

FINANCIAL SUPPORT PROPOSAL

for

PUBLIC TRANSPORTATION

in the

LOS ANGELES METROPOLITAN AREA

MAY, 1969

Southern California Rapid Transit District  
Samuel B. Nelson, General Manager

## Public Transportation in Los Angeles County

The great growth in Los Angeles in the late 1940's and early 1950's created a pressing need for improved transportation for the metropolitan area. With the freeway program well under way in this period, the California Legislature took the first significant step toward providing good public transportation for the citizens of Los Angeles County by creating the Los Angeles Metropolitan Transit Authority in 1957.

This public agency was authorized to issue \$40 million in revenue bonds for the purpose of acquiring, integrating and operating the private transit systems in the County whose service to the public had been on a rapidly declining scale for many years.

While the MTA was given the job of operating public transportation in the County, no taxing authority or public financial assistance of any kind was provided.

In spite of this, the seriously handicapped MTA did develop a self-sufficient bus system for the County. At the same time it completed the basic plan for development of a mass rapid transit system. This work led, however, to the conclusion that a rapid transit system must have tax support, which in turn required new legislation.

The Southern California Rapid Transit District was created by the Legislature in 1964 to be the successor of the MTA. The new District was given responsibility to operate the bus system and to develop rapid

transit with authority to go to the voters for approval of rapid transit construction bonds. But again no direct public financial support was provided for the bus system. Furthermore, the new legislation prohibited the RTD from even operating charter bus service which had been conducted by its predecessors until 1961. The District is now seeking legislative relief in Sacramento from this charter restriction which made the RTD the only operating transit system in the state, or the nation for that matter, prohibited from chartering its buses.

#### SCRTD Policy and Improvement Programs

Since its inception the Southern California Rapid Transit District has provided the highest level of bus service possible under its financial limitations. All expenses have been met from fare box generated revenues. The District's fleet of buses is modern and well maintained with all new equipment purchased being fully air-conditioned. And in addition, the District and its predecessor have paid off more than \$8 million of the original \$40 million revenue bonds, all out of system revenues.

The District has initiated imaginative programs which could provide new types of greatly improved bus service to the community. Working with the State Transportation Agency and the Federal Bureau of Public Roads, the District is well under way in the development of an exclusive lane rapid busway along the San Bernardino Freeway from El Monte to the Los Angeles Central Business District. This project would provide true grade-separated rapid transit service for the first time in the Los Angeles area.

In addition, the District is developing a park and ride program which would provide the community with parking facilities in suburban areas coordinated with express bus service to job centers.

The District has established a Technology Review Board to keep abreast of new transportation systems and technological advances which may be utilized in future systems. The District is participating with the State Transportation Agency in a study to determine the role of flexible transportation systems in the Los Angeles metropolitan area and is working with the City of Los Angeles Traffic Department to develop ways of expediting bus service on the surface streets in the downtown area.

In an effort to take full advantage of federal assistance programs, the RTD has an application pending at this time with the U. S. Department of Transportation for a capital grant to assist in purchasing 1,500 locked fare boxes with related equipment required for initiation of the exact fare plan and 200 new buses.

Of course, the District's ability to take full advantage of these federal programs has been and continues to be severely limited by the lack of matching funds from local sources.

The RTD now provides more than 80% of the public transportation in Los Angeles County. Only because of the dedication and business acumen of employees who were with the private transit companies bought by MTA has the District been able to survive without financial support. Without these people the District would have required financial assistance long ago.

Current Financial Status of SCRTD

Every year the cost of materials and personnel required to operate the system has increased while revenue has remained fairly stable. Thus, the District, like other public transit agencies, is now in the position of needing public financial assistance.

The following chart shows the estimated expense requirements for four years, 1969-1972, in order to maintain and improve current service.

ESTIMATE OF SCRTD REVENUES & EXPENSES

	<u>Receipts from Operations</u>	<u>Trust Indenture Requirements</u>	<u>Operating Expenses</u>	<u>Additional Revenue Needed</u>
1969	\$50,173,500	\$7,140,380	\$46,967,500	\$3,934,380
1970	50,173,500	7,190,880	50,308,700	7,326,080
1971	50,173,500	7,188,880	53,676,270	10,691,650
1972	50,173,500	7,171,380	57,065,958	14,063,838

Bond service on the \$40 million worth of bonds issued by MTA is a large obligation to be met from the farebox. This year, \$1,735,000 will be paid in interest, \$1,391,500 toward bond principal retirement and \$4,013,880 placed in the depreciation fund for the purchase of new equipment as required by the Trust Indenture. These funds account for 13% of the District's expenses this year. This obligation coupled with escalating labor costs, has caused the financial problem which must be faced.

