



July 9, 1999

Metropolitan
Transportation
Authority

One Gateway Plaza
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TO: BOARD OF DIRECTORS

FROM: JULIAN BURKE 
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**SUBJECT: MUNICIPAL OPERATOR'S SHARE OF PROP C 40%
REVENUES**

BACKGROUND

Proposition C 40% Discretionary Fair Share Allocation

During the FY00 budgeting process we consulted continuously with representatives of the Municipal Operators to arrive at an agreement on the distribution of Prop C 40% revenues. The MTA has followed a "fair share" policy with respect to Prop C 40% revenues whereby the muni's received a matching share of Prop C 40% distributed to MTA bus operations. Beginning in FY 1997 some Prop C 40% revenues were allocated to Consent Decree costs and were not fair shared, on the theory that the Consent Decree is a regional obligation. Each year the amount of Prop C 40% allocated to the Consent Decree has increased as shown below:

<u>FY</u>	<u>Prop C 40% Consent Decree Revenues</u>
98	\$24 million
99	\$37 million
00	\$44 million

During FY00 budget process the Municipal Operators requested that all Prop C 40% revenues allocated to the MTA bus be fair shared, including Consent Decree costs. We pointed out that the Consent Decree requires the MTA to prioritize bus eligible revenues to meet the MTA's directly operated bus service requirements, and that a precedent for excluding Consent Decree costs had been set.

In an effort to meet the Muni's concerns, we offered to recommend that the MTA Board fix the maximum Consent Decree Prop C 40% share at the FY99 level of \$37 million. The Muni's would not accept this proposal. This led to the introduction of a resolution requiring staff to work with the municipal operators and return within 60 days to the Board with an analysis. The Board resolution also required that the funds be set aside until the analysis was complete.

We now understand that the Muni's plan to ask the Board to set a policy that all Prop C 40% revenues received for MTA bus operations be fair shared. Some muni general managers are also in favor of seeking new legislation in Sacramento if a satisfactory policy is not approved by the MTA Board.

Since the allocation of discretionary lines eligible revenues is a principal issue in the current Consent Decree litigation, we plan to ask the Board to delay any decision on the muni's proposal until immediate Consent Decree obligations become clearer.

Recent filings by the Consent Decree plaintiffs specifically question the propriety of giving any priority fair share distributions to the Munis.

Therefore, Board members will want to review our legal and financial presentation before deciding this issue.