



Board Report

File #: 2020-0722, **File Type:** Informational Report

Agenda Number: 6.

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
November 4, 2020**

SUBJECT: RECEIVE Oral Report on Measure R Debt Program

ACTION: ORAL REPORT

RECOMMENDATION

Oral Report on Measure R Debt Program



Metro's Debt Program

**Measure R Independent Taxpayers
Oversight Committee Meeting
November 2020**





Metro's Debt Program

- **The Measure R Ordinance**
- **Debt Strategy**
- **Measure R Debt Program**

The Measure R Ordinance

Measure R Ordinance Authorized and Anticipated Debt Issuance

Measure R Ordinance Section 12

Establishment of Bonding Authority

6 Metro is authorized to issue limited tax bonds, from time to time, payable from
7 and secured by Sales Tax Revenues to finance any program or project in the
8 Expenditure Plan, pursuant to Sections 130500 et seq. of the Public Utilities Code, and
9 any successor act. ...

Measure R Ordinance Section 8

The Measure R Oversight Committee shall:

18 4. Review all proposed debt financing and make a finding as to
19 whether the benefits of the proposed financing for accelerating project delivery,
20 avoiding future cost escalation, and related factors exceed issuance and interest
21 costs.

The Measure R Ordinance

The Committee Adopted Seven Debt Finding of Benefit Resolutions

Measure R Oversight Committee Finding of Benefit Resolutions	
Purpose	Date of Resolution
Series 2010-A&B Bonds	8/26/2010
Crenshaw/LAX Project TIFIA Loan	4/4/2012
Regional Connector TIFIA Loan	10/9/2013
Westside Purple Line Extension Section 1	3/7/2014
Measure R Short-term Borrowing Program	5/13/2015
Westside Purple Line Extension Section 2	7/19/2016
Series 2016-A Bonds	7/19/2016

Debt Strategy

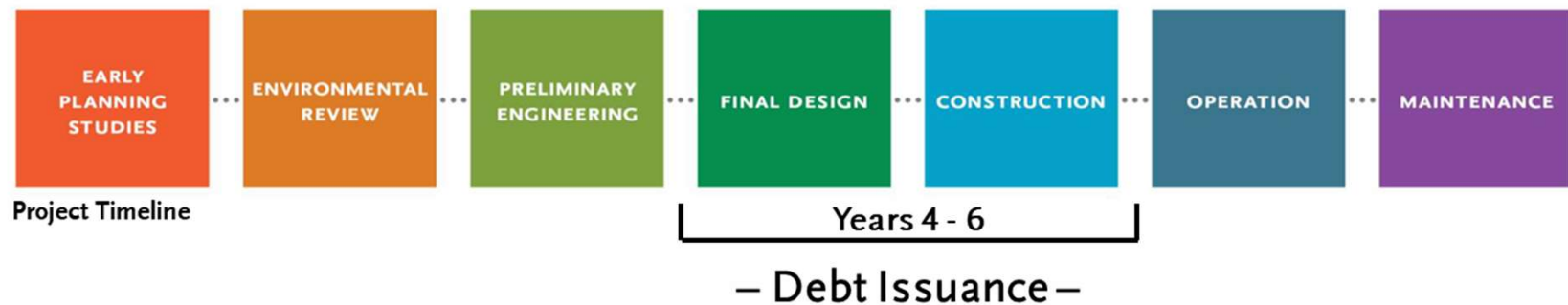
Purpose and Strategy of Metro's Debt Program

- **Debt only used for capital infrastructure and equipment**
- **Debt is primarily limited to transit and highway capital ordinance categories**
- **Debt Policy affordability limits impose responsible use of debt**
 - Revenue source required to repay the obligation
 - Money needed to operate the system
 - Economy is volatile and revenues may decline
 - Financial flexibility needed to address unforeseen event
- **Long-term debt matches the life of funded capital projects with timing of the payment of debt service**