Attached as Exhibit I is a careful analysis of the District's financial condition by the outside independent consulting engineer firm of

Coverdale & Colpitts who represent the District's revenue bondholders. This analysis points out that the District at this time has only two ways of meeting increased costs -- raising fares and/or reducing service, both of which will result in fewer passengers and progressive deterioration of the system. Coverdale & Colpitts concludes that federal grants are available to help meet some capital and experimental costs, but a long term financial assistance program at the local or state level is needed.

The Report of the Governor's Task Force on Transportation presented to Governor Reagan earlier this year recognizes the need for developing a means to provide continuing financial assistance for public transit agencies in the State. This, however, will take time. Until a means is found for continuing financial support, a short term financing method must be found which will provide sufficient funds for the District to maintain and improve current bus service.

Virtually, every urban area in the United States provides financial assistance for its public transportation. Exhibit II shows the public support of other transit agencies in California.

The bus systems serving San Francisco and Alameda-Contra Costa Counties combined offer considerably less service than that offered by the SCR TD. Yet, the public financial assistance for these two systems amounted to over \$16.1 million during the 1967-68 fiscal year. In comparison to these two systems, the District operates its buses over approximately 5 million more miles annually and serves 5,275,000 more people.

Proposal for Public Financial Assistance:

It is proposed that the State Legislature enact legislation enabling the District Board of Directors to levy, for one time only, a 1/2¢ sales tax in the Southern California Rapid Transit District for a period of six months. The proceeds of the tax will be used for the support and improvement of the District's bus system and for all of the municipal transit operations within District boundaries.

The Bay Area Rapid Transit District was given authority by the legislature to levy a sales tax in order to complete construction of its system. The City of Los Angeles levied a 1¢ sales tax for six months.

Allocation of sales tax revenue will be made on the basis of population. The following tabulation is an estimate of the amount to be placed in trust funds for the public transit agencies within the District.

SIX MONTHS 1/2% SALES TAX DISTRIBUTION ON BASIS OF POPULATION

	<u>1969 Population (A)</u>	<u>% of Revenue</u>	<u>Tax Allocation</u>
City of Commerce	10,600	0.15%	\$ 54,000
Culver City	33,425	0.48	172,800
Gardena	44,400	0.63	226,800
Long Beach	388,746	5.56	2,001,600
Montebello	42,650	0.61	219,600
Pomona	85,982	1.23	442,800
Santa Monica	88,900	1.27	457,200
Torrance	139,000	1.99	716,400
SCR TD (B)	<u>6,161,297</u>	<u>88.09</u>	<u>31,708,800</u>
TOTAL	6,995,000	100.00%	\$ 36,000,000

(A) Estimated by State Department of Finance.

(B) Population - balance of District based on SCR TD constituting 98.5% of the population of Los Angeles County.

A portion of the tax collections based upon a proportion of the district population in each of the cities which have been operating municipal bus services for one year as of the effective date of the Act will be deposited in separate trust funds with the State Controller. The remainder of the tax in the District will be deposited with the State Controller in a trust fund for the District.

At the beginning of each fiscal year, the District and each of the municipalities will file with the Secretary of the State Transportation Agency its budget for the ensuing year. The budget will include the estimate of all revenues to be received, all expenditures required for maintenance and operation of its service and for necessary capital expenditures and debt service payments. The indicated deficiencies in revenues will be "the financial requirement" to be paid from the trust funds by the Secretary of Business and Transportation for the budget year. Each transit agency receiving these funds will be required by law to account for every dollar spent.

Each quarter or each month, by direction of the Business and Transportation Agency, the State Controller will remit to the District and each of the municipalities funds equal to those required to meet one month's or three months' operating deficit as indicated by its budget.

Based upon experience and financial reports filed, the Secretary of the Business and Transportation Agency is authorized to modify budgets or allocations as necessary to assure proper use of these trust funds.

) This tax will provide approximately three years of financial stability for the District, enabling it to continue to improve current operations and work toward achieving a fully balanced transportation system for the Los Angeles metropolitan area.

For the municipalities financially supporting bus systems within Los Angeles County, proceeds from the 1/2¢ sales tax will provide funds which could be utilized for property tax relief. Currently, the municipal bus systems are subsidized from city general funds. This proposal will enable city councils to meet operating deficits for municipal bus systems from the sales tax revenue earmarked for their cities on the basis of population.

) For the economic welfare of Los Angeles County, it is essential that public financial support be provided the District in order to maintain and improve the public transportation system for all residents.

## COVERDALE &amp; COLPITTS

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May 2, 1969

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 GEORGE V. T. BURGESS  
 SAMUEL P. BROWN  
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 EDWARD L. WEMPLE  
 JOHN C. GARDINER, JR.  
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 DONALD A. LOCHHEAD  
 NORMAN E. CARLSON  
 ERNEST R. GERLACH

JOHN E. SLATER  
 AUGUSTUS P. FARNSWORTH  
 CONSULTANTS

Mr. Samuel B. Nelson, General Manager  
 Southern California Rapid Transit District  
 361 East 55th Street  
 Los Angeles, California 90011

Dear Mr. Nelson:

This memorandum includes our comments on the financial outlook for the bus operations of the Southern California Rapid Transit District for the year 1969 in particular, and the next few years in general. All of the comments are based on the cash requirements as set forth in the Trust Indenture covering the \$40 million bonds issue, the proceeds of which were used to purchase the bus operations.

