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November 9, 2007

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE 
CHIEF EXECUTIVE OFFICER

FROM: CAROL INGE 
CHIEF PLANNING OFFICER

**SUBJECT: COMPARISON OF PROP 1B PTMISEA/99314 OPERATOR
REVENUE SHARE AMOUNTS USING STA AND FAP FORMULAS**

ISSUE

By letter dated October 24, 2007, the State Controller's Office (SCO) provided a schedule of agencies and transit operators eligible to receive bond funds available from the Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). The SCO's letter also provided a schedule of the bond fund amounts available to the eligible agencies and transit operators from the fiscal year (FY) 2007-08 appropriation in the Budget Act of 2007. The SCO has determined the amounts statewide according to State Transit Assistance (STA) formulas pursuant to Sections of 99313 and 99314 of the Public Utilities Code (PUC). These bond funds are not STA funds. The bond-implementing legislation, however, lays out in a very straightforward manner how the SCO is to use STA formulas to determine individual agency and operator amounts. Nevertheless, our Los Angeles County Municipal Operators (Munis) believe that the SCO should have determined Prop 1B PTMISEA/99314 operator revenue share amounts according to the Formula Allocation Procedure (FAP) used to allocate STA funds to them and Metro.

BACKGROUND

The Munis, through the Bus Operating Subcommittee Chair, have requested by letter dated October 25, 2007, that we request the SCO to use the FAP in determining Prop 1B PTMISEA/99314 operator revenue share amounts in Los Angeles County. In response, we have asked County Counsel to review the request and give a legal opinion to us as to the authority Metro would have to approach the SCO with such a request and the latitude that the SCO would have to determine the bond amounts other than what is specifically prescribed by law. County Counsel has prepared a written response and will provide that response to the Board of Directors separately. From discussions with County Counsel, we understand that

Metro has no legal authority to request that the SCO use the FAP on bond amounts for Los Angeles County operators. Furthermore, we understand that the SCO has no discretion at all to use an allocation formula different from the STA revenue formula that statute requires.

We also have contacted SCO staff to discuss the matter with them. The SCO staff person was unable to provide an immediate response and asked for a couple of days to consider the issues. The SCO staff person indicated that if his office cannot give us an administrative response within a couple of days, they would have to secure their own legal opinion that could take several months. The matter would have to be reviewed as to the statewide impact of such a decision.

Bond-Implementing Legislation Under GC Section 8879.5

Government Code (GC) Section 8879.55 requires that bond funds made available from the Prop 1B PTMISEA, upon appropriation by the State Legislature for FY 2007-08, be allocated to agencies and transit operators eligible to receive STA funds pursuant to PUC Sections 99313 (population share) and 99314 (operator revenue share). Section 8879.55 further requires that the agencies and transit operators be provided "... with the same proportional share of funds as the proportional share each received from the allocation of State Transit Assistance funds, pursuant to Sections 99313 and 99314 of the Public Utilities Code, over fiscal years 2004-05, 2005-06, and 2006-07." Eligible agencies and transit operators may use the bond funds for transit capital projects, including a minimum operable segment of a project, as specified by Prop 1B for the PTMISEA. Eligible agencies and transit operators must request an allocation within two years of the appropriation, and they must obligate their bond funds within three years of allocation.

The amount of funds for Section 8879.55 that the Governor approved in the State Budget for FY 2007-08 is \$600,000,000. (Prop 1B authorized a total of \$3.6 billion for the PTMISEA and subsequent annual amounts are subject to appropriation by the State Legislature.) From the SCO's October 24th transmittal, we have learned that Metro, as the Section 99313 Regional Entity, is eligible to apply for a total of \$82,953,903 based on the population share. From the same transmittal, sixteen operators in Los Angeles County (including Metro, the Southern California Regional Rail Authority [SCRRA], Antelope Valley and others as shown in the attachments to this Board Box item) are eligible to apply for their individual Prop 1B PTMISEA/99314 operator revenue share amounts that total \$100,120,285.

Comparison of Prop 1B PTMISEA/99314 Amounts Using STA and FAP Formulas

Several Board Members and the Munis have asked us to provide them with charts that would compare Prop 1B PTMISEA/99314 operator revenue share amounts for eligible Los Angeles County operators. The charts requested would help identify what the differences would be if the FAP would be used instead of the SCO's application of the STA revenue formula.

