



September 15, 1995

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TO: MTA BOARD MEMBERS AND ALTERNATES
THROUGH: FRANKLIN E. WHITE
FROM: LINDA BOHLINGER *A.B.*
SUBJECT: LEGISLATION TO TRANSFER MTA FUNDS
TO COUNTY OF LOS ANGELES

The Assembly today adopted amendments to SB 727 which established the amounts and conditions for the transfer of MTA funds to the County of Los Angeles. The bill is scheduled for an Assembly and Senate vote later today. We anticipate that both houses will pass the bill and forward it to the Governor for signature.

Specifically, the bill provides that the County would receive up to \$150 million from the MTA with the excess above \$50 million subject to reimbursement by the County over a five year period. The transfer would become effective if the Los Angeles County Board of Supervisors adopts a resolution to transfer the funds from the MTA no later than October 1, 1995.

The amendments would impose state audit oversight of the County's finances and require the MTA to file a written report to the state regarding the impacts of this bill.

Impacts

- To offset the one-time grant, Metro Red Line Segment 3 must be delayed one year and bus operating cost efficiencies totaling \$53 million over the next 5 years must be achieved.
- The cost to the MTA of the interest-free \$100 million loan would be \$18 million over 5 years which would require additional transit operating cost efficiencies of approximately \$3.6 per year.

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Concerns

This bill raises the following concerns for the MTA:

- This bill is inconsistent with the MTA Board position which would allow the County of Los Angeles to receive a \$50 million one-time grant from the MTA.
- The bill not only diverts funds from the MTA, but restricts MTA's discretion for achieving cost efficiencies. Specifically, over the next two years (through January 1, 1998), the MTA would be precluded from causing any "detriment to bus service or operations or paratransit service or operations", which the bill defines as "includes, but is not limited to, fare increases, reductions in the number of routes served and the level of service on these lines, reductions in security, decreases in quality of service, delaying regular maintenance of vehicles, and lengthening the replacement schedule for vehicles that have reached the ends of their useful lives."
- The bill allows discretion to the County in choosing the funds for its repayments to the MTA. Should those funds not be eligible for use in transit operations, the financial impacts stated above may be significantly worse.
- This is not a solution to the structural problems in the Los Angeles County Budget. Because it only provides funds for one year, the MTA could potentially be targeted again in subsequent years.

This bill would only become operative if SB 1055 (Rosenthal), relative to a maintenance of effort requirement for health care, is enacted. SB 1276 (Killea), relative to the Orange County financial situation, is co-joined with SB 727 and can only become law if SB 727 is enacted.

Should you have any questions, please contact me at (213) 244-7400, Linda Bohlinger at (213) 244-6576, Gary Clark at (213) 244-7450 or Claudette Moody at (213) 244-6525.