The District and its predecessor, the Los Angeles Metropolitan Transit Authority, have operated under this Indenture since 1958. During that time all of the requirements of the Indenture have been satisfied, 985 new buses have been purchased and almost \$10 million of bonds have been repaid.

RESULTS OF OPERATIONS - 1968

Results of operations during 1968 showed the following results for the Funds covered by the Trust Indenture:

Revenue Fund Deposits		\$50,557,647
Distribution of Revenue Fund		
Operation Fund		
Disbursed	\$42,894,801	
Retained excess	121,859	
Interest Fund	1,808,875	
Bond Retirement Fund	1,337,500	
Depreciation Reserve Fund	4,044,612	
General Fund	350,000	
		<u>\$50,557,647</u>

A review based on these figures alone would consider this to be a very satisfactory year. The retained excess of \$121,859 in the Operation Fund and the deposit of \$350,000 in the General Fund total \$471,859 in excess of minimum requirements. There were a number of unusual items which contributed to these

favorable results including (1) a refund of Public Liability & Property Damage premiums based on retrospective adjustments for past years of \$813,356.62, (2) direct reimbursement to the Operation Fund (not shown as revenue) for part of the expense of operating Line 100 and (3) direct reimbursements for expenses paid from the Operation Fund for rapid transit planning and development. If the revenues of the system had to absorb these items as additional expenses, the year 1968 would have shown a deficit.

#### PROJECTED RESULTS OF OPERATIONS - 1969

Looking ahead to 1969 and assuming that Revenues will hold at or near 1968 levels, the following changes in conditions should be considered:

- (1) No unusual retrospective adjustments can be expected in the PL&PD Insurance.
- (2) Line 100 subsidies will not continue through the year.
- (3) Rapid Transit Expenses, particularly those expenses representing pro-rated salary expenses for District staff, may or may not be reimbursed from State or Federal Funds.
- (4) The added expense for new lines added during the last few months of 1968 is expected to continue through 1969.
- (5) Wages will continue at least at the December 1, 1968 level with the expectation of additional increases on June 1, 1969 although the exact amount will not be known until new contracts are negotiated.

The total effect of all these changes can be assumed for the purpose of the present discussion to change the operating results from an excess of revenue over requirements of \$471,859 in 1968 to a deficit on the order of \$3 to \$4 million in 1969. At present fares and present levels of riding, this deficit would grow larger in succeeding years primarily reflecting increases in wages. Under the terms of the legislation establishing the District and the Trust Indenture, the District must provide revenues to meet these expenses. The only source of revenue currently available is the fares paid by users.

#### POSSIBLE SOURCES OF FUNDS TO OFFSET DEFICITS

In the early years of public operation, the continuing increases in wages were offset by operating economies (elimination of duplicate routes and facilities and abandonment of streetcar operation) assisted by occasional fare increases. More recently, the burden has been placed primarily on the rider through fare increases since there are no more large savings available from operational changes. Since the District has maintained the same coverage in terms of routes and area served, the burden of increased cost under present

conditions falls almost entirely on the fare paying riders. Accordingly, fare increases in recent years have been larger and more frequent.

At some time during this year, probably immediately following contract negotiations, it will again be necessary to provide additional revenue from some source. Prior to that date and prior to making any further increase in fares the alternatives should be reviewed. The major alternatives are discussed below.

### Fare Increases

One alternative solution is the obvious one of raising fares. This alternative has the undesirable effect of decreasing the future patronage on the transit system. Other cities facing this problem in recent months have increased fares from 30 cents to 35 cents or 30 cents to 40 cents to offset the current round of wage increases, and similar increases would be needed in Los Angeles. Historically, this procedure has produced the required increase in revenue. However, in Chicago, where the fare was recently increased from 30 cents to 40 cents, the estimated increase in revenue was not great enough to cover the increase in expense and the loss in riders approached 15 percent.

A similar effect would be expected in Los Angeles. More importantly, the fare increase would seriously affect two major groups of riders. One group, the low and limited income group, would find its mobility further restricted by increased transportation cost. The other group consists primarily of commuters into already congested areas. Based on past experience some of these riders would shift to private automobiles, thereby further increasing congestion and adding to the demand for more public expenditures for highways and parking facilities.

### Service Reductions

Service reductions are another alternative to reducing expenses. Where deficits are small, a program of selective "tailoring" of route and schedules is frequently a satisfactory solution. In this instance, however, a program of sufficient magnitude to reduce expenses by \$4 million annually would result in skeletonizing service on many lightly used routes and in some instances, complete elimination of service.

Furthermore, the loss in revenue from the routes would have to be offset by either additional revenues from remaining routes or further service reduction.

