# **Metro**

Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA



Agenda - Final

Wednesday, October 18, 2017 1:00 PM

One Gateway Plaza, Los Angeles, CA 90012, 3rd Floor, Metro Board Room

# Finance, Budget and Audit Committee

Kathryn Barger, Chair Paul Krekorian, Vice Chair John Fasana Janice Hahn Ara Najarian Carrie Bowen, non-voting member

Phillip A. Washington, Chief Executive Officer

## METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES

(ALSO APPLIES TO BOARD COMMITTEES)

#### **PUBLIC INPUT**

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

**CONDUCT IN THE BOARD ROOM** - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

**REMOVAL FROM THE BOARD ROOM** The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

#### INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available

#### **DISCLOSURE OF CONTRIBUTIONS**

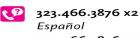
The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

#### **ADA REQUIREMENTS**

Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 hours) in advance of the scheduled meeting date. Please telephone (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

### LIMITED ENGLISH PROFICIENCY

A Spanish language interpreter is available at all <u>Board Meetings</u>. Interpreters for <u>Committee meetings</u> and all other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876.



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Copies of Agendas/Record of Board Action/Recordings of Meetings - (213) 922-4880 (Records Management Department)

General Information/Rules of the Board - (213) 922-4600

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NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

### **CALL TO ORDER**

## **ROLL CALL**

# 11. SUBJECT: INVESTMENT MANAGEMENT SERVICES FOR THE

2017-0597

**OPERATING PORTFOLIO** 

### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award five year, fixed rate contracts to four investment management firms; 1) LM Capital Group, 2) RBC Global Asset Management, 3) Chandler Asset Management and 4) US Bancorp Asset Management, in an amount not to exceed \$3,584,067, effective January 1, 2018, subject to resolution of protest(s), if any.

<u>Attachments:</u> Attachment C - Extl Mgr Performance.pdf

Attachment A - Procurement Summary

Attachment B - DEOD Summary

## 12. SUBJECT: METROLINK PROGRAM FUNDING OVERVIEW

2017-0614

## **RECOMMENDATION**

RECEIVE oral report on Metrolink Program Funding.

Attachments: Metrolink Program Funding Overview Final

## 13. SUBJECT: ACCESS SERVICES - QUARTERLY REPORT

2017-0659

## **RECOMMENDATION**

RECEIVE AND FILE status report on Access Services - ADA Paratransit Service.

# Adjournment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.



# **Board Report**

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE OCTOBER 18, 2017

SUBJECT: INVESTMENT MANAGEMENT SERVICES FOR THE

**OPERATING PORTFOLIO** 

**ACTION: AWARD CONTRACTS** 

File #: 2017-0597, File Type: Contract

# **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award five year, fixed rate contracts to four investment management firms; 1) LM Capital Group, 2) RBC Global Asset Management, 3) Chandler Asset Management and 4) US Bancorp Asset Management, in an amount not to exceed \$3,584,067, effective January 1, 2018, subject to resolution of protest(s), if any.

# **ISSUE**

Our Investment Policy requires that temporarily idle funds of the agency be prudently invested to preserve capital and provide necessary liquidity, while maximizing earnings. The Los Angeles County Metropolitan Transportation Authority (Metro) hires external investment managers to invest part of our operating portfolio in longer term maturities for the benefits of superior portfolio performance, diversification, risk management and to obtain full time professional expertise in the field of fixed income at a reasonable cost. The current investment management services contracts are due to expire on December 31, 2017. We want new contracts for investment management services to be in place prior to that expiration date.

# **DISCUSSION**

Operating funds are the pool of excess working capital used to fund expenses such as salaries, capital project expenditures, fuel and supplies, contract and professional services.

Internal staff manages a separate short-term cash portfolio to meet daily liquidity requirements. The external investment managers invest the balance of our operating fund portfolio to take advantage of higher yields typically available on longer maturities.

