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JUN 02 1998

CALIFORNIA
TRANSPORTATION COMMISSION

RESOLUTION G-98-11

**Memorandum of Understanding
between the
Los Angeles County Metropolitan Transportation Authority
and the
California Transportation Commission
Regarding State Funding**

This Memorandum of Understanding ("Memorandum") is entered into as of 6/2, 1998 by and between the Los Angeles County Metropolitan Transportation Authority ("MTA") and the California Transportation Commission ("Commission").

RECITALS:

1. WHEREAS, for two decades, the Commission has been a funding partner with the Los Angeles County Transportation Commission (LACTC) and its successor agency, the MTA, committing some \$1.1 billion in State funds to the Los Angeles Metro urban passenger rail system;
2. WHEREAS, in 1987, the Commission committed to provide up to \$400 million in State funds for the initial Metro Rail Red Line from Union Station to North Hollywood;
3. WHEREAS, in 1989, the Commission agreed to LACTC's request for an increase in the State's long-term Metro Rail Red Line commitment from \$400 million to \$515 million;
4. WHEREAS, the Commission has maintained its funding commitments throughout the geological, engineering, financial, administrative and other challenges faced by LACTC and the MTA in constructing its urban rail system, particularly the Metro Rail Red Line;
5. WHEREAS, the Commission has repeatedly expressed its concern with the ability of the LACTC and the MTA to complete the Red, Blue, and Green line projects on-time and on-budget;
6. WHEREAS, LACTC's 1992 30-Year Financial Plan and the MTA's subsequent 1995 20-Year Financial Plan have each required downsizing to reflect more realistic revenues assumptions as well as capital and operating costs of Los Angeles' rail and transit bus systems;
7. WHEREAS, in March 1996, the MTA agreed to delete the East West San Fernando Valley passenger rail line from the State Transportation Improvement Program (STIP) and redirect to other transportation projects in Los Angeles County a portion of the \$500 million in State funds committed to the Valley rail line since 1990;

8. WHEREAS in October, 1996, the MTA entered into a federal court Consent Decree to ensure availability of affordable transit bus service, adding to the financial challenges facing the MTA's 1995 Financial Plan;
9. WHEREAS, in December 1996, the Federal Transit Administration (FTA) expressed concern with the MTA's ability to deliver the federally-funded Metro Rail Red Line Segment 3 North Hollywood Extension (the "North Hollywood Extension"), the Metro Rail Red Line Segment 3 Mid City Extension (the "Mid City Extension") and the Metro Rail Red Line Segment 3 East Side Extension (the "East Side Extension");
10. WHEREAS, the FTA required the MTA to prepare a recovery plan that would describe the completion of the three Segment 3 Red Line extensions as close to agreed-upon schedules and budgets as possible;
11. WHEREAS, the FTA also required the MTA to adopt an agency code of conduct delineating responsibilities for Board of Directors and staff;
12. WHEREAS the MTA adopted a code of conduct on January 10, 1997 and has not been notified verbally or in writing of any non-compliance by the FTA;
13. WHEREAS, in December 1996, the MTA committed to the Commission to provide a replacement for its 1995 20-Year Financial Plan so as to contend with a funding shortfall estimated at \$1 billion;
14. WHEREAS, in December 1996, the Commission expressed concern that the combined effects of the Consent Decree, the MTA's recovery plan, the recurrence of construction cost increases, delays, and revenue shortfalls, projected operating shortfalls and the financial challenges of the MTA's transit operations would significantly impact the remaining passenger rail projects and funding commitments contained in the 1996 STIP;
15. WHEREAS, the MTA committed to the Commission, at the Commission's December 1996 meeting, to provide a Recovery Plan and update of its 1995 20-Year Financial Plan in advance of the time required for the 1998 STIP process;
16. WHEREAS, in January 1997 and in August 1997, the MTA submitted recovery plans to FTA;
17. WHEREAS, FTA rejected each submittal finding that each required additional work before being approved;
18. WHEREAS, in September 1997, the MTA installed a new interim management team expressly tasked with the financial recovery of the Authority and its rail and transit bus systems;