Debt Strategy

Prudent Debt Management Requires Defined Project Scope, Cost and Budget

Life of a Project



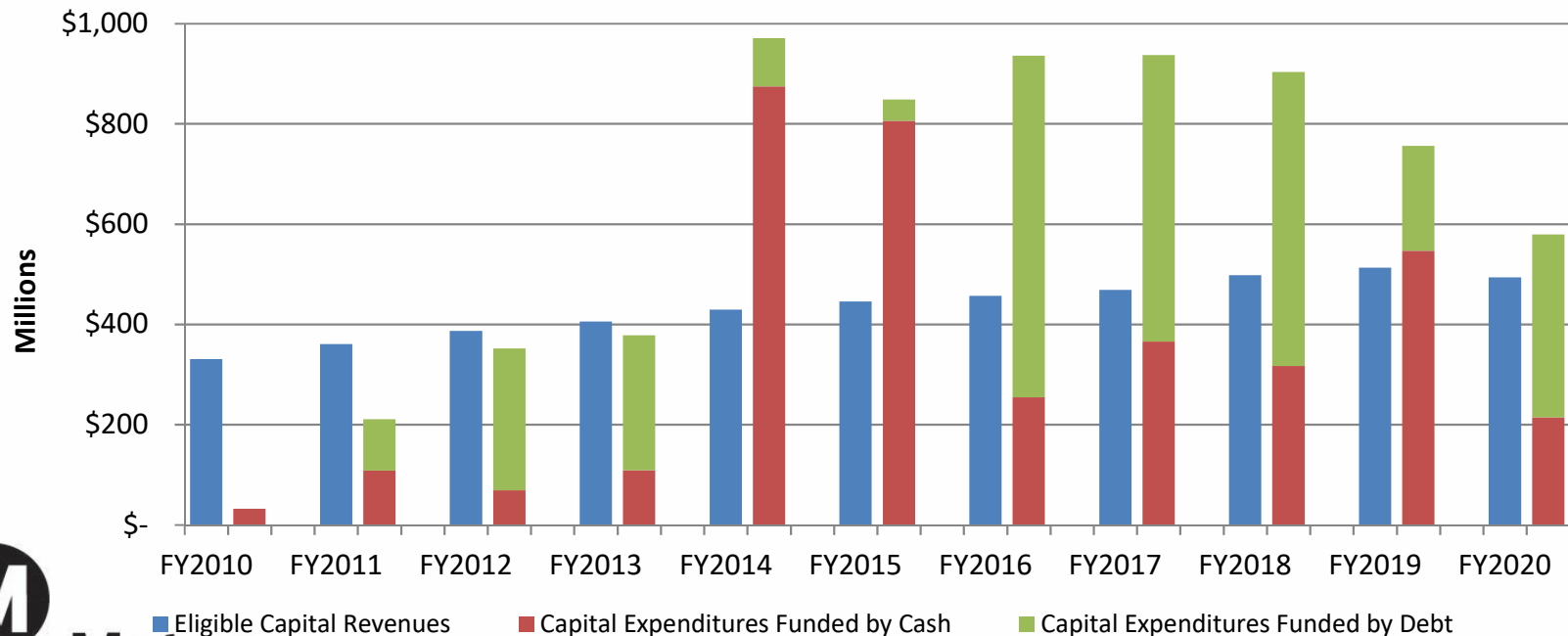
- **Strategic Goal** – Issue debt when the start of physical construction is imminent as this is the period with the largest expenditures
 - Timing debt issuance with construction reduces unnecessary interest costs
 - IRS Tax-exempt rules generally require debt proceeds to be spent within three years

Debt Strategy : Measure R

Debt Bridges the Gap Between Revenues Received and Expenditures to:

- Accelerate project delivery
- Avoid future cost escalation
- Access funds at very low cost

Measure R
Capital Revenues vs Capital Expenditures

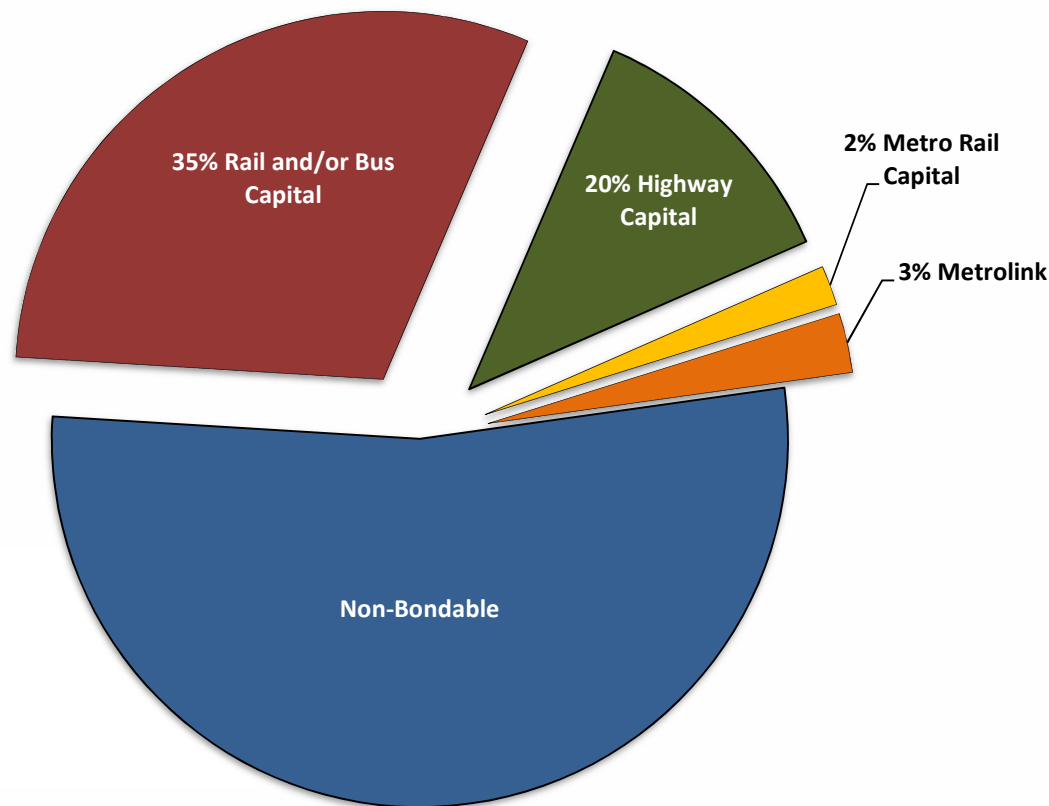


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Debt Strategy : Measure R

LACMTA's Debt Policy Restricts Debt Financing

- Primarily Transit and Highway Capital categories are eligible
- The policy further limits revenue available for debt within the four eligible categories
- 47% of Total Measure R Revenues are eligible for borrowing
- 53% of Total Measure R Revenues are not eligible for borrowing