The selection process was conducted on the "best value" basis. All proposers were evaluated on their organization, qualifications and experience of their personnel, investment style and their compatibility as investment managers in relation to the total portfolio and proposed fees.

Four investment styles, used to add value to bond portfolios, duration management, sector weighting, issuer selection and yield curve management were selected to complement the portfolio and to reduce risk through diversification.

The investment style of duration management is a strategy which balances the trade-offs of the higher income often generated by longer maturities with the volatility/downside risk in a rising interest rate environment. Duration as it pertains to fixed income securities is the weighted average of the times until fixed cash flows are received. Shortening the duration reduces the time to receive cash flows while increasing the duration lengthens the time to receive these cash flows. In general, the shorter the duration, the lesser the portfolio is exposed to interest rate volatility.

The investment style of sector weighting is a strategy of allocating funds to asset categories (i.e. Agencies, Corporate Notes, Treasuries, Commercial Paper, etc.) poised to provide the best risk/reward profile. As market conditions change, the allocations in various sector categories are adjusted to provide the best risk/reward trade-offs.

Issuer selection is an investment style that focuses on the underlying characteristics of the fixed income security (bond issuer). This style takes into consideration the many factors (i.e. credit rating, balance sheet strength, revenue stream, etc.) and price in deciding whether the fixed income investment has potential and should be included in the portfolio.

The investment style of yield curve management strives to maximize portfolio values by utilizing the shape of the yield curve and minimizing adverse impacts to the portfolio when interest rates change. Firms utilizing this style employ strong macro-economic research and focus on determining interest rate trends.

The portfolio sizes will be based upon the firms' total assets under management and fees charged. Subsequent account contributions and/or withdrawals will be determined by our liquidity needs, market conditions and the investment manager's performance relative to their benchmark. Staff reviews and discusses performance and compliance matters with the external managers during quarterly meetings and as necessary.

The four firms recommended are our current external managers, who were selected through a competitive process in late 2012 and currently manage \$719.2 million, or 66% of the total operating fund portfolio as of June 30, 2017. As shown in Attachment C, for the contract period, the managers outperformed the benchmark and earned \$64 million in interest income during the same time period. The portfolios are managed in accordance with the guidelines in our Investment Policy approved by the Board on January 26, 2017.

## DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of our patrons or employees.

# FINANCIAL IMPACT

Total proposed fees of \$3,584,067 over the five year contract period are based on a fixed rate applied

File #: 2017-0597, File Type: Contract Agenda Number: 11.

to estimated average assets under management of \$843.5 million, assuming growth in the portfolio over time.

Funding of \$853,000 for this service in FY18 is included in the budget under Investment Income for Government Funds and Enterprise Funds with accounting code 1102 0000 40711 00000 00000. These multi-year contracts will be managed by the Treasury department Senior Investment Manager and Assistant Treasurer; the Treasurer will be accountable for budgeting the cost in future years.

# **ALTERNATIVES CONSIDERED**

The Board could elect not to select any external investment managers and rely solely upon staff to invest the operating funds. This alternative is not recommended because the depth of resources of each investment firm enables them to identify and analyze the opportunities and the risks associated with a wider range of investments. The external firms provide broader issuer coverage across permitted asset categories, professional portfolio diversification, duration and risk management.

# **NEXT STEPS**

Upon Board approval, staff will execute contracts to the listed investment management firms for fixed income management services for the operating portfolio, effective January 1, 2018.

