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MTA BOARD OF DIRECTORS
JULY 24, 2003Metropolitan
Transportation
AuthorityOne Gateway Plaza
Los Angeles, CA
90012-2952

**SUBJECT: SHORT TERM LOAN FOR CALTRANS SPONSORED
LOS ANGELES COUNTY CONSTRUCTION
PROJECTS**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

Due to the absence of a State Budget, approve a short-term loan to Caltrans for up to \$27 million in Proposition C 25% funds for the purpose of preventing work stoppages and progress payment penalties by Caltrans construction contractors now performing work in Los Angeles County.

ISSUE

If the State Legislature and the Governor have not resolved the FY 2003-04 State Budget impasse by July 20, 2003, Caltrans will be unable to make progress payments to construction contractors until such time as the budget is passed. Since the State Controller cannot release payments into the State Highway Account without an enacted budget, Caltrans must suspend construction payments. Caltrans has offered to permit their contractors to continue work using borrowed funds for later repayment, including a 15% mark-up on the interest costs of the loan obtained by the contractor. According to Caltrans, almost all contractors have declined this offer. Without an alternative source of funding (like the recommended MTA loan), Caltrans District 7 must now suspend all on-going construction contracts within Los Angeles County until such time as the State Budget is adopted by the Legislature and signed by the Governor.

POLICY IMPLICATIONS

The short-term loan to Caltrans assists the State while it struggles to resolve its budget impasse. In a very minor sense, the MTA may be removing an impetus for quicker resolution of the budget by providing this loan. We have evaluated this minor policy issue and have found that the importance of keeping Los Angeles County transportation improvements moving during the impasse is much more important.

OPTIONS

The MTA Board could elect not to authorize the loan or to reduce the loan amount. Because all of the projects in Attachment A benefit the Los Angeles County traveling public, we do not recommend either option.

FINANCIAL IMPACT

Cost and Schedule

The short-term debt that will be used to make the payments to Caltrans will cost the MTA less than 1% per annum. Caltrans cannot reimburse for these interest expenses. At these interest rates, the cost of the loan will be substantially less than \$100,000 and perhaps as little as \$30,000. The payments to Caltrans are subject to negotiation, but are proposed to occur on the following schedule, unless a State Budget is enacted:

August 11	August 21	September 2	September 12	September 22	October 1
\$5 million	\$5 million	\$5 million	\$5 million	\$5 million	\$2 million

The favorable interest rates and minor interests costs are vastly outweighed by the benefit to the traveling public and the avoided penalty and suspension costs for the State. As the programming authority for Regional Improvement Program funds in Los Angeles County, the MTA stands to indirectly benefit from the avoided project suspension costs. Perhaps most valuable to the MTA will be the goodwill created with Caltrans as a result of the loans.

Terms and Conditions

The MTA loan will be documented with a promissory note. The note will provide distribution of the loan up to \$27 million according to the above schedule. Scheduled loan distributions that fall after the enactment of a State Budget will not be released, and repayment of the loaned amount will be required as one lump sum payment within 30 days of enacting a State Budget. The MTA loan will be interest free, but if Caltrans fails to repay the loan within 30 days of enacting a State Budget, a relatively high interest rate will begin to accrue on the outstanding loan balance. In the unlikely event that the interest costs are incurred and the State refuses to pay some or all of them, the MTA will reserve the ability to withhold progress payments on other transportation improvements for which Caltrans is the project sponsor. Finally, the MTA will not be writing checks directly to Caltrans contractors. Instead, we will be transmitting payments to Caltrans and they will, in turn, pay their contractors.

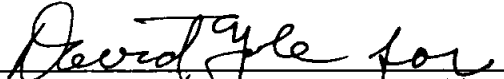
DISCUSSION

The projects in Los Angeles County that would be suspended without the loan are shown in Attachment A. Some projects are those programmed by the MTA through the Call for Projects and State Transportation Improvement Program processes, while others are State Highway Operation and Protection Program (SHOPP) projects sponsored by Caltrans off-the-top of the State Highway Account. All of the projects listed are in Los Angeles County. Suspension of these state highway construction contracts is expensive for the State. Each project must be stopped in such a manner as to avoid safety problems during the suspension period and each contractor must be paid substantial project suspension penalties before the projects can be restarted. Caltrans estimates that up to \$27 million will be needed to avoid project suspensions for two months.