19. WHEREAS, in January 1998, the MTA suspended for at least six months, development of three passenger rail projects contained in the 1996 STIP, (the Metro Rail Pasadena Blue Line and the Mid City Extension and the East Side Extension), to permit a broader range of recovery options to be developed and considered;
20. WHEREAS, the MTA adopted on May 13, 1998 the recovery plan, which is now known as the Restructuring Plan, which will serve as a foundation for, and therefore must precede, the update of its 1995 20-Year Financial Plan, and the MTA management has reported to the Commission that FTA approval of the Restructuring Plan is not likely to be obtained before the June 1998 statutory deadline for adopting the 1998 STIP;
21. WHEREAS, the MTA and the Commission therefore must proceed through the 1998 STIP process and the programming of some \$680 million in new programming capacity for Los Angeles County without financial planning documents to help guide and determine the compatibility of incremental decisions against long-range objectives consistent with available funding;
22. WHEREAS, the Commission has expressed its willingness to extend to the MTA additional time until December 2, 1998, beyond the June 1998 deadline for STIP adoption, to permit the MTA to prepare a plan as described in Paragraph 1 below;
23. WHEREAS, at the outset of the 1998 STIP process, the MTA management reported to the Commission that the North Hollywood Extension would require an additional \$207 million in State funding over and above the \$515 million State funding commitment for the Downtown-to North Hollywood Metro Rail Red Line project;
24. WHEREAS, that \$207 million increase was reported as necessitated by several factors, including: lower-than-anticipated federal funding appropriations, reduced local revenues and revenue projections, redirection of other local funding, and reductions in the MTA's bonding capacity;
25. WHEREAS, the Commission has re-affirmed its commitment to the timely completion of the North Hollywood Extension and willingness to increase the State's \$515 million funding cap for the Downtown to North Hollywood Metro Rail Red Line project;
26. WHEREAS, in so doing, the Commission has encouraged and worked with the MTA management to derive as much as possible of the \$207 million in increased State funding for the North Hollywood Extension, including the funding of any allocations to the North Hollywood Extension that may be sought prior to the December 2, 1998 reporting deadline, from other prior State funding commitments, so as to conserve as much of Los Angeles' \$680 million in new 1998 STIP programming capacity as possible for other purposes; and

27. WHEREAS, at its February 1998 meeting, the Commission proposed to enter into a Memorandum of Understanding with the MTA to achieve the objectives and purposes set forth above, including much-valued advice and counsel from Assemblymembers Cardenas, Murray and Scott, pertaining to the timely completion of the North Hollywood Extension, the status and feasibility within the 1998 STIP period of the Metro Rail Pasadena Blue Line and the Mid City Extension and the East Side Extension, and the presentation of a plan as described in Paragraph 1 below.

NOW, THEREFORE, the Commission and the MTA do hereby agree as follows:

AGREEMENT:

1. MTA will adopt and submit to the Commission prior to the Commission's December 2, 1998 meeting, and present at that meeting, a plan (the "MTA Plan") to fully fund adequate transit services, including alternative services in those areas where full funding of major transit systems cannot currently be demonstrated.
2. MTA will continue to hold in suspense the Metro Rail Pasadena Blue Line project and the Mid City Extension and the East Side Extension projects in order to prepare the MTA Plan.
3. At the December 2, 1998 meeting, the MTA will submit a request for an RTIP amendment, consistent with the MTA Plan, which programs the following funds in accordance with the STIP guidelines: \$61.1 million (transit reservation as provided in Paragraph 7 below); \$257.9 million (Metro Rail Pasadena Blue Line); \$40 million (Mid City Extension); \$50 million (East Side Extension) and \$141 million (reservation for new programming as provided in Paragraph 8 below).
4. The MTA will present to the Commission a status report on the MTA Plan required to be submitted by December 2, 1998 not later than the Commission's June 2, 1998 meeting.
5. Provided the MTA receives federal appropriations at least in the amounts and in the years specified in the following schedule, the MTA will continue with the timely construction of the North Hollywood Red Line extension toward its completion on its current schedule.