# **ATTACHMENTS**

Attachment A - Procurement Summary

Attachment B - DEOD Summary

Attachment C - External Managers Performance

Prepared by: Marshall M. Liu, Sr. Investment Manager, (213) 922-4285

Mary E. Morgan, Assistant Treasurer, (213) 922-4143

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922 3088

Debra Avila, Chief Vendor/Contract Management Officer (213) 418-3051

Phillip A. Washington

Chief Executive Officer

### PROCUREMENT SUMMARY

# FIXED INCOME MANAGEMENT SERVICES FORTHE OPERATING PORTFOLIO / PS41161A, PS41161B, PS41161C, PS41161D

Contract Number: PS41161A; PS41161B; PS41161C; PS41161D					
	ndler Asset Management, Inc.				
B. LM Capital Group, LLC					
C. RBC-Global Asset Management (U.S.) Inc.					
	Sancorp Asset Management, Inc.				
	FB ⊠ RFP □ RFP-A&E				
☐ Non-Competitive ☐ Modification	☐ Task Order				
Procurement Dates:					
<b>A. Issued</b> : June 7, 2017					
B. Advertised/Publicized: May 31, 2017					
C. Pre-Proposal Conference: N/A					
D. Proposals Due: July 17, 2017					
E. Pre-Qualification Completed: September 25, 2017					
F. Conflict of Interest Form Submitted to Ethics: September 25, 2017					
G. Protest Period End Date: October 21,	2017				
Solicitations Picked	Bids/Proposals Received:				
up/Downloaded: 22	8				
Contract Administrator:	Telephone Number:				
James A. Nolan	213-922-7312				
Project Manager:	Telephone Number:				
Marshall Liu	213-922-4285				
	Recommended Vendors:  A. Chan B. LM C C. RBC D. US B  Type of Procurement (check one): I Non-Competitive Modification  Procurement Dates:  A. Issued: June 7, 2017  B. Advertised/Publicized: May 31, 2017  C. Pre-Proposal Conference: N/A  D. Proposals Due: July 17, 2017  E. Pre-Qualification Completed: Septement F. Conflict of Interest Form Submitted to G. Protest Period End Date: October 21, Solicitations Picked up/Downloaded: 22  Contract Administrator: James A. Nolan  Project Manager:				

# A. Procurement Background

This Board Action is to approve four, five-year Contract Nos. PS41161A, PS41161B, PS41161C, and PS41161D issued to provide fixed income investment management services for Metro's Operating Fund Portfolios that are administered by the Treasury Department. The goal in the selection of firms was to maximize the value of the total operating portfolio by considering the blending of investment managers' styles to maximize strategic diversification. Board approval of contract awards are subject to resolution of any properly submitted protest.

The RFP was issued June 7, 2017, in accordance with Metro's Acquisition Policy and the contract types are Fixed Fee. A detailed Questionnaire was utilized to ascertain Proposers' qualifications and applicable experience in providing Fixed Income Investment Management Services of the type required by Metro.

No amendments were issued during the solicitation phase of this RFP.

A total of eight proposals were received on July 17, 2017, and are listed in alphabetical order as follows:

- 1. Chandler Asset Management, Inc.
- 2. Garcia Hamilton & Associates, LP

- 3. LM Capital Group, LLC
- 4. RBC Global Asset Management (U.S.) Inc.
- 5. Reams Asset Management (Div. of Scout Investments)
- 6. Standish Mellon Asset Management Company LLC
- 7. US Bancorp Asset Management, Inc.
- 8. Western Asset Management Company

# B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of staff from Metro's Treasury Department and an outside consultant was convened and conducted a comprehensive technical evaluation of the proposals received. The proposals were first evaluated according to minimum qualifications contained in the RFP. Two proposers were eliminated from further consideration because one declined to provide required reference information and the other firm did not meet the minimum qualifications regarding California government code clients.

The remaining six proposals were evaluated based on the following evaluation criteria and weights:

•	Organization	15 percent
•	Qualifications of Firm and Key	
	Personnel/Related Experience	20 percent
•	Investment Philosophy and	
	Process for Managing	
	LACMTA's Investment Portfolio	25 percent
•	Proposed Fee Structure	20 percent
•	Compatibility and/or Comparability	
	of Proposer's Relation to the Total	
	Operation Portfolio	20 percent

The evaluation criteria are appropriate and consistent with criteria developed for other, similar Treasury procurements. Several factors were considered when developing these weights, giving the greatest importance to investment philosophy and process for managing LACMTA's investment portfolio.

