



U.S. Department
of Transportation

**Federal Transit
Administration**

Administrator

1200 New Jersey Avenue, SE
Washington, DC 20590

DEC 12 2011

The Honorable John Culberson
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Culberson:

Thank you for your letter dated November 21 in which you seek written confirmation from the Federal Transit Administration (FTA) about the process we followed when reviewing the Full Funding Grant Agreement (FFGA) requests received from the Metropolitan Transit Authority of Harris County (METRO) for the North and Southeast Corridor Light Rail Transit projects.

My staff was happy to meet with you on November 17 to discuss the steps we took to ensure the two projects qualify for New Starts funding under the statutory criteria. FTA performs rigorous reviews of all New Starts projects to ensure they are adequately justified and meet the local financial commitment requirements specified in law. Both of the Houston projects meet the statutory requirements, including receipt of medium or better ratings and demonstration of sufficient funding not only to build and operate the proposed projects, but to continue to operate and maintain the existing system without a detriment in service. Thus, we signed the FFGAs for both projects on November 28.

As discussed during the meeting on November 17, the original financial plan submittal from Houston METRO dated March 2011, contained all of the METRO Solutions Phase 2 and Phase 3 expansion projects including 30 miles of new LRT service, 28 miles of new commuter rail service, and 40 miles of rapid bus service. The FTA found that METRO would be challenged to afford the entire METRO Solutions plan included in the submittal. That, of course, may change in part or in whole in the future depending on various factors such as an improvement in current economic conditions, whether or not the General Mobility Payments (GMP) will be extended by voters beyond 2014, and the timing of the various projects.

In order to be conservative in its evaluation, the FTA requested—and METRO prepared—a supplemental cash flow analysis showing continuation of the GMP payments past 2014 and only the three METRO Solutions Plan projects currently under construction. We believe that this provided a much clearer understanding of the affordability of the two New Starts projects that FTA recently entered into Full Funding Grant Agreements for, the North and Southeast Corridors, separate and apart from other future METRO Solutions Plan expansion projects not yet under construction. The FTA determined that METRO can afford the two New Starts funded projects and the third locally funded project currently under construction.

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The FTA did not opine on the affordability of any of the other individual projects in the entire METRO Solutions Plan and cannot state which of the other projects may be affordable, and which may not.

Lastly, your letter requested confirmation of the available debt capacity included by Houston METRO in the financial plan submitted to FTA. The financial plan from METRO dated June 2011 indicated METRO is authorized to issue up to \$400 million in commercial paper and \$640 million in long-term revenue bonds, of which \$257 million and \$462 million, respectively, was available at the end of FY 2010. During the 25-year cash flow period, METRO anticipated the issuance of approximately \$540 million in sales and use tax revenue bonds and \$81 million in commercial paper notes to finance both the North and Southeast Corridor LRT projects.

Should you or your staff need any additional information, please contact me at 202-366-4040.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Peter Rogoff", with a stylized flourish at the end.

Peter Rogoff