<u>Fiscal Year</u>	<u>Appropriation Amount</u>
FY1998-99	\$62.0 million
FY1999-00	\$50.0 million
FY2000-01	\$17.8 million

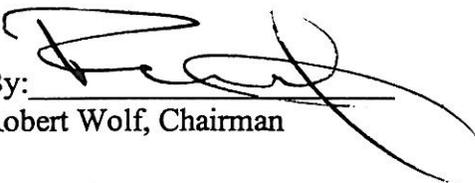
6. The MTA will modify its Regional Transportation Improvement Program (RTIP) for the 1998 STIP to reflect the suspension of funding for the Metro Rail Pasadena Blue Line, the Mid City Extension and the East Side Extension.

7. The MTA will further modify its RTIP to clarify that the \$61.1 million reservation funded from new 1998 STIP funding is for transit capital purposes.
8. The MTA will further modify its RTIP to clarify that \$167 million designated for the North Hollywood Extension will be reduced to \$141 million and be re-designated as a reservation for new programming to be determined by the MTA and the Commission, following consideration of the MTA Plan.
9. The MTA will attest to the fact that funds programmed in the 1998 STIP for specific capital improvement projects will not be used directly or indirectly for any funding for operations.
10. The Commission will continue to help assure the timely completion and funding of the North Hollywood Extension through the following funding actions:
 - allocation of \$25 million in Proposition 116 and STIP funds to the North Hollywood Extension taken from the State's share of 22-car reduction in light rail vehicles previously programmed for the Metro Rail Long Beach Blue Line, the Metro Rail Green Line and the Metro Rail Pasadena Blue Line;
 - allocation of \$15 million to the North Hollywood Extension in the last of the remaining Proposition funds assigned to Los Angeles County for rail projects under that initiative;
 - allocation of \$4.9 million in STIP funds to the North Hollywood Extension remaining from a prior STIP programming commitment to the Metro Rail Green Line; and
 - allocation of \$21.1 million in STIP funds to the North Hollywood Extension taken from the last increment of State commitment to Los Angeles' light rail vehicles whose need and timeliness is uncertain given than uncertain outlook for the Metro Rail Pasadena Blue Line.
11. The Commission and the MTA will continue to search for the availability of another \$7 million in State funding from prior programming commitments, which, when taken with the \$66 million in allocations listed above, will provide a total of \$73 million identified by the MTA as necessary for the continued on-time funding of North Hollywood Extension prior to the December 2, 1998 report deadline.
12. Absent the identification of another \$7 million in State funding from prior programming commitments, then at its August 1998 meeting, the Commission will allocate to the North Hollywood Extension up to \$7 million from the \$141 million reservation of new 1998 STIP funding to be contained in the MTA's RTIP pursuant to the Memorandum.
13. In adopting the 1998 STIP, the Commission will provisionally incorporate the MTA's RTIP, if modified in keeping with the above provisions, including a \$61.1 million transit reservation and a \$141 million programming reservation, both from new 1998 STIP funding, and also specifying the suspension of prior programming for the Metro Rail Pasadena Blue Line (\$257.9 million) and the Mid City Extension (\$40 million) and the East Side Extension (\$50 million), until the December 2, 1998 presentation of the MTA Plan.

14. On December 2, 1998, the MTA will appear and present and the Commission will consider the submission of the MTA Plan. At that time, the Commission will either accept the MTA Plan and move forward with the process to approve the RTIP amendment request or the Commission shall reclaim its full flexibility to reprogram these funds to other projects in Los Angeles County that can become operational and help address Los Angeles' overwhelming transportation problems.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be authorized by a majority vote of the MTA Board of Directors and a majority vote of the Commission and signed by the respective Chairman of each Board as of the dates indicated below

CALIFORNIA TRANSPORTATION COMMISSION

By: 
Robert Wolf, Chairman

6/2/98 date

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

By: 
Richard Riordan
Chairman of the Board of Directors

5/28/98 date

Approved as to form:

DeWitt W. Clinton
County Counsel

By: 
Deputy