



February 1, 2000


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TO: MTA BOARD OF DIRECTORS

FROM: JULIAN BURKE 

**SUBJECT: CITY OF LA FINANCIAL CONTRIBUTION AGREEMENT
FOR METRO RAIL RED LINE SEGMENT 3**

On September 29, 1999, the MTA Board of Directors approved a draft of a proposed Amendment No. 1 to the City of Los Angeles Financial Contribution Agreement for Metro Rail Red Line Segment 3. The Board also directed that if any changes were made to that approved draft, that such changes be brought back to the Board.

After additional meetings with the City's Chief Legislative Analyst and other City staff on the Amendment, a few changes have been made to the draft Amendment. I consider these changes to be relatively insignificant and therefore immaterial. Nevertheless, it is appropriate to bring them to your attention. A line-in/line-out version of the new draft Amendment which reflects the proposed changes is enclosed. The changes are mostly editorial, except for the following:

1. The \$2 million North Hollywood Economic Recovery Program has been removed from the agreement and will be handled separately by the City.
2. The City's payments under the agreement for the North Hollywood Extension from FY 2000 forward will be exclusively from their federal Section 5307 formula funds.
3. The payment schedule has been extended by three years, from FY 2003 to FY 2006, to reflect the projected availability of the City's federal formula funds.

It is expected that the Amendment as newly drafted will be going to the City Transportation Committee next week and thereafter to the City Council. I held a Board staff briefing on this matter yesterday so that your staff members would be fully advised. Please let me know if you have any questions or concerns regarding the new draft by **February 7** (next Monday). If the City Council approves this Amendment as now drafted, I intend to present it to you for ratification at our regular Board meeting on February 24.

Enclosure

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DRAFT**AMENDMENT NUMBER ONE TO CONTRACT NO. 95684, AGREEMENT
BETWEEN CITY OF LOS ANGELES AND LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY FOR THE FINANCIAL
CONTRIBUTION FOR THE LOS ANGELES METRO RAIL RED LINE SEGMENT
THREE PROJECT**

This Amendment Number One is made and entered into by and between the City of Los Angeles ("City") and the Los Angeles County Metropolitan Transportation Authority ("MTA") on this ____ day of _____ 1999.

RECITALS

WHEREAS, the City entered into an Agreement as of July 24, 1997, with the Los Angeles County Metropolitan Transportation Authority ("MTA"), to provide its financial support and commitment of \$200 million for the design and construction of Minimum Operable Segment Three ("MOS-3") of the Los Angeles Metro Rail Red Line Project - City Contract No. C-95684 ("Original Agreement"); and

WHEREAS, the full Project as defined in the Original Agreement included extensions identified as the North Hollywood, Mid-City, and East Side Extensions, all of which are known as MOS-3; and

WHEREAS, due to events beyond the control of the MTA, including reduced sales tax proceeds, and the passage of Proposition A in November 1998, which precludes the use of sales tax funds for subway construction, it will no longer be possible for the MTA to achieve certain milestones for the East Side and Mid-City Extensions, and the San Fernando Valley Transit Project by the specific dates contemplated in the Original Agreement; and

WHEREAS, the North Hollywood Extension is proceeding on schedule, with the anticipated opening date of May 2000 and the City's funding and payment schedule for the North Hollywood Extension should be provided in the amount of \$346,054,310 for a total financial contribution of \$924,054,310, less \$58,000,000 previously provided towards the North Hollywood Extension; and

WHEREAS, the North Hollywood Extension of MOS-3 extends from the Hollywood/Vine Station to the Hollywood/Highland Station, and north, under the Santa Monica mountains, to its terminus in North Hollywood; and

WHEREAS, the MTA has begun transit alternatives studies of the East Side, Mid-City and San Fernando Valley Corridors, and adoption of the initial Locally

Preferred Alternative (LPA) for these Corridors is expected in the latter part of 1999 or early 2000; and

WHEREAS, the City and the MTA have concluded that it is in the best interest of both parties, and the citizens of the City of Los Angeles, to amend the Original Agreement, to continue to provide for the City's financial contribution towards the completion of the North Hollywood Extension; and

~~WHEREAS, the MTA has already spent \$2,375,000 for mitigation and economic recovery programs related to construction of the North Hollywood Extension in the vicinity of the North Hollywood Station. Such measures have included, without limitation, \$1,275,000 for Lankershim Boulevard reconstruction and \$1.1 million for various economic recovery programs to assist merchants in the vicinity of the North Hollywood Station; and~~

WHEREAS, the parties acknowledge the application of the provisions of Section 23.0 of the Original Agreement to the present circumstances.