The first areas to be affected by such a program would be the areas served by the recently added developmental routes in new and growing areas.

### Subsidies

The third alternative is to seek a subsidy to offset the effect of increased expenses. Two approaches might be explored.

(a) Federal Grants

Under present programs, Federal Grants are available for two principal purposes -- capital items such as buses, fare boxes, garages, etc., and demonstrations of new services or techniques. In each instance the applicant must provide at least one-third of the costs and may initially have to provide one-half the cost until certain area-wide planning requirements are satisfied.

Such programs are helpful and important but limitations on total amounts available for the Federal program and the further limitations on the amount available to any one state make it unlikely that funds will be adequate from this source to meet any continuing needs of the District.

(b) Long-range State or Local Subsidy

The most productive and responsive approach to the subsidy problem is to develop a long-range solution at this time. If this course is followed, the amount of the subsidy should equal the annual Debt Service requirements for principal and interest on present bonds of \$3.2 million plus \$4 to \$5 million per year for capital items. Based on present trends in wage increases on SCRTD and other transit properties, such a subsidy would defer the date of the next fare increase for five to seven years and provide the District with the flexibility to do a more effective job in the interim. At the end of such a period, a fare increase would be needed to meet increased operating expenses. Since wages and costs of other services to bus riders would also be increasing, the effect of a fare increase at that time on usage of the system would be much less than another fare increase in the next few months.

SUMMARY

This memorandum points up the District's need for additional revenues to cover increases in expenses in the year 1969 and thereafter. Balances on the District's reserve funds will be rapidly depleted if some action is not taken to provide additional revenues to meet increases in costs. Legislation establishing the District and the terms of the Trust Indenture require that the District provide funds to meet its expenses and the only source of these funds at the present time is the fares paid by users. Good business procedures require that any solution recognize the long-range requirements of the District.

The past practice of increasing fares can be followed again, if necessary. The amount needed would require at least a 35 cent fare and would follow both an increase from 25 cents to 30 cents and introduction of a 5 cent transfer charge during 1967. Based on past experience in Los Angeles and elsewhere, this would further reduce the number of persons using the bus system.

Service reduction of the magnitude required to offset increases in costs would reduce or eliminate bus services in many sections of the area now served by the District.

Present Federal subsidy programs, while important, are limited in amount and purpose. None of the programs, either existing or proposed, are directed at providing any continuing help to offset operating deficits.

The most productive and responsive approach is to provide a continuing source of subsidy from state or local sources which would permit the District to continue present bus services, and expand and develop the bus system to meet growing and changing needs on the community.

If additional funds are not made available, increases in costs must be met by increased fares and/or reduced service. Both of these steps are in conflict with a policy of providing an adequate public transportation system.