The six responsive proposals firms are listed below ranked in descending order:

- 1. Chandler Asset Management, Inc.
- 2. LM Capital Group, LLC
- 3. RBC Global Asset Management (US) Inc.
- 4. U.S. Bancorp Asset Management, Inc.
- 5. Western Asset Management Company
- 6. Standish Mellon Asset Management Company LLC

During the week(s) of August 1, through September 11, 2017, the PET met and evaluated the firms in accordance with the applicable evaluation criteria. The PET's recommendation is to award multiple, i.e. four, contracts to the highest rated firms.

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Chandler Asset Management				
3	Organization	100.00	15.00%	15.00	
4	Qualifications of Firm and Key Personnel/Related Experience	96.66	20.00%	19.33	
5	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	97.33	25.00%	24.33	
6	Proposed Fee Structure	100.00	20.00%	20.00	
7	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	96.66	20.00%	19.33	
8	Total		100.00%	97.99	1
9	LM Capital Management, LLC				
10	Organization	97.66	15.00%	14.65	
11	Qualifications of Firm and Key Personnel/Related Experience	96.66	20.00%	19.33	
12	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	95.66	25.00%	23.92	
13	Proposed Fee Structure	85.00	20.00%	17.00	
14	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	96.66	20.00%	19.33	
15	Total		100.00%	94.23	2
16	RBC Global Asset Management				
17	Organization	97.66	15.00%	14.65	
18	Qualifications of Firm and Key Personnel/Related Experience	95.00	20.00%	19.00	
19	Investment Philosophy and Process for Managing LACMTA's Investment Portfolio	89.66	25.00%	22.41	
20	Proposed Fee Structure	95.00	20.00%	19.00	
21	Compatibility and/or Comparability Of Proposer's Relation to the Total Operation Portfolio	88.33	20.00%	17.67	
22	Total		100.00%	92.73	3
23	U.S. Bancorp Asset Management, Inc.				

I					
24	Organization	95.66	15.00%	14.35	
25	Qualifications of Firm and Key	05.00	20.000/	10.00	
25	Personnel/Related Experience Investment Philosophy and	95.00	20.00%	19.00	
	Process for Managing LACMTA's				
26	Investment Portfolio	79.33	25.00%	19.83	
27	Proposed Fee Structure	90.00	20.00%	18.00	
<del></del>	Compatibility and/or Comparability	30.00	20.0070	10.00	
	Of Proposer's Relation to the Total				
28	Operation Portfolio	91.66	20.00%	18.33	
29	Total		100.00%	89.51	4
	Western Asset Management				
30	Company				
31	Organization	76.66	15.00%	11.50	
	Qualifications of Firm and Key				
32	Personnel/Related Experience	76.66	20.00%	15.33	
	Investment Philosophy and				
33	Process for Managing LACMTA's Investment Portfolio	70.00	25.009/	17.50	
		70.00	25.00%		
34	Proposed Fee Structure	80.00	20.00%	16.00	
	Compatibility and/or Comparability				
35	Of Proposer's Relation to the Total Operation Portfolio	61.66	20.00%	12.33	
	Operation Fortiono	01.00	20.00%	12.33	
36	Total		100.00%	72.66	5
	Standish Mellon Asset				
37	Management Company				
38	Organization	89.66	15.00%	13.45	
	Qualifications of Firm and Key				
39	Personnel/Related Experience	68.33	20.00%	13.67	
	Investment Philosophy and				
40	Process for Managing LACMTA's Investment Portfolio	52.66	25.00%	13.16	
41	Proposed Fee Structure	100.00	20.00%	20.00	
	Compatibility and/or Comparability Of Proposer's Relation to the Total				
42	Operation Portfolio	56.66	20.00%	11.33	
	•	33.30			
43	Total		100.00%	71.61	6

# C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon adequate price competition and price analysis. All four firms proposed a competitive fee structure. Actual fee amounts will fluctuate based on portfolio values.