NOW, THEREFORE, in consideration of the mutual covenants and promises as provided herein and in the Original Agreement, and conditioned upon securing funds from other sources as provided in the FFGA between the FTA and the MTA regarding the North Hollywood Extension, the City and the MTA do hereby agree to amend the Original Agreement as follows:

1.0 DEFINITIONS

- 1.1 Section 1.3 of the Original Agreement is hereby deleted in its entirety and replaced by the following new Section 1.3: "Funding Schedule for North Hollywood Extension - The total capital cost for the North Hollywood Extension is enumerated as \$1,310,822,000 in escalated dollars as shown in Exhibit 2 Attachment A, herewith attached to this Agreement, as hereby amended."
- 1.2 Section 1.4 of the Original Agreement is hereby deleted in its entirety and replaced by the new Section 1.4: "San Fernando Valley East-West Transit Project. That transit project currently being planned within the Burbank/Chandler corridor".
- 1.23 Section 1.6 of the Original Agreement is hereby deleted in its entirety and replaced by the following new Section 1.6: "Full Funding Grant Agreement (FFGA) - The North Hollywood Full Funding Grant Agreement dated July 22, 1997 between the MTA and the Federal Government acting by and through the FTA, making available \$681,037,000 in FTA discretionary capital funds for design and construction of the North Hollywood Extension, which FFGA is hereinafter incorporated by reference and as shown in Exhibit 3 hereto."

1.34 A new Section 1.13 is hereby added to the Original Agreement to read as follows:
"Original Agreement" - Agreement Between the City of Los Angeles and Los Angeles County Metropolitan Transportation Authority for the Financial Contribution for the Los Angeles Metro Rail Red Line Segment Three - City Contract No. C-95684 entered into as of July 24, 1997."

1.45 Unless otherwise provided herein, all defined terms shall have the meaning set forth in the Original Agreement.

2.0 PURPOSE OF AGREEMENT

2.1 The two paragraphs under Section 2.0 of the Original Agreement are hereby deleted in their entirety and replaced by the following new paragraphs:

"The purpose of this Agreement, as amended, is to set forth the mutual understandings between the parties, with respect to the City's commitment to provide funding for the Segment Three North Hollywood Extension, as defined in Section 1.2.3. hereof.

The Scope, Budget, Schedule and Contract Unit Descriptions which collectively define the activities to be undertaken by the MTA to construct and place in revenue operation the North Hollywood Extension are contained in the Attachments to the FFGA, and these Attachments are incorporated by this reference as if fully set forth herein. The current Funding Source Schedule for the North Hollywood Extension is attached hereto as Exhibit 2 Attachment A."

3.0 FUNDING COMMITMENT

3.1 Section 3.0 of the Original Agreement is hereby deleted in its entirety and replaced by the following new Section 3.0:

"The City agrees to provide \$924,054,310 to the North Hollywood Extension solely from its Proposition A and Proposition C Local Return Funds and its FTA Section 5307 Capital Formula funds ("FTA Funds"), subject to MTA meeting certain milestones. The Parties understand that subway construction for the Mid-City and East Side Extensions are suspended and that the City's contribution is solely for the completion of the North Hollywood Extension. The City shall provide said monies according to the schedule in Exhibit 1 attached hereto and according to the payment procedure described under Section 5.0 of the Agreement, as amended herein.

The City shall make payments to the MTA pursuant to the provisions of Section 5.0 of the Agreement as amended herein, so that the cumulative allocation for the North Hollywood Extension shall not exceed \$924,054,310. The Parties

acknowledge that, pursuant to the Original Agreement, the City has thus far provided the sum of \$58,000,000 for the North Hollywood Extension, leaving a remaining balance of \$346,054,310 for the City's obligation toward the North Hollywood Extension. Should any cost savings be realized and the estimate for the North Hollywood Extension be reduced at the completion of the North Hollywood Extension, the MTA shall reimburse to the City a proportional share of the City's payments, based upon its percentage of contribution."

4.0 MAXIMUM ALLOCATION

4.1 The first unnumbered paragraph of Section 4.0 and ~~Section 4.1~~ of the Original Agreement ~~is~~ hereby deleted in ~~its~~~~their~~ entirety, except for the sentence "The City shall incur no additional obligations relative to construction cost overruns or extraordinary costs that may be experienced by the North Hollywood Extension, and shall bear no legal or fiscal responsibilities for same."

