

April 12, 2002



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
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TO: MTA BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JAMES L. de la LOZA
EXECUTIVE OFFICER

SUBJECT: FEDERAL FUNDING FOR THE EXPOSITION LRT PROJECT

ISSUE

The current capital funding plan for the Exposition Light Rail Transit (LRT) Project includes \$155.2 million in Federal Transit Administration Section 5309 New Starts funds. The MTA intended for those funds to be derived from a portion of the \$651 million Section 5309 New Starts balance remaining under the MOS-3 Full Funding Grant Agreement (FFGA). While the FTA is recommending that a portion of the \$651 million be committed toward an Eastside LRT Project FFGA, they also are recommending that New Starts funds no longer be reserved for other MOS-3 substitute projects such as the Exposition LRT Project.

To enhance our ability to obtain Section 5309 New Starts funds for the Exposition LRT Project, we intend to proceed as follows:

- Continue to work with the FTA and our Congressional delegation to attempt to preserve all or part of the \$155.2 million MOS-3 FFGA balance for the project;
- Seek funding for the project through reauthorization of TEA-21; and
- Enhance project readiness by completing preliminary engineering in FY 2003 with \$11 million of available State Traffic Congestion Relief Program (TCRP) funds.

BACKGROUND

In June 1993, following the statutory direction in the ISTEA legislation, the FTA entered into an FFGA with the MTA for the Metro Rail MOS-3 project. This FFGA, as amended in December 1994, provided \$1.416 billion in Federal New Starts funding for the MOS-3 project. The FFGA covered the three segments of MOS-3 (North Hollywood, Eastside, and Mid-City), each of which was designed to provide high capacity transit for a major transportation corridor in Los Angeles County. The FTA subsequently decided to break MOS-3 into separate FFGAs for each segment, with a revised and restated FFGA for the North Hollywood segment executed in July 1997. The MTA then suspended the Eastside and Mid-City subway projects in January 1998, and separate FFGAs were never executed for those segments. In June of that year, language was included in the TEA-21 legislation redefining MOS-3 as "any fixed guideway project or projects selected by the [MTA] in the transportation corridors to be served by the 3 extensions of MOS-3."

The MOS-3 FFGA New Starts Balance

The Federal New Starts share of the North Hollywood project (which opened to revenue service in July 2000) was \$681 million. Another \$76.5 million of New Start funds were expended for the suspended Eastside and Mid-City Red Line extensions, primarily for final design and vehicle acquisition. Additionally, \$8 million was approved for initial planning and environmental work on the Eastside and Mid-City transit corridor studies. This left the MOS-3 FFGA New Starts balance for the Eastside and Mid-City/Westside corridors at \$651 million. Since suspending the subway projects in 1998, the MTA has consistently advocated that this balance remain available for projects in the Eastside and Mid-City/Westside corridors. The MTA received critical support for this position in the TEA-21 legislation enacted in June 1998, which included the “fixed guideway” redefinition for MOS-3. The FTA also has consistently honored the MTA’s request to preserve this New Starts balance, as evidenced by each Section 5309 New Starts Report beginning with the FY 1999 Report. The FTA has listed the MOS-3 FFGA in these New Starts Reports as an existing FFGA and identified the entire FFGA New Starts balance as the remaining federal commitment for all elements of the MOS-3 project, including Eastside and Mid-City.

The RTAA and Section 5309 New Starts Report Submittal

In the Restructuring Plan the MTA adopted in May 1998 and the FTA approved in July 1998, the MTA Board directed that transit options be developed for the suspended corridors pursuant to the Regional Transit Alternative Analysis (RTAA). In the RTAA process, the MTA identified and began evaluating more cost-effective fixed guideway projects in the Eastside and Mid-City/Westside corridors. For the Mid-City/Westside corridor in particular, two projects were identified to replace the suspended Mid-City subway—a Wilshire project and an Exposition project.

Since completing the RTAA, the MTA’s project development efforts in the Eastside and Mid-City/Westside corridors have progressed steadily in full compliance with FTA environmental and planning requirements. The MTA selected the Eastside LRT project as the locally preferred alternative for the Eastside corridor in May 2001, and selected the Wilshire Bus Rapid Transit (BRT) project and the Exposition LRT project as the preferred alternatives for the Mid-City/Westside corridor in June 2001.

In the August 2001 submittal to the FTA for the FY 2003 Section 5309 New Starts Report, the MTA included in its capital funding plan an allocation of \$160.3 million in Section 5309 New Starts funds for the Exposition LRT project. Since that time, this figure has been reduced to \$155.2 million to provide additional New Starts funds for the Eastside LRT Project. The MTA intended for those funds to be derived from a portion of the \$651 million Section 5309 New Starts balance remaining under the MOS-3 FFGA. Under this capital funding plan, the MTA allocated the remaining MOS-3 FFGA balance of \$490.7 million (now \$495.8 million) to the Eastside LRT project. The \$235.4 million Mid-City/Wilshire BRT project is funded entirely with state revenues; therefore, no Section 5309 New Starts funds were requested for the project.

With the August 2001 New Starts Report submittal to the FTA, the MTA requested that preliminary engineering for the Exposition LRT Project be allowed to proceed, consistent with the FTA's project development process. The FTA approved this MTA request on February 5, 2002.

Current Developments

In March 2002, the FTA released its annual New Starts Report, which rates and recommends funding for candidate New Starts projects. In this New Starts Report, the FTA has rated the Exposition LRT Project as "recommended." This rating is intended to reflect overall project merit and does not translate directly into a funding recommendation. While this is a positive development, the Report also appears to indicate that the FTA no longer recognizes any of the MOS-3 FFGA balance beyond that which is being recommended for the Eastside LRT Project. This is a clear departure from previous New Start Reports that acknowledged the full MOS-3 federal funding balance.

Recent discussions with FTA Administrator Jenna Dorn and her staff have confirmed that the FTA is not recommending that New Starts funds be reserved at this time for the Exposition LRT Project. Some of the reasons provided by the FTA are as follows:

- The project is not ready for an FFGA at this time. The Exposition LRT Project is just getting ready to begin preliminary engineering and would not be eligible to receive an FFGA until sometime during the final design phase, some two years from now. Since TEA-21 expires on September 30, 2003, it would be more appropriate for the project to seek funding as part of TEA-21 reauthorization.
- The project is not a legitimate substitute for the MOS-3 Mid-City subway project and does not appear to be in the same transit corridor. While MTA staff have made a number of substantive arguments as to why the project should be considered part of the same transit corridor, the FTA has not accepted those arguments. Therefore, the project cannot claim to be part of the MOS-3 FFGA balance.

NEXT STEPS

Staff will continue to negotiate this matter with FTA staff and the Los Angeles Congressional delegation. I will keep the Board informed of any further significant developments relating to these actions. If you would like to discuss this matter further, please let me know.

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