



**Metro**

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**MAY 19, 2015**

**TO: BOARD OF DIRECTORS**

**FROM: PHILLIP A. WASHINGTON** *PAW*  
**CHIEF EXECUTIVE OFFICER**

**SUBJECT: UPDATE OF PUBLIC EMPLOYEE PENSION REFORM ACT (PEPRA)  
/SECTION 13(c) IMPACT TO METRO'S CASH FLOW**

**ISSUE**

The purpose of this Board Box is to update the Board of Directors on new information available subsequent to our prior communication about the PEPRA /Section 13(c) impact to Metro's cash flow.

**BACKGROUND**

At each quarter end, the Executive Director of Finance and Budget certifies to the Board that Metro can cover the next six months of cash payment requirements. This certification is required by our Investment Policy. On May 6, 2015, we notified the Board of Directors that the withholding of federal grant funds due to the delayed resolution of PEPRA/Section 13(c) could result in an inability for the Executive Director of Finance and Budget to make this certification for the quarter ending June 30, 2015.

**DISCUSSION**

Currently, we have \$99 million in federal transportation grants awaiting certification by the Department of Labor (DOL) and have over \$395 million in other grants that will need to be DOL certified by the end of calendar year 2015. Since our Board box on PEPRA 13(c) issued on May 6, 2015, the U.S. Department of Labor (DOL) and the Federal Transit Administration (FTA) have clarified their positions regarding grants currently in the approval process. The DOL notified grantees on May 7<sup>th</sup> that applications that are exclusively for operating or capitalized preventive maintenance expenditures for the period prior to January 1, 2015, will not incur delays in processing due to the PEPRA/Section 13(c) issue. This is due to the exemption from PEPRA for transit employees that was in place from October 4, 2013 until December 30, 2014. An FTA guidance memo sent to grantees on May 14<sup>th</sup> further clarified the process for submitting grant applications in response to the DOL notification. In addition, we have determined that our New Starts allocations are not subject to additional DOL certification since the projects were certified in their entirety. As a result, we now expect in August to receive \$149 million of grant

funds for bus and rail preventative maintenance, plus \$100 million each in New Starts grants for the Regional Connector and Westside Purple Line Extension Section 1 projects.

Also during the past week, TIFIA staff confirmed that the \$337 million TIFIA loan draw that we have scheduled for the Crenshaw/LAX project is not subject to Section 13(c). When combined with the \$300 million short-term borrowing program for Measure R that we are asking the Board to approve this month, we anticipate being able to certify meeting our cash flow requirements through March 31<sup>st</sup>, 2016 (see Attachment A).

Despite the improvement in our cash flow outlook, we still have roughly \$350 million of grants pending that are subject to Section 13(c). Hence, staff will continue advocacy efforts toward a solution for the PEPRA/Section 13(c) issue.

### **NEXT STEPS**

We have and will continue to remain fully engaged with the DOL, U.S. Department of Transportation, the Los Angeles County Congressional Delegation, Los Angeles County State Legislative Delegation and other key stakeholders to favorably resolve the current impasse we are facing on PEPRA/13(c).

### **ATTACHMENT**

Attachment A – 13 Month Projected Cash Flow May '15 – Dec '15 w/expected TIFIA Funding

### 13 Month Projected Cash Flow June '15 - June '16

Month	Cash & Investment Maturities	Recurring In - Flows	Projected Out - Flows	One Time In-flows (''s)	Cumulative Cash
Jun-15	146,600,000	299,000,000	(429,000,000)		16,600,000
Jul-15	0	299,000,000	(429,000,000)	486,000,000	372,600,000
Aug-15	0	299,000,000	(429,000,000)	200,000,000	442,600,000
Sep-15	0	299,000,000	(429,000,000)	244,000,000	556,600,000
Oct-15	0	299,000,000	(429,000,000)	50,000,000	476,600,000
Nov-15	0	299,000,000	(429,000,000)		346,600,000
Dec-15	0	299,000,000	(429,000,000)		216,600,000
Jan-16	0	299,000,000	(429,000,000)	100,000,000	186,600,000
Feb-16	0	299,000,000	(429,000,000)	148,000,000	204,600,000
Mar-16	0	317,500,000	(429,000,000)	150,000,000	243,100,000
Apr-16	0	317,500,000	(429,000,000)		131,600,000
May-16	0	317,500,000	(429,000,000)		20,100,000
Jun-16	0	317,500,000	(429,000,000)	208,500,000	117,100,000
<b>Total</b>	<b>146,600,000</b>				

Note = Cash & Investment Maturities includes \$116 million in cash and \$30 million in LAIF. Maintains target balance of \$760 million in Intermediate Term Investment portfolio

Inflows = Previous 10 months average of: General and fare revenue receipts + Prop A & C + Measure R sales taxes, State grants, TDA/STA, Prop1B draws & Prop A, C, & Meas R bond draws.

One Time Inflows

- July 2015: Release of Preventative Maintenance from FTA (\$100 M for Bus, \$49 M for Rail - per Accounting) TIFIA loan drawdown of \$337 million - Crenshaw / LAX
- August 2015: \$100 mil Regional Connector FFGA  
\$100 mil Westside Purple Line Section 1 FFGA
- September 2015: Release of TDA Reserves for FY15 Operating Expenses (\$244 Million; estimated \$ and date from Accounting)
- October 2015: \$50 million Measure R CP issuance
- January 2016: \$100 million Measure R CP issuance
- February 2016: \$148 million in FY 16 TDA for Ops (8 months at \$18.5 each month)
- March 2016: \$150 million Measure R CP issuance
- June 2016: TIFIA loan drawdown of \$208.5 million - Crenshaw/LAX project

Outflows = Previous 11 months' average monthly payments for: AP wires, ACHs and checks (not capital project specific); Payroll; Mandatory payments to Pension & OPEB plans, H&W Trusts; Local Return; and Workers Compensation and PL/PD payments.