4.2 Section 4.1 of the Original Agreement is hereby deleted in its entirety.

4.32 Section 4.2 of the Original Agreement is hereby amended by deleting the term "Segment Three" wherever it appears and replacing it with "North Hollywood Extension."

5.0 PAYMENT/MILESTONES

5.1 Section 5.1 of the Original Agreement is hereby amended to add the following new second paragraph:

"The City's maximum obligation for the North Hollywood Extension is \$924,054,310 less the \$58,000,000 already provided, leaving a balance of \$346,054,310 for the North Hollywood Extension. ~~On or after July 1, 1999, the City hereby authorizes the MTA to withhold, as a first priority, from the City's Proposition A local return funds for the Fiscal Year 1999-2000 a payment of \$15,000,000 pursuant to this Agreement. The \$15,000,000 shall be allocated as follows: \$13,000,000 for the North Hollywood Extension construction and \$2,000,000 for the City's economic recovery program for merchants surrounding the North Hollywood Metro Rail Red Line Station. The administrative fee described in Section 9.0 of this Agreement, as amended hereby, shall not apply to this \$15,000,000.~~

5.2 A new Section 5.2 of the Original Agreement is hereby deleted in its entirety and replaced by the following new Section 5.2: ~~is hereby added to the Original Agreement to read as follows:~~

"The Parties agree that the City has been and remains entitled to FTA Funds as a "Included Municipal Operator". The remaining \$3421,054,310 due to MTA shall

be paid from FTA Funds. The parties anticipate such payment will be made as follows: (1) pursuant to that certain Memorandum of Understanding regarding Section 5307 Capital Formula Funds entered into between the parties as of January 8, 1999 - City Contract No. C97814 ("MOU re Section 5307 Funds"), the City agreed to "loan" its allocation of FTA Funds, in an amount not to exceed \$10.8 million, to the MTA and conditioned on receipt of the City's FTA Funds, the MTA has agreed to "repay" such loan, in the amount of \$2,160,000 per year, beginning in Fiscal Year 1999-2000. Subject to the terms of the MOU re Section 5307 Funds, the parties hereby agree to apply such repayments from the MTA to the City's obligation under this Agreement as set forth in Exhibit 1 (Loan Repayment Column) to this Amendment. The MTA reserves the right to accelerate the repayments under the MOU re Section 5307 funds. Upon the final application of such repayments to the City's obligation hereunder, the MOU re Section 5307 Funds shall terminate; and (2) the parties agree to apply the City's annual share of all future FTA Funds in each of the fiscal years comprising 1999-2000, 2000-01, 2001-02 and 2002-03 to the City's remaining obligations under this Agreement until the City's total obligations have been met. The City hereby authorizes the MTA to use such funds as a first priority in satisfaction of the City's obligations under this Agreement, as provided in Exhibit 1.

By December 31 of each fiscal year, the MTA shall submit to the City Department of Transportation certification that any applicable milestones as set forth in Exhibit 1 to this Amendment have been met, with supporting documentation as may reasonably be requested by the City, in order to effect the provisions of this Section."

~~5.3 Section 5.2 of the Original Agreement is hereby renumbered as Section 5.3 and amended as follows: (i) to substitute the word "July" for the word "December" therein; (ii) to substitute the phrase "North Hollywood Extension" for the phrase "Segment 3 Project"; (iii) to delete the phrase "enumerated in Sections 5.3, 5.4 and 5.5 and"; and (iv) to substitute the phrase "Exhibit 1" for the phrase "Figure 1."~~

5.34 Section 5.3 and Figure 1 of the Original Agreement are hereby deleted in their entirety.

6.0 CREDIT FOR PROPOSITIONS A AND C LOCAL RETURN FUND ADMINISTRATIVE FEES

6.1 Section 9.0 of the Original Agreement is hereby amended to substitute the amount of "\$58,000,000" for the amount of "\$200,000,000" referenced on line 2 therein.

