit capital projects as planned in the LRTP, and avoid potential cost increases.

## **BACKGROUND**

California voters approved Prop 1B in the November 2006 general election. Prop 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including state transportation improvement program augmentation and transit improvements.

According to Prop 1B, \$3.6 billion is to be made available for the Transit Modernization program to project sponsors statewide for allocation to eligible public transportation projects. Available funds are appropriated to the State Controller's Office (Controller) for allocation to eligible agencies using existing State Transit Assistance (STA) formulas, although these Transit Modernization bond funds are not STA funds. Caltrans is responsible for implementation and ongoing administration of the Transit Modernization program, including the development of guidelines and project requirements.

Eligible projects for Transit Modernization bond funds are transit capital projects for purposes of one of the following: i) rehabilitation, safety, or modernization improvements; ii) capital service enhancements or expansions; iii) new capital projects; iv) bus rapid transit improvements; or, v) rolling stock procurement, rehabilitation, or replacement.

Among the requirements for receiving Transit Modernization bond funds, eligible projects are capital projects that: i) are ready-to-go; ii) will result in a minimum operable segment; iii) have a useful life not less than the required useful life for capital assets pursuant to Section 167279(a) of the state Government Code; iv) are fully funded; and v) are consistent with the

sponsor's most recently adopted short range transportation plan, or publicly adopted plan that programs or prioritizes funds for transit capital improvements (including a transportation improvement program), or a certified board endorsement.

#### Previous Prop 1B Transit Modernization Programming Actions

At its November 2007 meeting, the Board of Directors approved \$738.4 million of our recommendation to program up to \$940.0 million in state Prop 1B Transit Modernization bond funds from FY 2008 to FY 2010 and beyond. The approval provided Prop 1B funding for Bus Procurement (\$70.0 million), the Crenshaw Corridor (\$115.0 million), Exposition Light Rail Transit Project Phases I and II (\$468.4 million), the San Fernando Valley North/South Corridor (\$70.0 million) and the Wilshire Bus Rapid Transit Project (\$15.0 million). The Board did not approve \$201.6 million in recommended Transit Modernization programming for the Union Bus Division Construction (\$85.0 million) or the Miscellaneous Transit Projects category (\$116.6 million, which was to be determined through our annual budget process). The Board deferred a programming decision on the remaining \$201.6 million until it could be considered concurrently with Board approval of the 2008 LRTP Update, or until action was needed at a Board meeting to be held before any application submittal deadline for the Prop 1B funding.

Due to the urgent funding need for implementing the Union Bus Division Construction and the Miscellaneous Transit Projects in FY 2008, we approached the Board again in January 2008 with a recommendation for programming the remaining \$201.6 million of Prop 1B Transit Modernization funds. At its January 2008 meeting, the Board decided to program only \$5.0 million and \$27.5 million from state FY 2008 Prop 1B Transit Modernization funds to the Union Bus Division Construction and Miscellaneous Transit Project categories, respectively. The Board also chose to defer the remaining \$169.1 million in future programming from future years of Transit Modernization funding for the two categories until the final adoption of the 2008 LRTP.

Recently at its September 2008 meeting, the Board approved programming of \$80.0 million for the Union Bus Division Construction from Prop 1B Transit Modernization anticipated amounts in FY 2009 and beyond. This action was part of the \$290.6 million Board approval of projects that are included in the Los Angeles Region Congestion Reduction Demonstration Initiative (CRDI) for which we accepted \$210.6 million in federal Section 5309 Bus and Bus Facilities funding. This left only the \$89.1 million in Prop 1B Transit Modernization programming for Miscellaneous Transit Projects as the outstanding item from our previous recommendations.

#### Current Prop 1B Transit Modernization Programming Recommendation

On October 7, 2008, Caltrans distributed the guidelines and project eligibility requirements for FY 2009 Prop 1B Transit Modernization funding. On October 10, 2008, the State Controller's Office (SCO) provided its list of eligible applicants and proposed allocations totaling \$337.9 million statewide for FY 2009 Prop 1B Transit Modernization funds. For FY 2009, the eligible allocation for us is \$90.7 million. The immediate deadline for submitting allocation requests to Caltrans is November 30, 2008.

Of the \$90.7 million in available FY 2009 Prop 1B Transit Modernization funding, we intend on submitting allocation requests totaling \$41.6 million for Bus Procurement, Union Bus Division Construction and the San Fernando Valley North/South Corridor, as authorized by

prior Board approval. That would leave \$49.1 million of Transit Modernization funding available for programming towards ready-to-go Miscellaneous Transit Projects in FY 2009. We are recommending that the Board approve total programming of up to \$90.2 million in Prop 1B Transit Modernization bond funds, with \$49.1 going for allocation in FY 2009 and the rest requested for FY 2010 and beyond.

Our \$90.2 million programming recommendation includes the \$89.1 million left outstanding from previous Board programming actions and \$1.1 million in accrued interest from the FY 2008 Prop 1B Transit Modernization funding that we received already from the State. Attachment A identifies the projects for which we intend on submitting allocation requests with Board approval of our recommended Transit Modernization programming. The Miscellaneous Transit Projects identified in Attachment A are those LACMTA bus and rail capital projects that the Board approves through the budget process.

### **NEXT STEPS**

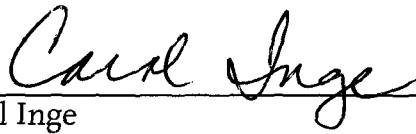
If the Board of Directors approves our programming recommendation, we will strategically assign state Prop 1B Transit Modernization bond funds to Board-approved projects identified in Attachment A according to the following schedule:

November 28, 2008: We will submit project allocation requests to Caltrans  
December 31, 2008: Caltrans to submit adopted project list to SCO for funding  
January 16, 2009: Tentative date for SCO to allocate Transit Modernization Funds.

### **ATTACHMENT**

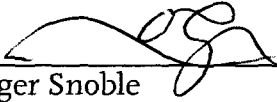
A. Proposition 1B Transit Modernization Project List: FY08 – FY10 and Beyond

Prepared by: Ashad Hamideh, Ph.D., Transportation Planning Manager V  
Programming and Policy Analysis



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Carol Inge  
Chief Planning Officer



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Roger Snoble  
Chief Executive Officer

**PROPOSITION 1B TRANSIT MODERNIZATION PROJECT LIST**

FY08 - FY10 and Beyond  
(\$'000s)

Project Description	Total	FY 08**	FY 09**	FY 10** & Beyond
Miscellaneous Transit Projects (Bus Purchase, Bus Mid-Life Rebuilds, and Rail Rehabilitation)	117,700	27,500	49,100	41,100
<b>Grand Total</b>	<b>117,700</b>	<b>27,500</b>	<b>49,100</b>	<b>41,100</b>

\*\* NOTE - Annual programmed amounts for projects are estimated and may be revised depending upon individual project needs and State funding availability, without changing total programmed amounts for projects. FY 08 amount already has been requested and received, while amounts for FY 09 and Beyond totaling \$90.2 million are included in November 2008 recommendation.