



May 25, 1994

Franklin E. White
Chief Executive Officer

Los Angeles County
Metropolitan
Transportation
Authority

818 West Seventh Street
Suite 300
Los Angeles, CA 90017

213.623.1194

TO: MTA BOARD MEMBERS AND ALTERNATES
FROM: FRANKLIN E. WHITE *fw*
SUBJECT: PROPOSED MCC ORDINANCE

ISSUE

The MTA Board has requested a recommendation from the CEO on whether to adopt the proposed Metropolitan Construction Corporation ("MCC") ordinance for purposes of establishing "(a) transit construction organizational unit" as required by A.B. 152.

RECOMMENDATION

The CEO recommends that the Board not adopt the proposed MCC ordinance, and instead take the following actions:

1. Dissolve the RCC Board as structured by the former SCRTD and LACTC;
2. Establish a Construction Committee of the MTA Board to oversee the policy and contract actions of the Construction Unit, which committee should include 2 former RCC Board members as ex-officio construction experts;
3. Establish an MTA Construction Division to fulfill the responsibilities mandated in A.B. 152 and to which present RCC employees will be assigned.

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BACKGROUND

In 1990 the charter of the RCC was expanded to include responsibility for the design and construction of the Metro Red Line subway project, consolidating heavy and light rail design and construction efforts under one agency. At the same time, the RCC Board was dissolved and reestablished as a seven member body consisting of three members appointed by the SCRTD, three members appointed by the LACTC Board, and one member elected by a majority vote of the other six members.

The reconstituted RCC served to stabilize the Metro Red Line project and clearly demarked the responsibility between the predecessor organizations -- design/construction to be accomplished by the LACTC, operation to be undertaken by the SCRTD -- under the auspices of a jointly appointed board.

At the time of the creation of the RCC the LACTC Board determined that utilization of a subsidiary corporation was necessary "to support the rail transit construction projects being undertaken by the Commission and that a subsidiary would provide the basis for a future joint powers agency to oversee the rail transit projects of the joint powers authority's member agencies (emphasis added)" LACTC Ordinance No. 24, establishing the Rail Construction Corporation (effective September 1988). Hence, the language of the ordinance demonstrated clearly that the subsidiary structure was envisioned as an interim step in the overall consolidation of the area's transit planning, construction, and operation.

This consolidation was finalized with the statutory creation of the MTA. Since the functions of the predecessor agencies were consolidated into the MTA, the original justification for a corporate construction subsidiary has ceased to exist.

ANALYSIS

Beyond the fact that the original justification to utilize a construction subsidiary has ceased to exist, the following reasons underscore the need to fully integrate the RCC into an MTA unit.

- A construction unit of similar status to the currently existing Operations, Administration, and Planning units establishes the MTA Board as the direct oversight agent for the construction program and, in turn, provides for a more efficient policy and administrative decision making process.
- Direct MTA Board oversight of the construction program provides for greater information flow to the Board - and fiscal control by the Board - of this multi-billion dollar endeavor.
- A construction unit of similar status to the other MTA units provides for effective management control while continuing the implementation of the projects through the combined efforts of staff and consultants.
- Direct management of the construction program will provide for an effective demarcation between oversight and quality assurance functions at the Executive Office and CEO level.
- The dissolution of the corporate structure will allow the MTA to reduce administrative redundancy resulting for the current structure of the RCC. Costs to the agency would be further reduced by eliminating the costs associated with support of the current RCC Board, and avoid the additional expenses associated with the MCC Board.
- So far as we can determine, no other city has found it necessary to utilize a similarly structured construction subsidiary for the construction of its transit system.

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- Finally, A.B. 152 does not mandate the agency achieve its construction responsibilities through a corporate construction subsidiary. Instead, the legislation allows the agency to design an organizational unit at its discretion which accomplishes these construction responsibilities.

CONCLUSION

The continued fragmentation of the agency through utilization of a corporate subsidiary directly counteracts the mandate of AB 152 to consolidate responsibility for the planning, construction and operation of Los Angeles County's transit system into one body. Moreover, given the current fiscal condition of the agency, a restructured construction unit will enable some savings through the reduction of redundant functions.