Very truly yours,



Ernest R. Gerlach

ERG:ap

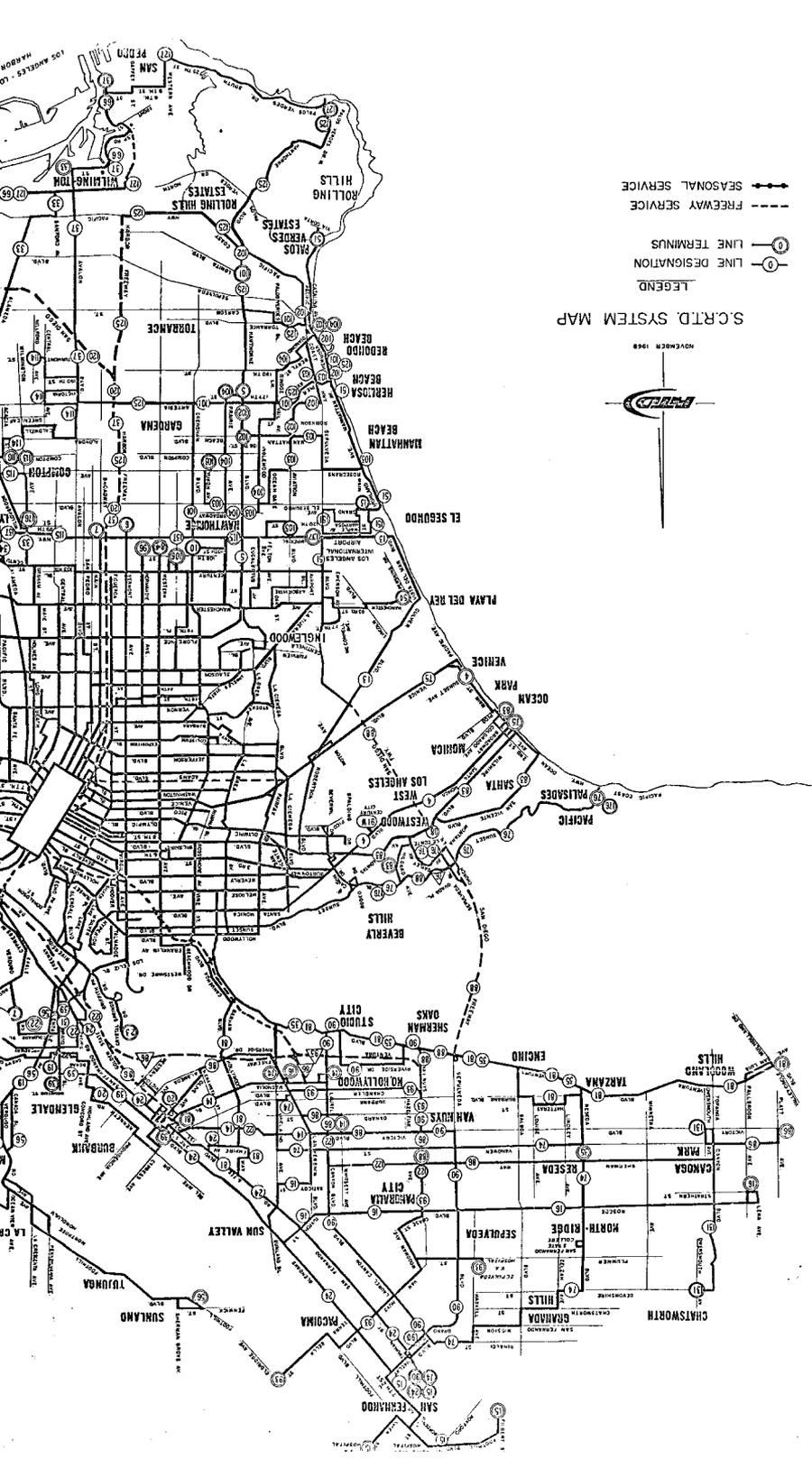
SOUTHERN CALIFORNIA		SUBSIDIZED	FINANCIAL ASSISTANCE PER CAPITA	SUBSIDY BASIS	SUBSIDY STARTED	AUTHORIZATION	VEHICLES OPERATED	ANNUAL MILES	ADDITIONAL REVENUE	REVENUE	PASSENGERS	FARE	MAINTENANCE
Bakersfield	Yes	\$ 57,000	\$ .80	Deficit-City	1956	Vote-Public	21	680,000	\$ 250,000	Limited	1,370,000	\$ .25	Maintain Service
City of Commerce	Yes	207,274	19.31	Total Expense	1962	City Council	8	175,000	None	None	420,000	Free	Free Service
Culver City	Yes	45,437	1.37	Deficit-City	1958	City Council	21	611,045	364,548	\$ 9,006	1,403,137	.30	Maintain Service
Fresno	Yes	369,950	1.47	Deficit-City	1961	City Council	44	1,437,589	690,764	149,316	2,539,154	.25	Maintain Service
Gardena	Yes	7,500	.16	Deficit-City	N.A.	City Council	28	900,000	493,000	43,000	2,000,000	.25	Maintain Service
Long Beach	Yes	450,000	1.12	5¢ per \$100	1963	City Council	125	4,961,000	2,810,000	296,337	11,243,255	.25	Maintain Service
Montebello	Yes*	---	---	Matching Funds	---	City Council	21	668,144	442,430	6,855	2,235,024	.25	Dep. Expenditure
Ontario-Upland	Yes	4,800	---	Deficit-Cities	1960	City Councils	3	52,570	36,000	None	N.A.	.25%-.35	Maintain Service
Orland	Yes	42,439	.62	5¢ per \$100	1959	Vote-Public	13	339,733	109,251	6,652	N.A.	.20	Maintain Service
Palm Springs	Yes	10,000Max.	.41	Deficit-City	1965	City Council	2	N.A.	23,635	None	N.A.	.25	Maintain Service
Pomona	Yes	65,000	.74	Deficit-City	1966	City Council	12	238,000	176,000	22,000	600,000	.25	Maintain Service
San Bernardino	Yes	100,531	.60	Deficit-City	1963	City Council	34	873,946	N.A.	N.A.	1,763,932	.20	Maintain Service
Santa Barbara	Yes	258,210	3.44	Cont.-City	1965	City Council	15	643,942	585,277	71,354	N.A.	.25	Maintain Service
Santa Monica	Yes**	---	---	---	---	---	105	3,417,480	2,375,108	131,625	12,299,070	.25	Maintain Service
Torrance	Yes	77,000	.57	Deficit-City	1951	City Council	19	665,000	250,000	18,000	857,000	.35	Maintain Service
Ventura	Yes	42,000	.84	Deficit-City	1956	City Council	8	264,705	108,604	3,347	483,967	.20	Maintain Service
SCRD	No	---	---	---	---	---	1,482	56,200,000	49,335,000	---	137,000,000	.30	---
San Diego	Yes	441,481	.49	10¢ per \$100	1967	Vote-Public	210	6,760,913	5,826,485	285,167	15,997,968	.30	Maintain Service