7.0 ADDITIONAL RESPONSIBILITIES OF THE MTA

- 7.1 Section 10.0 of the Original Agreement is hereby amended to substitute the phrase "\$924,054,310 for the North Hollywood Extension" for the phrase "\$200,000,000" referenced on the first line therein.
- 7.2 Sections 10.1, 10.3, 10.4, 10.5 and 10.6 of the Original Agreement are deleted in their entirety.
- 7.3 Section 10.2 of the Original Agreement is hereby renumbered as Section 10.1.
- 7.4 ~~A new Section 10.2 shall be added to the Original Agreement to read as follows:~~

~~"In recognition of the impact of construction on merchants surrounding the North Hollywood Metro Rail Red Line Station, the MTA shall allocate \$2,000,000 for an economic recovery program as described in Section 5.1. The specific measures included in such an economic recovery program shall be negotiated between the Parties. The City shall incur no additional obligations relative to construction cost overruns or extraordinary costs that may result from the construction of the North Hollywood Extension, and shall bear no legal or fiscal responsibilities for same."~~

8.0 REPORTS AND ENVIRONMENTAL REVIEW

- 8.1 Section 11.0 of the Original Agreement is hereby amended by deleting the phrase "Segment Three" wherever it appears and replacing it with the phrase "the North Hollywood Extension."

9.0 AUDIT AND INSPECTION OF RECORDS

- 9.1 Sections 12.1, 12.2, 12.3 and 12.4 are hereby amended by deleting the phrase "Metro Rail Red Line Segment Three" and the phrase "Segment Three" wherever either phrase appears and replacing both phrases with the phrase "the North Hollywood Extension."

10.0 TERM OF THE AGREEMENT

- 10.1 Section 13.0 of the Original Agreement is hereby deleted in its entirety and replaced by a new Section 13.0 to read as follows: "Except as otherwise provided herein in Section 17 of this Amendment, this Agreement shall become effective upon execution and shall remain in full force and effect until three years after the City's final payment for completion of the North Hollywood Extension. For purposes of this Agreement, ~~completion of the North Hollywood Extension shall be defined as the placement in revenue service of the North Hollywood Extension~~."

11.0 CITY'S FUNDING COMMITMENT AND PARTICIPATION OF OTHER FUNDING SOURCES

11.1 Section 14.0 of the Original Agreement is amended by deleting the phrase "Segment 3" and replacing it with "the North Hollywood Extension."

12.0 BENEFIT ASSESSMENTS

12.1 Section 15.1 of the Original Agreement is amended by deleting the phrase "Segment Three of the Project" and replacing it with "the North Hollywood Extension."

13.0 CITY INDEMNIFICATION

13.1 Section 18.0 of the Original Agreement is amended by deleting the phrase "Segment 3" and replacing it with "the North Hollywood Extension."

14.0 INCORPORATION OF ATTACHMENTS

14.1 Attachment A to the Original Agreement is hereby replaced by Exhibit 2 to this Amendment, ~~which Exhibit 2 shall hereafter be renamed as Attachment A.~~

14.2 Attachment B to the Original Agreement is hereby replaced by Exhibit 3 to this Amendment, ~~which Exhibit 3 shall hereafter be renamed as Attachment B.~~

~~14.2 Exhibit 1 to this Amendment is included as an attachment to the Original Agreement.~~

Section 20.0 of the Original Agreement is hereby amended by deleting the list of Attachments and replacing it with the following list:

"Exhibit 1 - Summary of Payments and Milestones for the North Hollywood Extension.

"Exhibit 2 Attachment A - Funding Source Schedule for Segment Three of Los Angeles Metro Rail Red Line North Hollywood Extension.

"Exhibit 3 Attachment B - North Hollywood Extension Full Funding Grant Agreement."

15.0 ORDER OF DOCUMENT PRECEDENCE

15.1 Section 21.0 of the Original Agreement is hereby amended by deleting the list of documents in order of precedence and replacing it with the following list of documents in order of precedence:

1. Amendment No. 1 to the Original Agreement
2. Articles of the Original Agreement
3. Exhibit 1
4. Exhibit 2 Attachment A
5. Exhibit 3 Attachment B

16.0 DEFAULT/TERMINATION CLAUSE

16.1 Section 22.0 of the Original Agreement is amended by deleting the phrase "Segment 3" and replacing it with "North Hollywood Extension."

17.0 EVENTS BEYOND CONTROL

17.1 Section 23 of the Original Agreement is hereby amended by adding the following new paragraphs to the end thereof:

"Due to events beyond the control of the MTA, including reduced sales tax proceeds and the passage in November 1998 of Proposition A which precludes the use of sales tax funds for subway construction, it has become impossible for the MTA to achieve certain milestones for the East Side and Mid-City Extension and the San Fernando Valley Transit Project by the specific dates contemplated in the Original Agreement.