Attached are two scenario charts that compare Prop 1B PTMISEA/99314 operator revenue share amounts for eligible Los Angeles County operators as identified by the SCO. Both compare individual operator amounts, using the SCO's STA revenue formula ("STA Allocation Basis" column) and using the Los Angeles County FAP ("FAP Formula Basis"

column). The SCO has used the STA revenue formula as required by GC Section 8879.55, and the SCO expects to be issuing individual warrants to each eligible operator against the determined amounts, once Caltrans approves project descriptions from each operator. The Munis would prefer that the FAP be applied to determine Prop 1B PTMISEA/99314 operator revenue share amounts and that the SCO still issue individual warrants to each operator against the FAP-determined amounts. Recently, the Munis have asked Metro to instruct the SCO to employ the FAP formula on the bond funds. Previously, the Munis requested during the drafting of bond-implementing legislation that Metro have no role in allocating and distributing Prop 1B PTMISEA/99314 operator revenue share amounts.

Under the Scenario 1 chart, we have assumed that the FAP would be strictly applied so that the SCRRA and Antelope Valley would receive no allocation of the bond funds. The SCRRA and Antelope Valley did not receive STA funds in FYs 2004-05, 2005-06, and 2006-07, and their STA amounts as determined by the SCO were distributed instead to Metro and the other STA-eligible operators in Los Angeles County under the FAP. However, the SCRRA and Antelope Valley each were compensated equitably with other regional funds in FYs 2004-05, 2005-06, and 2006-07. The Scenario 1 chart also shows that Metro would lose an estimated \$4.2 million in FY 2007-08 (and an estimated total loss of \$25.5 million over six years), if the FAP were used to determine bond fund shares.

Under the Scenario 2 chart, we have assumed that the FAP would be applied to an amount less those amounts that the SCO has identified for the SCRRA and Antelope Valley. The SCO listed the SCRRA and Antelope Valley as eligible recipients of the bond funds, assuming that the SCRRA and Antelope Valley received the STA funds that the SCO allocated to them in FYs 2004-05, 2005-06, and 2006-07. Having no authority to compensate the SCRRA and Antelope Valley with regional funds, as we do for redistributing their STA funds, we have assumed that the SCRRA and Antelope Valley would keep their SCO-determined amounts. The Scenario 2 chart also shows that Metro would lose an estimated \$9.5 million in FY 2007-08 (and an estimated total loss of \$56.8 million over six years), if the SCO used the FAP to determine bond fund shares.

In both scenarios, if the FAP were to be applied to determine bond fund shares for Los Angeles County operators, we would expect that Metro would lose bond funding that we planned to use for the bus procurement, Union Bus Division and/or the Wilshire Bus Rapid Transit projects. We also would expect that the loss of bond funding for Metro would further impact funding plans for the Crenshaw Transit Corridor, Exposition Light Rail Transit Phase I and Phase II, and/or San Fernando Valley North-South projects, as we would need to reassess and reprogram all currently programmed funding to compensate for any bond funding lost.

NEXT STEPS

With Board approval of our programming recommendation for projects described in Board Report No. 8 for the 2008 State Transportation Improvement Program, which is on the November 2007 Board meeting agenda, we will proceed to submit project applications against Metro's Prop 1B PTMISEA/99314 operator revenue share amount. Project sponsors are required to submit their project applications to Caltrans by December 14, 2007 and April 30, 2008.

ATTACHMENTS

- A. PTMISEA 99314/Operator Share – STA/FAP Comparison – Scenario 1 Chart
- B. PTMISEA 99314/Operator Share – STA/FAP Comparison – Scenario 2 Chart

Proposition 1B State Infrastructure Bonds
PTMISEA (Public Transit) 99314/Operator Revenue Share for FY 07-08 Only
Comparison of STA Allocation Basis and FAP Basis (Estimated-Scenario 1)