**CENTRAL CALIFORNIA**

Oakland (A-C)	Yes	3,969,684	3.96	19.2¢ per \$100	1960	Vote-Public	687	24,795,913	15,181,817	711,658	53,333,231	.25	Maintain Service
Sacramento	Yes	430,000	1.60	Budget-C.C.	1962	City Council	118	3,694,282	1,846,000	126,609	8,562,879	.20	Maintain Service
San Francisco	Yes	12,768,000	16.78	Budget-City	1911	Vote-Public	981	26,308,404	20,644,963	362,363	14,870,850	.15	Low Fare
Stockton	Yes	124,000	1.24	9¢ per \$100	1963	Vote-Public	45	1,159,000	766,312	80,090	2,165,000	.25	Maintain Service
Vallejo	Yes	24,000	.34	Free Rent	1960	City Council	10	230,000	133,295	None	464,919	.25	Maintain Service

\* City of Montebello participated in local share of HUD capital expenditure grant; total subsidy was \$731,596  
 \*\* Operated as department of city government; no estimate of subsidy

NOTES: 1. Statistics were furnished by representatives of the transit agencies; estimates of populations served are based, in some instances, on service which extends beyond city or county boundaries.  
 2. Statistics either are for the 1967-68 fiscal year or the 1968 calendar year.