In the meantime, the MTA has begun transit alternatives studies of the East Side, Mid-City and San Fernando Valley corridors looking anew toward fixed guideway alternative in those corridors, consistent and with flexibility afforded in the federal Transportation Equity Act for the 21st Century. It is expected that the MTA Board will adopt the initial Locally Preferred Alternative (LPA) for these corridors by ~~late 1999~~ or early in 2000.

With regard to the East Side, Mid-City and San Fernando Valley East/West transit projects, consistent with the "meet and confer" process provided for in this Section, the MTA, the City of Los Angeles Chief Legislative Analyst and the Department of Transportation shall meet and confer at least annually on the status of these projects and the balance of the funding; to wit, \$200 million as provided for in the Original Agreement less the \$924,054,310 described herein for the North Hollywood Extension.

The terms of this Section 23, as amended hereby, shall survive termination of this Agreement and shall continue until the East Side, Mid-City and San Fernando Valley East/West transit projects are either completed or cancelled."

18.0 AUTHORIZED REPRESENTATIVES

18.1 Section 25 of the Original Agreement is amended by deleting the phrase "Linda Bohlinger Interim Chief Executive Officer" and replacing it with "Julian Burke Chief Executive Officer."

19.0 Except as expressly amended hereby, the Original Agreement remains in full force and effect as originally executed. All rights and obligation of the parties under the Original Agreement that are not expressly amended by this Amendment shall remain unchanged by this Amendment.

IN WITNESS THEREOF, THE AUTHORIZED PARTIES HAVE BELOW SIGNED:

CITY OF LOS ANGELES

LOS ANGELES COUNTY
METROPOLITAN
TRANSPORTATION
AUTHORITY

RICHARD J. RIORDAN
Mayor

JULIAN BURKE
Chief Executive Officer

APPROVED AS TO FORM AND
LEGALITY:

APPROVED AS TO FORM:

JAMES K. HAHN
City Attorney

LLOYD W. PELLMAN
County Counsel

By: _____

By: _____

ATTEST:

J. MICHAEL CAREY
City Clerk

By: _____

Date: _____

Council File No: 95-0530-S1

Contract No: C-95684

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EXHIBIT 1**SUMMARY OF PAYMENTS AND MILESTONES FOR THE NORTH HOLLYWOOD EXTENSION**

Fiscal Year	City Cash Payment	City Annual Future Section 5307 Funds(1)	MTA's Relief From Obligation to Repay Prior Section 5307 Funds	Total MOS-3 North Hollywood Extension Payment (1)	MOS-3 North Hollywood Segment Activities and MILESTONES	MOS-3 Eastside and Mid-City and San Fernando Valley Project Activities and MILESTONES
1996-1997	\$58,000,000			\$58,000,000		
1997-1998					Project under construction	
1998-1999					Pre-revenue testing	
1999-2000		\$3,400,000	\$2,160,000	\$5,560,000	<i>START REVENUE OPERATIONS</i>	ADOPTION OF INITIAL LOCALLY PREFERRED ALTERNATIVES
2000-2001		\$3,570,000	\$2,160,000	\$5,730,000	In operation	
2001-2002		\$3,748,500	\$2,160,000	\$5,908,500	In operation	
2002-2003		\$3,935,925	\$2,160,000	\$6,095,925	In operation	
2003-2004		\$4,132,721	\$2,160,000	\$6,292,721	In operation	
2004-2005		\$4,339,357		\$4,339,357	In operation	
2005-2006		\$127,807		\$127,807	In operation	

Total Gross Payments \$58,000,000 \$23,254,310 \$10,800,000 \$92,054,310

Total Net Payments \$55,445,690 \$23,254,310 \$10,800,000 \$89,500,000

(1) These figures are based on estimates and may be higher or lower depending on actual federal appropriations.

The City has the right to withhold annual payments until designated milestones are met.

EXHIBIT 2**Funding Source Schedule for the
North Hollywood Extension**

SOURCE	AMOUNT	PERCENTAGE
Federal Section 5309	\$681,037,000	52.0%
Federal STP/CMAQ	\$254,947,000	19.5%
State	\$158,999,745	12.1%
MTA	\$126,338,255	9.6%
City (1)	\$89,500,000	6.8%
Benefit Assessment		
TOTAL	\$1,310,822,000	100%

- (1) The amount shown for the City's contribution is net of administrative fees of \$2,554,310. The City's total gross contribution to the project is \$92,054,310.