We are recommending that the MTA Board authorize an interest free loan to Caltrans of up to \$27 million in sales tax funding for an interim period of time in order to assist the State in avoiding substantial late payment and project suspension penalties. The Los Angeles County traveling public will benefit from the loan because it facilitates expeditious completion of projects. The State Highway Account will also benefit from the loan because the cost of the penalties will be avoided, thereby assisting the State in recovering quickly from the FY 2003-04 Budget impasse.

Prepared by: David Yale, Director of Regional Programming

Attachment A - Caltrans On-going Construction Contracts in Los Angeles County



James L. De la Loza, Executive Officer
Countywide Planning and Development



Roger Snoble
Chief Executive Officer

Attachment A

Caltrans On-going Construction Contracts in Los Angeles County (\$000)

EA	Rte	Description	Location	Total Contract Cost	Total Pmt June Est
181804	1	SLOPE REPAIR	NEAR MALIBU	3,588	151
1X1404	1	DRAINAGE SYSTEM CORRECTIONS	IN MALIBU	1,201	1
206034	1	INSTALL AND UPGRADE GUARD RAILS	AT VARIOUS LOCATIONS	4,060	436
053514	5	SOUNDWALLS-	IN LOS ANGELES	4,047	514
142904	5	RECONSTRUCT EMBANKMENT	NEAR SANTA CLARITA	8,970	20
1N7704	5	ROCK ANCHORS REPAIR	IN LOS ANGELES	312	56
4J5404	5	SLIDE REMOVAL AND SLOPE REPAIRS		687	148
008704	10	HIGHWAY PLANTING-	IN BALDWIN PARK AT THE RTE 10/605 IC	2,289	391
023144	10	SOUNDWALLS	IN LOS ANGELES	2,156	238
1069U4	10	WIDEN EXISTING FREEWAY AND BRIDGES-	IN EL MONTE AND BALDWIN PARK ON ROUTE 10	42,664	1,824
1224U4	10	WIDEN FREEWAY AND STRUCTURES	IN POMONA AND CLAREMONT ON ROUTE 10	83,270	2,128
147904	10	CONSTRUCT PAVEMENT ACCESS	IN LOS ANGELES AND SANTA MONICA	4,524	3
180204	10	HIGHWAY PLANTING RESTORATION	IN LOS ANGELES	678	3
180504	10	PLANTING AND IRRIGATION	IN SANTA MONICA	837	2
180604	10	PLANTING AND IRRIGATION	IN LOS ANGELES	1,207	3
180704	10	PLANTING AND IRRIGATION	IN LOS ANGELES	1,479	5
180804	10	PLANTING AND IRRIGATION	IN LOS ANGELES	1,460	7
180904	10	HIGHWAY PLANTING AND IRRIGATION	IN LOS ANGELES ON ROUTE 10	1,308	5
117104	14	WIDEN FREEWAY-	NEAR PALMDALE ON ROUTE 14	26,955	106
224204	14	RESURFACE EXISTING HIGHWAY	IN SANTA CLARITA ON ROUTE 14	2,604	2
009204	30	HIGHWAY PLANTING AND IRRIGATION-	IN SAN DIMAS AND LAVERNE ON ROUTE 30	1,067	2
4H7604	47	REPAIR STEEL TRAVELWAY DECK SYSTEM	IN LONG BEACH @ SCHUYLER SCHUYLER HEIM BR (53-2618)	1,550	96
4J4704	47	REMOVE/REPLACE DAMAGED FENDER SYSTEMS	IN THE LA/LONG BEACH HARBOR AT THE COMMODORE SCHUYLER-HEIM BRIDGE	2,200	330
002104	60	SOUNDWALLS-	NEAR LOS ANGELES	2,533	148
002354	60	SOUNDWALL-	NEAR INDUSTRY	4,983	401
002534	60	SOUNDWALLS-	IN MONTEREY PARK AND MONTEBELLO	11,203	569
003024	60	HIGHWAY PLANTING AND IRRIGATION-	AT VARIOUS LOCATIONS ON ROUTE 60	1,426	3
023964	60	CONSTRUCT MASONRY BLOCK SOUNDWALL-	IN INDUSTRY	1,222	3
105164	60	INSTALL SOUNDWALL-	IN DIAMOND BAR	1,015	103
1257U4	60	CONCRETE BOX GIRDER BRIDGE	IN DIAMOND BAR AND THE CITY OF INDUSTRY	50,815	538
147804	60	MAINTENANCE VEHICLE PULLOUTS	AT VARIOUS LOCATIONS	2,976	322
496104	60	SOUNDWALL	IN AND NEAR LOS ANGELES	5,058	388
142204	72	RESURFACE ASPHALT CONCRETE	IN AND NEAR WHITTIER	4,087	65
002494	91	SOUNDWALLS-	IN NORWALK AND BELLFLOWER	9,178	225
002964	91	HIGHWAY PLANTING AND IRRIGATION-	IN CERRITOS AT ROUTE 91/605 INTERCHANGE	2,302	222
181604	91	REPAIR SLABS AND PAVEMENT	IN BELLFLOWER CERRITOS AND ARTESIA	17,838	1,057