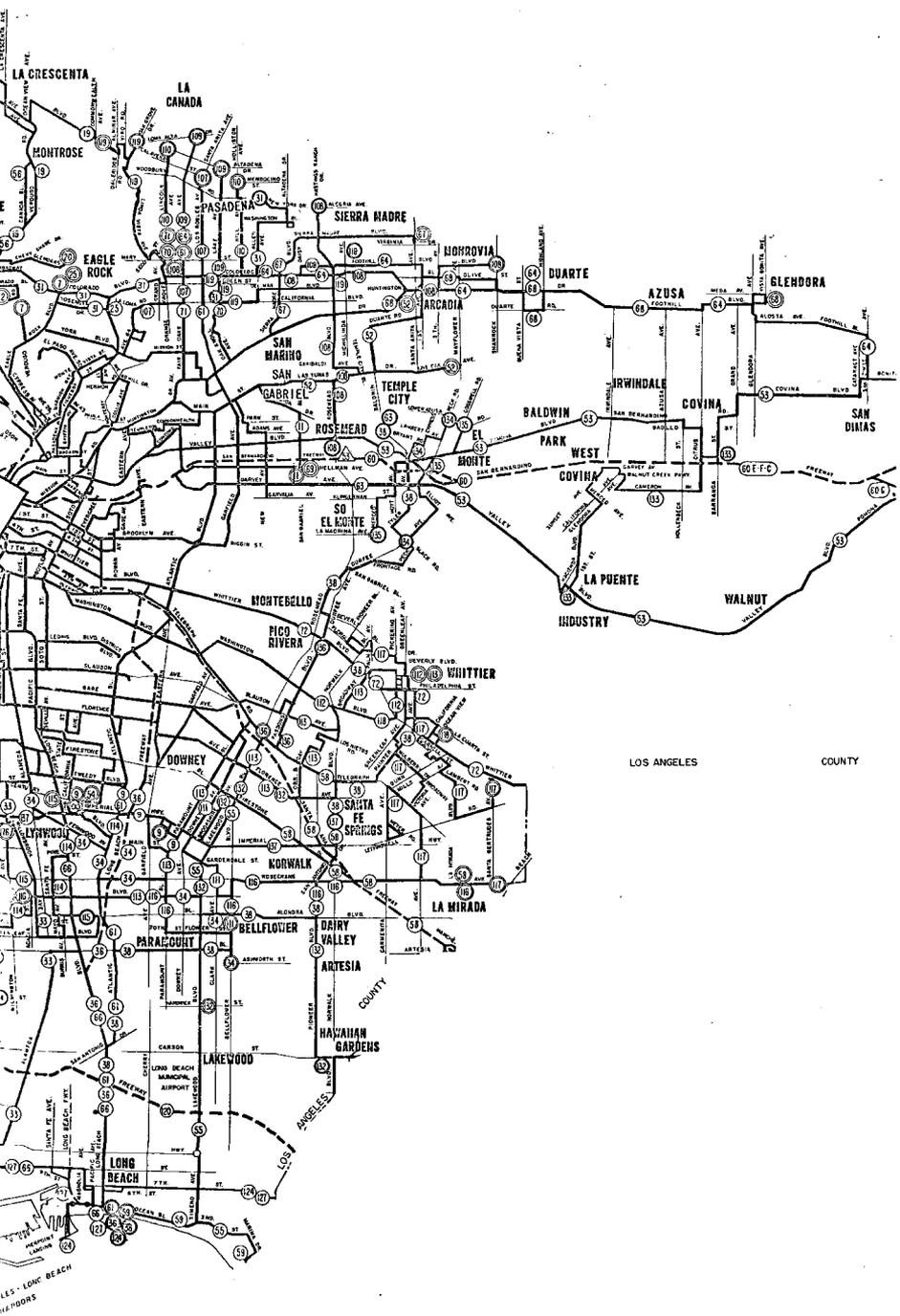


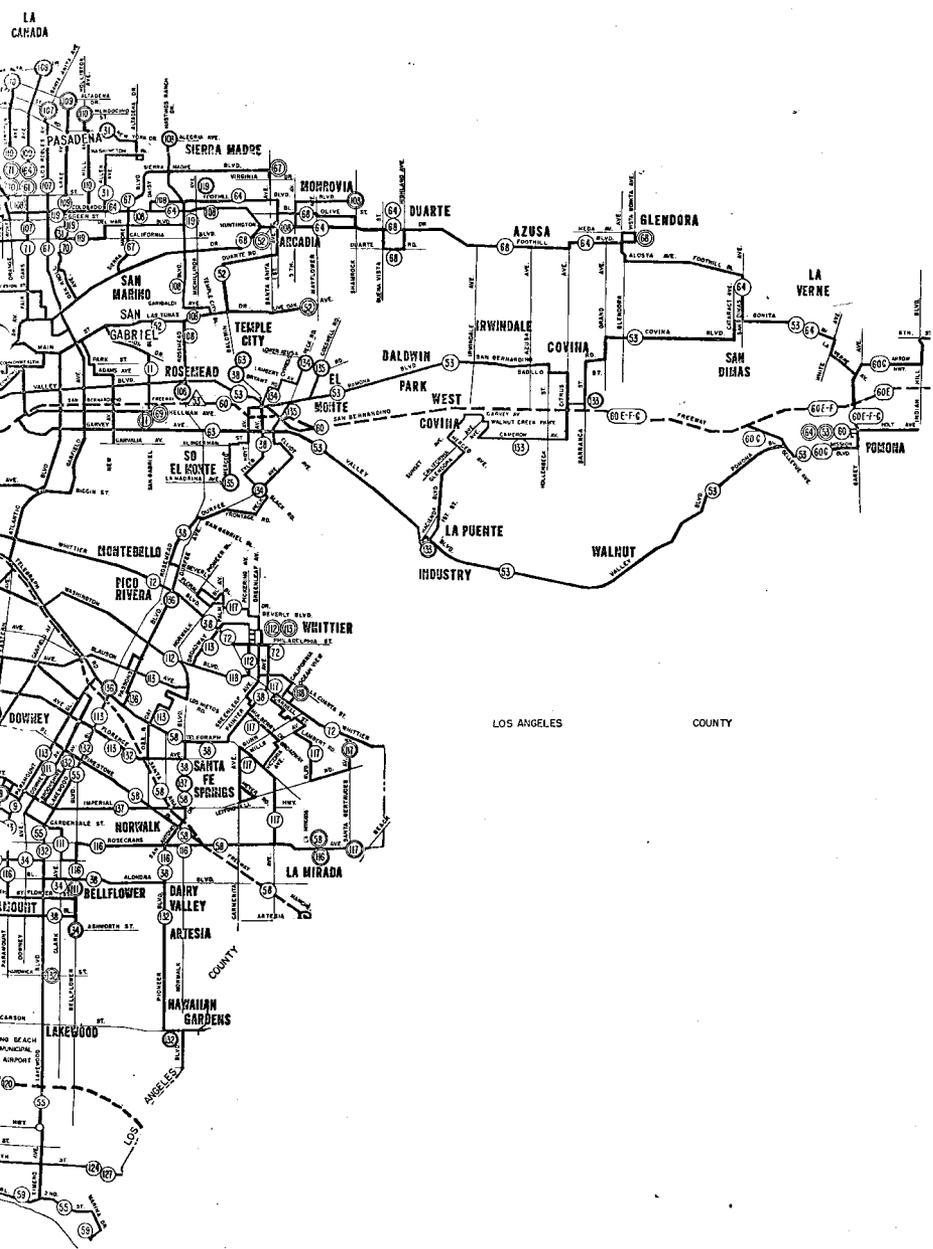
- LINE DESIGNATION
- LINE TERMINUS
- FREEMAN SERVICE
- SEASONAL SERVICE

S.C.R.T.D. SYSTEM MAP

NOVEMBER 1964







LOS ANGELES COUNTY

General Manager's Report  
For Board Meeting May 20, 1969

Progress continues to be made in a number of areas in which the District is actively involved, including the necessary contact, and coordination, with leaders in government, business and labor.

I appeared in Sacramento before the Assembly Commerce and Public Utilities Committee, to testify on Assemblyman Moretti's Charter Legislation, AB 1129.

The Legislation was given unanimous approval by the Committee and sent to the Assembly Floor with a do pass recommendation.

I am pleased to report that the full Assembly approved the bill yesterday and forwarded it to the Senate. This is the charter bill, and it moved quite rapidly, and we are certainly pleased with that.