# D. Background on Recommended Contractors

# **Chandler Asset Management**

Chandler Asset Management (Chandler), located in San Diego, California, was founded in 1988 by Catherine (Kay) Chandler. They are a 100% employee owned firm with approximately 127 public sector clients managing approximately \$10 billion in short duration fixed income or intermediate duration fixed income portfolios. The firm's investment philosophy is to select securities in sectors that are poised to outperform the market and avoid those they expect will underperform. Chandler achieves this goal with macro-economic analysis and securities research that leads to their selection of high quality issuers.

As of March 31, 2017, Chandler had 133 public clients with \$10.2 billion in Assets Under Management (AUM) and 42 private clients with \$2.8 billion in AUM.

# LM Capital Group, LLC

LM Capital Group (LM) was founded in 1989 by Luis Maizel and John Chalker. The firm is an employee owned minority business located in San Diego, CA that provides fixed income investment management services. LM has successfully managed the operating portfolio of Metro since 1990. Today, LM employs 17 investment professionals that manage approximately \$4.7 billion of assets for 22 public sector clients. Their investment style is top-down macro-economic analysis with a focus on duration management. Their economic research identifies global trends based on the worldwide flow of funds. From that analysis, they choose issuers and sectors that are primed for superior performance. Their selection is based on investment metrics such as average maturity, duration, and allocation to sectors permitted by investment policy.

As of 2016, LM Capital had 22 public clients with \$4.7 billion in AUM and 6 private clients with \$274.3 million in AUM.

# **RBC Global Asset Management (US) Inc.**

RBC Global Asset Management (US) Inc. (RBC), is the US subsidiary of the ultimate parent company Royal Bank of Canada founded in 1869 that currently employs over 80,000 full and part time employees worldwide. As of December 31, 2016, RBC has 74 public sector clients with \$9.6 billion of AUM, and 150 private sector clients with \$30.7 billion of AUM. Their investment philosophy is to employ fundamental investment processes to construct diversified, customizable portfolios of high quality fixed income securities that deliver consistent excess returns with low volatility. Their

bottom-up, fundamental process is combined with robust, top-down risk management tools designed to meet the objectives of principal preservation, liquidity and consistent excess returns over the long term. RBC's approach is to diversify portfolio income sources from high quality issuers in undervalued sectors.

# **US Bancorp Asset Management, Inc.**

US Bancorp Asset Management (USBAM) is a wholly owned subsidiary of parent company US Bank National Association. USBAM was formed in 2001 with the merger of First American Asset Management and Firstar Investment Management Company. They have approximately 92 investment professionals managing \$4 billion in assets for 14 public sector clients, and \$64 billion in assets for 44 private sector clients, respectively. Their investment philosophy focuses on generating superior returns over time with active management of yield curves. They also consider duration management, sector diversification as well as security selection. This successful process is further enhanced with strong risk management and operation controls. They adapt their strategy to the best risk-adjusted return opportunities available. As of March 31,2017, US Bancorp had 14 public clients with \$4.0 billion in AUM and 44 private clients with \$63.7 billion in AUM.

All of the recommended firms are incumbents having satisfactorily provided Metro Treasury Department with these services.

### **DEOD SUMMARY**

# FIXED INCOME MANAGEMENT SERVICES FOR THE OPERATING PORTFOLIO / PS41161A, PS41161B, PS41161C, and PS41161D

# A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a small business participation goal for this procurement. As confirmed by the Project Manager, the procurement for fixed income investment management services does not offer subcontracting opportunities as the relationship between the Prime Contractors and Metro would be a fiduciary relationship.

# B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not required on these Contracts.

# C. Prevailing Wage Applicability

Prevailing wage is not required on these Contracts.

