



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

October 5, 1994

MEMO TO: BOARD MEMBERS AND ALTERNATES
FROM: FRANKLIN E. WHITE *FW*
SUBJECT: CORRESPONDENCE FROM FTA

Attached please find a press release and letter from Gordon Linton, Federal Transit Administrator, regarding the Hollywood Tunnel construction project. Please note that, in the letter from Administrator Linton to me, he reassures us of the continued Federal support for the project subject to the resolution of the technical and managerial issues raised. We intend to resolve those issues as soon as possible to enable us to resume tunneling.

Please call me at (213) 244-7400 if you should have any questions or concerns.

Thank you.



U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Wednesday, October 5, 1994

FTA 16-94
Contact: Brian Cudahy
Phone: (202) 366-4043

FEDERAL TRANSIT CHIEF STOPS FUNDS FOR LA SUBWAY PROJECT

Disturbed by continuing technical and management problems on the Los Angeles Red Line subway project, U.S. Federal Transit Administrator Gordon J. Linton today suspended future Federal funding for the entire program and halted all tunneling operations under the Hollywood Blvd. portion of the project until numerous difficulties are resolved.

"The Federal Transit Administration (FTA) has been working with local officials in Los Angeles for the past several months to identify and correct shortcomings in the way the Red Line subway project is being constructed," Administrator Linton said.

"Unfortunately, new technical problems continue to emerge while proposed corrective measures remain incomplete or inadequate. After considerable effort to correct these difficulties, our patience has been exhausted and I have no alternative but to take action," said Linton.

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"As a matter of public safety, as well as ensuring that taxpayers' money is wisely spent, the FTA will not execute a pending multi-year grant agreement with the Los Angeles County Metropolitan Transportation Authority (LACMTA) for additional financial assistance until all these matters are fully resolved," Linton said. "Additionally, I am directing LACMTA not to resume any tunneling operations under Hollywood Boulevard until all issues associated with surface settlement are likewise resolved."

U.S. Secretary of Transportation Federico Peña voiced his support of Linton's action, saying: "These steps are meant to deliver a firm message that the Clinton Administration believes in the Red Line project, supports its continuation, but insists that it be built in a safe and fiscally responsible manner."

One immediate issue involves "ground settlement" at street level in the wake of tunnel construction under Hollywood Boulevard. In the past, there have been other irregularities associated with the overall Red Line subway project, such as insufficient concrete in tunnel walls and safety violations charged against various contractors.

To ensure there is no common thread linking these problems, Linton said he will not permit further grant contracts to be signed, nor lift his ban on the resumption of tunneling under Hollywood Boulevard, until LACMTA satisfactorily:

1. Develops a revised management plan for Red Line subway construction that addresses issues raised in recent FTA reports prepared by an engineering consulting firm retained to assist the FTA in monitoring the project;
2. Prepares an explicit analysis of the "ground settlement" problem along Hollywood Blvd., and a more detailed proposal for the safe resumption of tunneling work.

The FTA has thus far issued \$1.375 billion in grants to LACMTA for Red Line construction. The first 4.4 miles of the new subway system opened for passenger service in January, 1993. Final design and construction is underway on remaining elements of the proposed 18-mile rail system. When completed, the Federal commitment in the total project is expected to be \$2.8 billion.

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Under President Clinton, in 1993 a \$1.4 billion multi-year grant agreement, the largest in FTA history, was awarded to continue Red Line construction. These funds will be dispersed in future years as the project approaches its completion.

Secretary Peña cited these facts to underscore his department's continuing commitment to the Red Line.

Administrator Linton formally advised LACMTA Chief Executive Officer Franklin E. White of this decision in a letter sent today. (copy attached)



U.S. Department
of Transportation

Federal Transit
Administration

Administrator

400 Seventh St., S.W.
Washington D.C. 20590

OCT 5 1994

Mr. Franklin E. White
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority
818 West Seventh Street
Los Angeles, CA 90017

Dear Mr. White:

The purpose of this letter is two-fold. The first is to transmit to you the enclosed written report which constitutes our response to your letter of September 28, 1994, on the general issue of ground settlement under Hollywood Boulevard on the Red Line subway tunnel project. The second is to spell out in some detail certain directives I am issuing with respect to the overall Red Line project.

- o- Tunneling work on the Red Line under Hollywood Boulevard is to cease and not resume until specific written authorization has been received from the Federal Transit Administration (FTA).
- o- While negotiations will continue for pending amendments to the Full Funding Grant Agreement for MOS-3, we will not execute these amendments until all matters associated with Red Line construction are resolved.

As the enclosed report prepared at our direction by our Project Management Oversight (PMO) consultant makes clear, there are technical deficiencies in the September 28, 1994, report from your Tunnel Review Board.

Prior to my authorizing the resumption of tunneling under Hollywood Boulevard, a detailed response to the enclosed report must be prepared and accepted by the FTA.

Should you take issue with any of the recommendations or suggestions made by our PMO, and feel they should not be implemented, please inform us as soon as possible. Absent any such disagreement, we request that you prepare a written report telling us how you will correct the technical deficiencies noted in the PMO report with respect to the settlement issue.

More importantly and on a more general level, we perceive there to be inadequate management controls at the Los Angeles County Metropolitan Transportation Authority (LACMTA) for executing the Red Line project. One of the requirements for Federal financial assistance on a project of this sort is an affirmative finding, by FTA, that a grantee has adequate technical capability to carry out the project. While we made this affirmative finding for earlier construction grants for the Red Line, subsequent developments--as demonstrated in the actual implementation of the project--are giving us reason to review those earlier findings.

It is not the role of the FTA to recommend any particular management structure for LACMTA, and we have no intention of doing so. The grantor-grantee relationship, however, is between the FTA and the LACMTA, and it is LACMTA's responsibility to demonstrate that it is exercising proper stewardship of the Federal resources it has contracted to receive.

Please prepare a detailed plan telling us how you will strengthen the overall management of the Red Line project in light of all the difficulties that have been experienced in recent months.

While these are serious matters, please be assured that we realize construction problems on the Red Line do not detract from the importance of this needed mass transit investment, nor do they overshadow the fact that the great bulk of the work is being executed in a professional manner. Let me also take this occasion to say once again that the Administration supports the need for this major transit investment, and that we believe it represents a wise investment of both Federal and local funds.

In summary, there are three actions you must perform

- 1- Ensure that no further tunneling work under Hollywood Boulevard takes place until specific authorization from FTA has been received.
- 2- Submit a written report in response to what we still regard as technical inadequacies in your approach to the Hollywood Boulevard settlement issue.
- 3- Submit a written plan with respect to overall construction management improvements on the Red Line project.

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Once these matters are settled to our mutual satisfaction, we can then execute any appropriate amendments to the full funding grant agreement for MOS-3.

Please be assured that the FTA stands ready to work with you on all these matters. We remain committed to the Red Line project. Our only desire is to ensure that, together, we produce the very best project possible for the people of Los Angeles.

Sincerely,



Gordon J. Linton

enclosure