I also met with the Honorable Frank G. Bonelli, Chairman of the County Board of Supervisors, concerning the Charter Bill and Assemblyman Lanterman's Legislation, AB 2136 which Director Gleckman has referred to which provides for a one-half cent sales tax for six months. The Board of Supervisors is on record unanimously endorsing the Charter Legislation which went through the Assembly, and I am pleased to report after my appearance before the Board of Supervisors this morning, which occasioned my being late for this meeting Mr. Chairman, the Board of Supervisors endorsed whole-heartedly and enthusiastically Assemblyman Lanterman's bill. Supervisor Dorn was not there. He was in Washington on county business, but the other Supervisors gave, I think, a very encouraging and warming talk on the efforts that your District is making to provide public transportation for this area, and in that atmosphere they enthusiastically endorsed and asked that the Secretary send their communication and direction to the proper department in Sacramento. So that was a very enjoyable morning.

Also approved by the Assembly and forwarded to the Senate was Assemblyman Gonsalvez's Bill, AB 733, which provides for 50% instead of 60% voter approval in District elections. That came rather suddenly. It had been defeated, I believe, the day before and Assemblymen in the Assembly asked that it be reconsidered the next day. It came back and was voted on and received the approval of the Assembly and was forwarded to the Senate for proper referral to committee for hearing. We were not aggressively supporting that bill, but it certainly will give us a little more leeway when we do go to the voters again on a rapid transit proposal.

I will be in Sacramento again on May 29, when the Assembly Transportation and Commerce Committee will hear Assemblyman Frank Lanterman's Legislation on Bill 2136, as I mentioned.

I have met with two of the unions representing RTD employees and with editorial officials of the Herald-Examiner and the Long Beach Independent and Press Telegram. Additional briefings will be held with both print and broadcast media executives.

As a result of our coordination with Gordon Luce, secretary of Business and Transportation, a Transit Highway Coordinating Committee has been formed to achieve solutions to the problems involved in the establishment of the San Bernardino Freeway Busway.

The first meeting of the Committee was held yesterday, with Richard Gallagher representing the District.

The Business and Transportation agency, the State Division of Highways, and the United States Bureau of Public Roads were represented at this meeting (on the Committee), and I want to report to you that they are already making progress in this area.

I have had several meetings with other groups concerning the Busway Project, including the City of El Monte, the Southern California Association of Governments and the Transportation Association of Southern California.

SCAG and TASC are vitally interested in the project and will play a major role in our request for matching funds.

The Technology Review Board has heard 18 presentations during the last three months.

An analysis of the various proposals is now being completed, and conclusions will be formally presented to you shortly.

With respect to the Review Board, I am happy to announce that Dr. Peter B. Lissaman has accepted appointment as a member.

Dr. Lissaman is nationally recognized in the area of fluid mechanics and is currently associated with the jet propulsion laboratory at the California Institute of Technology.

I was the dinner speaker last week at a meeting of the American Society of Civil Engineers seminar at the Airport Marina Hotel.

I discussed the role of public transportation in the County and outlined the activities of the Transit Technology Review Board, as well as RTD's plans for improved and expanded bus service.

We have been working closely with the Urban Mass Transportation Administration of DOT on our application for assistance in funding the purchase of fare boxes and buses.

Administrator Carlos Villarreal advises that the grant for the fare boxes is being given serious consideration. However, he reports there is no possibility for any assistance in purchasing the buses during the current fiscal year because of a lack of funds. Of course, the current fiscal year will expire in about a month and a half.

Before approval can be given for the fare box assistance, DOT must reach a policy decision as to whether the District's depreciation reserve fund will be accepted as 100 per cent of the required local contribution. This is the same problem as discussed with your Board before that the City of Cleveland is faced with. We are hopeful that we will get a favorable consideration from the Administration that the depreciation reserve fund, which is dedicated to capital investments as we know, in accordance with the covenants of the revenue bonds, and it would appear reasonable that Washington would accept the philosophy that this fund be dedicated for the express purpose, you might say, of buses. Why isn't it proper to use this as matching funds with government funds for the assistance in the purchase of buses? But this determination has not been made.

This is a peculiarity that exists only in our instance because of the covenants of the bonds that we operate under and doesn't exist in any other transit property in the United States except in Cleveland, which does have some application.

Mr. Henry Adcock, traffic Manager of the London Transport Board, was hosted by the District and briefed on our various activities. This is since the last Board meeting, Mr. Chairman.

I met with representatives of the Chatsworth Chamber of Commerce concerning requests for area school bus service, and for the establishment of a bus route in the area of the DeSoto Avenue Industrial Complex. We have had numerous requests, as I am sure you gentlemen would realize. Since the defeat of school bonds the curtailment of various activities in the school districts hit rather hard on the bus services being provided for school children and they, of course, are turning to the Rapid Transit District to provide bus service for the school children. This we would like to do, but this has to be resolved on each individual proposal as it is presented to us.

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