ATTACHMENT A

		FY 07-08	
1	State Budget	\$	300,000,000
2	Los Angeles County Share	\$	100,120,285
3	Operator Share of LA County Share	STA Allocation Basis	FAP Formula Basis
4	Off the top		
5	SCRRRA	\$ 6,140,036	\$ -
6	Antelope Valley	\$ 957,640	\$ -
7	Subtotal off the top	\$ 7,097,676	\$ -
8	Balance	\$ 93,022,609	\$ 100,120,285
9	Arcadia	\$ 100,560	\$ 117,249
10	Claremont	\$ 30,722	\$ 36,297
11	Commerce	\$ 213,376	\$ 81,920
12	Culver City	\$ 660,742	\$ 1,406,810
13	Foothill Transit	\$ 3,271,167	\$ 6,477,432
14	Gardena	\$ 767,142	\$ 1,613,721
15	La Mirada	\$ 80,999	\$ 59,518
16	Long Beach	\$ 3,710,248	\$ 6,252,714
17	Montebello	\$ 1,516,625	\$ 2,432,431
18	Norwalk	\$ 716,091	\$ 745,472
19	Redondo Beach	\$ 91,311	\$ 30,688
20	Santa Monica	\$ 2,670,287	\$ 5,435,089
21	Torrance	\$ 1,154,427	\$ 1,635,463
22	Metro*	\$ 78,038,913	\$ 73,795,480
23	Subtotal	\$ 93,022,609	\$ 100,120,285
24	Total	\$ 100,120,285	\$ 100,120,285

*For Metro, \$4.2 million annual loss (with \$25.5 million potential loss over six years) due to use of FAP formula may initially impact PTMISEA bond funding for bus procurement, Union Bus Division, and/or Wilshire BRT projects as well as secondarily impact Crenshaw Corridor, Expo LRT Phases I and II, and/or San Fernando Valley North-South projects.

Proposition 1B State Infrastructure Bonds
PTMISEA (Public Transit) 99314/Operator Revenue Share for FY 07-08 Only
Comparison of STA Allocation Basis and FAP Basis (Estimated-Scenario 2)

ATTACHMENT B

		FY 07-08			
1	State Budget	\$	300,000,000		
2	Los Angeles County Share	\$	100,120,285		
3	Operator Share of LA County Share			STA Allocation Basis	FAP Formula Basis
4	Off the top				FAP over/ (under) STA
5	SCRRA	\$	6,140,036	\$ 6,140,036	\$ -
6	Antelope Valley	\$	957,640	\$ 957,640	\$ -
7	Subtotal off the top	\$	7,097,676	\$ 7,097,676	\$ -
8	Balance	\$	93,022,609	\$ 93,022,609	
9	Arcadia	\$	100,560	\$ 108,937	\$ 8,377
10	Claremont	\$	30,722	\$ 33,723	\$ 3,002
11	Commerce	\$	213,376	\$ 76,113	\$ (137,263)
12	Culver City	\$	660,742	\$ 1,307,080	\$ 646,338
13	Foothill Transit	\$	3,271,167	\$ 6,018,237	\$ 2,747,070
14	Gardena	\$	767,142	\$ 1,499,322	\$ 732,181
15	La Mirada	\$	80,999	\$ 55,299	\$ (25,701)
16	Long Beach	\$	3,710,248	\$ 5,809,450	\$ 2,099,202
17	Montebello	\$	1,516,625	\$ 2,259,992	\$ 743,367
18	Norwalk	\$	716,091	\$ 692,624	\$ (23,467)
19	Redondo Beach	\$	91,311	\$ 28,512	\$ (62,799)
20	Santa Monica	\$	2,670,287	\$ 5,049,788	\$ 2,379,501
21	Torrance	\$	1,154,427	\$ 1,519,523	\$ 365,096
22	Metro*	\$	78,038,913	\$ 68,564,009	\$ (9,474,904)
23	Subtotal	\$	93,022,609	\$ 93,022,609	\$ -
24	Total	\$	100,120,285	\$ 100,120,285	\$ -

*For Metro, \$9.5 million annual loss (with \$56.8 million potential loss over six years) due to use of FAP formula may initially impact PTMISEA bond funding for bus procurement, Union Bus Division, and/or Wilshire BRT projects as well as secondarily impact Crenshaw Corridor, Expo LRT Phases I and II, and/or San Fernando Valley North-South projects.