# D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to these Contracts.

# External Manager Performance FY13 - FY17

						1/2/13	to 6/30/17
	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	Returns	Benchmark
LM Capital Group *	0.51%	1.42%	0.89%	2.53%	0.13%	1.03%	0.96%
RBC Global Asset Mgmt	0.43%	1.73%	1.02%	2.88%	0.10%	1.19%	0.96%
Chandler Asset Mgmt **	-0.21%	1.20%	0.99%	2.57%	0.03%	1.01%	0.96%
US Bancorp Asset Mgmt **	-0.08%	1.03%	0.94%	2.50%	0.18%	1.01%	0.96%
External Manager Composite	0.27%	1.20%	0.94%	2.62%	0.11%	1.00%	0.96%
Benchmark - BofA ML US Govt/Corp ***	0.86%	1.25%	0.63%	2.57%	-0.17%	0.96%	
Over / (Under) performance	-0.59%	-0.05%	0.31%	0.05%	0.28%	0.04%	

<sup>\*</sup> LM Capital Group is a Minority Business Enterprise (MBE)

<sup>\*\*\*</sup> Benchmark was 1-3 year BofA ML through 1/31/15 and the 1-5 year BofA ML effective 2/1/15 and forward

Average Balance External Portfolio (in mil)	\$ 1,096 \$	1,145	\$ 955 \$	769	\$ 749
Interest Income Earned (in mil)	\$ 14.7 \$	12.7	\$ 13.0 \$	11.6	\$ 12.4 <b>\$ 64.4</b>

<sup>\*\* 6/30/13</sup> results begins on their start date of January 2, 2013 through June 30, 2013

# Metro



# **Board Report**

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2017-0614, File Type: Oral Report / Presentation Agenda Number: 12.

REVISED FINANCE, BUDGET AND AUDIT COMMITTEE OCTOBER 18, 2017

SUBJECT: METROLINK PROGRAM FUNDING OVERVIEW

**ACTION: RECEIVE ORAL REPORT** 

# **RECOMMENDATION**

RECEIVE oral report on Metrolink Program Funding.

# **ATTACHMENTS**

Attachment A - Metrolink Program Funding Overview presentation

Prepared by: Yvette Reeves, Principal Transportation Planner, (213) 418-3176

Jeanet Owens, Sr. Executive Officer, Regional Rail (213) 418-3189

Reviewed by: Richard Clarke, Chief Program Management Officer, (213) 922-7557

# Metrolink Program Funding Overview

Finance, Budget and Audit Committee
October 18, 2017
Agenda Item #12



# **Metrolink System**

The Southern California Regional Rail Authority operates Metrolink which is organized as a JPA consisting of the five county agencies LACMTA (Metro), OCTA, RCTC, SBCTA, and VCTC.

Metrolink operates on 536 miles of railroad ROW. Metro owns 141 miles of this railroad ROW which traverses all Metrolink routes to the Los Angeles County line.

Metro contributes funding to each line as follows:
Antelope Valley Line 100%
Orange County Line 30%
Perris Valley Line 27%
Riverside County Line 60%
San Bernardino Line 60%





Ventura County Line 60%

# Metrolink FY Operating Budget Comparison

Metro funds are approximately 51% of the overall Metrolink subsidy

	FY 13-14 (millions)	FY 14-15 (millions)	FY 15-16 (millions)	FY 16-17 (millions)	FY 17-18 (millions)
Total Operating Costs	\$210	\$223	\$241	\$244	\$243
Revenues	\$107	\$111	\$102	\$102	\$101
Difference (Member Agencies)	\$103	\$112	\$139	\$142	\$142
MTA Subsidy	\$ 55	\$ 60	\$ 72	\$72	\$72
Fleet Size	55 locomotives* and 224 passenger cars				

Metrolink operates 2.8 million revenue service miles annually 171 weekday trains and 90 weekend trains



<sup>\* 40</sup> new Tier 4 locomotives will replace existing locomotives 1:1 beginning in October 2018

# Metro Historical Subsidy Levels to Metrolink

(millions)