Caltrans On-going Construction Contracts in Los Angeles County

(\$000)

EA	Rte	Description	Location	Total Contract Cost	Total Pmt June Est
001414	101	PLANTING AND IRRIGATION-	AT VARIOUS LOCATIONS	672	72
020474	101	SOUNDWALLS-	AT WOODLAND HILLS	2,151	227
020744	101	SOUNDWALLS-	IN LOS ANGELES	6,432	405
053344	101	SOUNDWALLS-	IN LOS ANGELES	3,213	4
060094	101	CONSTRUCT SOUNDWALL-	IN LOS ANGELES	3,106	159
0616A4	101	PLANTING AND IRRIGATION	IN LOS ANGELES FR HASKELL TO ENCINO AV	1,400	22
061664	101	PLANTING AND IRRIGATION-	IN LOS ANGELES	1,744	23
111574	101	CONSTRUCT SOUNDWALLS-	IN LOS ANGELES	1,427	3
134804	101	UPGRADE MEDIAN BARRIER	IN LOS ANGELES	3,886	301
135604	101	UPGRADE MEDIAN BARRIER	ON ROUTE 101 FROM ALAMEDA STREET OCTO 0.2 KM SOUTH OF VINE STREET	10,932	126
4G7504	101	SLIDE REMOVAL & REPAIR SLOPE	IN LA FR .1N ROSEMONT AV/CORONADO ST (NB)	500	8
1Y1604	118	RESURFACE ASPHALT CONCRETE	IN LOS ANGELES	307	274
061744	134	SOUNDWALLS-	IN LOS ANGELES AND BURBANK	6,115	316
178704	134	MODIFY AND REALIGN RAMPS	IN GLENDALE	2,600	20
053394	210	SOUNDWALLS-	IN DUARTE ON ROUTE 210	5,737	3
053354	405	SOUNDWALLS-	IN TORRANCE AND LAWNSDALE	3,112	296
0535C4	405	WIDEN EXISTING BRIDGE-	IN LOS ANGELES	1,178	103
191304	405	WIDEN FREEWAY	IN LOS ANGELES	5,764	129
490614	405	SOUNDWALLS	IN TORRANCE AND LAWNSDALE FR YUKON AVE TO INGLEWOOD AVE	6,372	230
166504	605	MAINTENANCE VEHICLE TURNOUTS	AT VARIOUS LOCATIONS	689	33
023134	710	SOUNDWALLS-	IN COMPTON	933	188
1384U4	710	RESURFACE EXISTING FREEWAY	IN LONG BEACH	19,540	328
201304	710	BRIDGE AND FREEWAY WIDENING	IN LONG BEACH AND CARSON	5,636	100
4J5304	710	REMV & RESTORE FAILED RETAINING & SND WALL		200	35
119534	N.A.	REBUILD MAINTENANCE STATION-	AT CHILAO MAINTENANCE STATION	2,746	29
115654	N.A.	UPGRADE MAINTENANCE FACILITY-	IN MONROVIA AT FOOTHILL MAINTENANCE STATION	4,113	125
214504	N.A.	CONSTRUCT WASHRACKS	AT VARIOUS LOCATIONS	1,190	7
215204	N.A.	UPGRADE VEHICLE WASH SYSTEM	AT VARIOUS LOCATIONS	1,178	170
TOTAL				416,621	14,251