Eligible Revenue allocation categories Include:

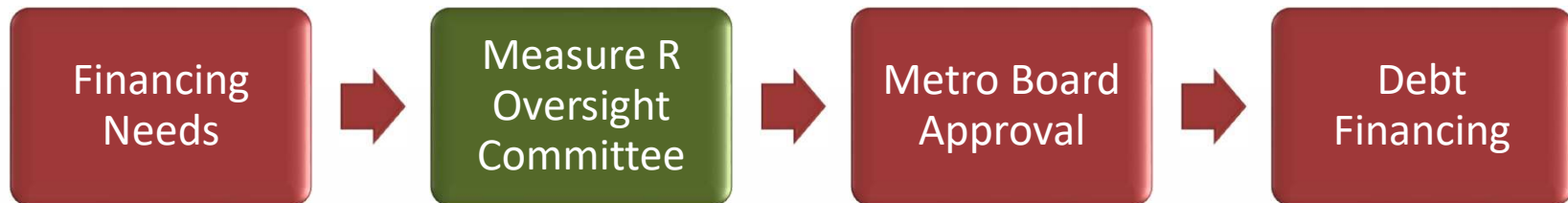
- 87% of 35% Rail and/or Bus Capital Revenues – 30.45%
- 87% of 3% Metrolink Revenues – 2.61%
- 87% of 2% Metro Rail Capital Revenues – 1.74%
- 60% of 20% Highway Capital Revenues – 12.00%

Ineligible Revenue allocation categories Include:

- 15% Local Allocation Revenues
- 20% Bus Operations Revenues
- 5% Rail Operations Revenues
- 13% Remaining Portion of Bondable Revenue Categories

Measure R Debt Program

Measure R's Ordinance Debt Approval Process



- Determine future financing needs for Measure R projects
- Present proposed debt financing to the Measure R Oversight Committee for a finding of benefit
- Metro Board Approval – State law requires the Board to approve all debt issuances
- Debt Financing

Measure R Debt Program

Measure R Utilizes a Mix of Short and Long-Term Debt

Short-term Notes

- Quick access to funds helps Metro to keep construction projects moving

Long-term Bonds

- Matches debt service with the useful life of a project

Measure R Debt Program

Measure R Short-Term Program Keeps Projects Moving Forward

- Quickly fund construction projects
- Obtain low cost financing
- Avoid delays and future cost escalation

Short-Term Program (in millions)	
Program Authorization	\$300.0
Program Initiation Date	11/01/2015
Outstanding Par as of November 1, 2020	\$106.0
Major Projects Funded by Current Outstanding Par	Crenshaw/LAX, Southwestern Yard, Expo 2, Westside Purple Line Extension Sections 1 and 3
Banks providing lines of credit	Bank of America, N.A. State Street Bank and Trust Company

Measure R Debt Program

Measure R Bonds Allows LACMTA To:

- Match life of the bond with the life of the project
- Lock in low long-term rates due to Measure R's strong credit ratings
- Structure debt service to provide equal/level annual payments

Long Term Bonds and Credit Ratings

(in millions)
(as of November 1, 2020)

Issue	Original Issue Amount	Principal Outstanding	Available Proceeds	Ratings (Moody's/S&P/Fitch)	Major Projects Funded
Series 2010 A & B	\$732.4	\$574.0	-	Aa1/AAA/NR	Expo 2, Gold Line Foothill Extension, Crenshaw/LAX
Series 2016 A	\$522.1	\$470.7	-	Aa1/AAA/NR	Expo 2, Crenshaw/LAX, Blue Line, Westside Purple Line Extension Sections 1 and 3
Series 2020 A	\$1,356.1	\$1,356.1	\$124.8	NR/AA/AA	Crenshaw/LAX, Regional Connector, Westside Purple Line Extension Sections 1 and 2
Grand Total	\$2,610.6	\$2,400.8	\$124.8		



Measure R Debt Program

LACMTA's Short Range Financial Forecast FY21-25

SRFF* Debt Projections	
\$millions	FY2021 –FY2025
Prop A	\$544.5
Prop C	\$898.7
Measure R	\$2,028.0
Measure M	<u>\$2,469.5</u>
Total	\$5,940.7



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*Short Range Financial Forecast – December 2019

Measure R Sales Tax: Debt Overview

Summary

- **Measure R Ordinance authorized and anticipated debt issuance**
- **Strategic, prudent debt issuance bridges the gap between revenues received and expenditures to accelerate projects at very low costs**
- **Measure R's Debt Program is serving its intended purpose**

Measure R Sales Tax: Debt Overview