FY	Total Metrolink Budget	Total Agency Subsidy	Metro Operations	Metro Rehab.	Metro Total
2007-08	\$145	\$64	\$33.1	\$15.0	\$48.1
2008-09	\$159	<b>\$72</b>	\$37.3	\$15.6	\$52.9
2009-10	\$170	\$75	\$38.0	\$15.8	\$53.8
2010-11	\$173	\$82	\$38.8	\$ 8.0	\$46.8
2011-12	\$180	\$81	\$40.1	\$ 8.0	\$48.1
2012-13	\$194	\$94	\$46.1	\$14.4*	\$60.5
2013-14	\$210	\$103	\$55.0	\$16.5*	\$71.5
2014-15	\$223	\$112	\$59.7	\$20.4*	\$80.1
2015-16	\$241	\$139	\$71.8	\$ 0	\$71.8
2016-17	\$244	\$142	\$71.8	\$30.3*	\$102.1
2017-18	\$243	\$142	\$71.7	\$ 9.6*	\$81.3

<sup>\*</sup> Includes Rotem reimbursement rehabilitation payments

# Metrolink Funding Summary FY 11 thru FY 17

	Amount
Operations	\$370,674,440
Rehabilitation	\$ 88,195,666
Capital	\$ 1,543,000
L.A. County Enhanced ROW Security	\$ 15,696,762
Metro/Metrolink Funded Projects	\$ 72,988,000
Total Metro Funding	\$549,097,868
Metrolink Expenditures thru 06-30-17	\$476,584,087
Unspent Funds as of June 30, 2017	\$ 72,513,781*

\*\$5.7M of the unspent funds lapsed on June 30, 2017



# Status of \$72M Unspent Funds

SCRRA is reviewing and reconciling the \$72,513,781 to determine if funds can be reprogrammed to other projects.

MOU	Status
FY11 and FY12 Annual Funding	Metro is awaiting the final amount from Metrolink to reprogram approximately \$2.5M in funds. Metro staff will provide the reprogramming request in the December Board cycle.
FY13 and FY14 Annual Funding	Funds lapsed June 30, 2017.  Projects are complete and Metrolink is requesting an additional extension to reconcile and invoice Metro by January 31, 2018.
FY15 Annual Funding	Lapses June 30, 2018
FY16 and FY17 Annual Funding	Projects are in process and Metro is seeing progress billing.
Other Projects	Metrolink is working on 15 capital and other projects Metro is funding. Some of these projects are complete but Metro has not been invoiced. Metrolink is in the process of closing out these projects. Metro will inform the Board of any remaining project funds to reprogram as well.



# Metrolink Average Annual Ridership by Line for the Last 5 Years

Line	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Actual	FY 16-17 Budget
Ventura	1,061,161	1,015,242	1,029,351	982,336	1,029,879
<b>Antelope Valley</b>	1,885,869	2,138,454	1,821,018	1,847,900	2,090,009
San Bernardino	3,457,037	3,241,225	3,182,814	3,073,878	3,074,700
Riverside	1,255,574	1,225,828	1,209,238	1,144,944	1,171,603
<b>Orange County</b>	2,600,633	2,519,114	2,585,647	2,468,948	2,802,145
Inland Empire/OC	1,198,219	1,268,907	1,211,168	1,251,105	1,294,735
91/LA Route	616,892	608,328	680,745	735,288	738,031
<b>Total Ridership</b>	12,075,385	12,017,098	11,719,981	11,504,399	12,201,102



# **Metrolink Service and Operations**

- The average rider travels approximately 35 miles each way
- Metrolink's farebox recovery is approximately 35.1%

Line	Average Fare per Passenger
91/LA Route	\$6.59
Antelope Valley	\$7.41
Inland Empire/OC	\$5.61
Orange County	\$8.12
Riverside	\$8.90
San Bernardino	\$7.87
Ventura	\$5.89



# **Questions?**

