



# 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

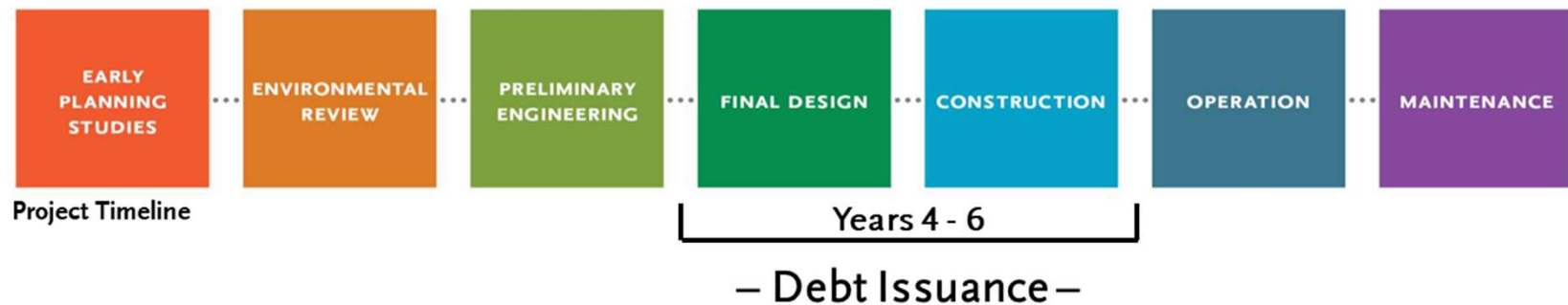
## Purpose and Strategy of Metro's Debt Program

- **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



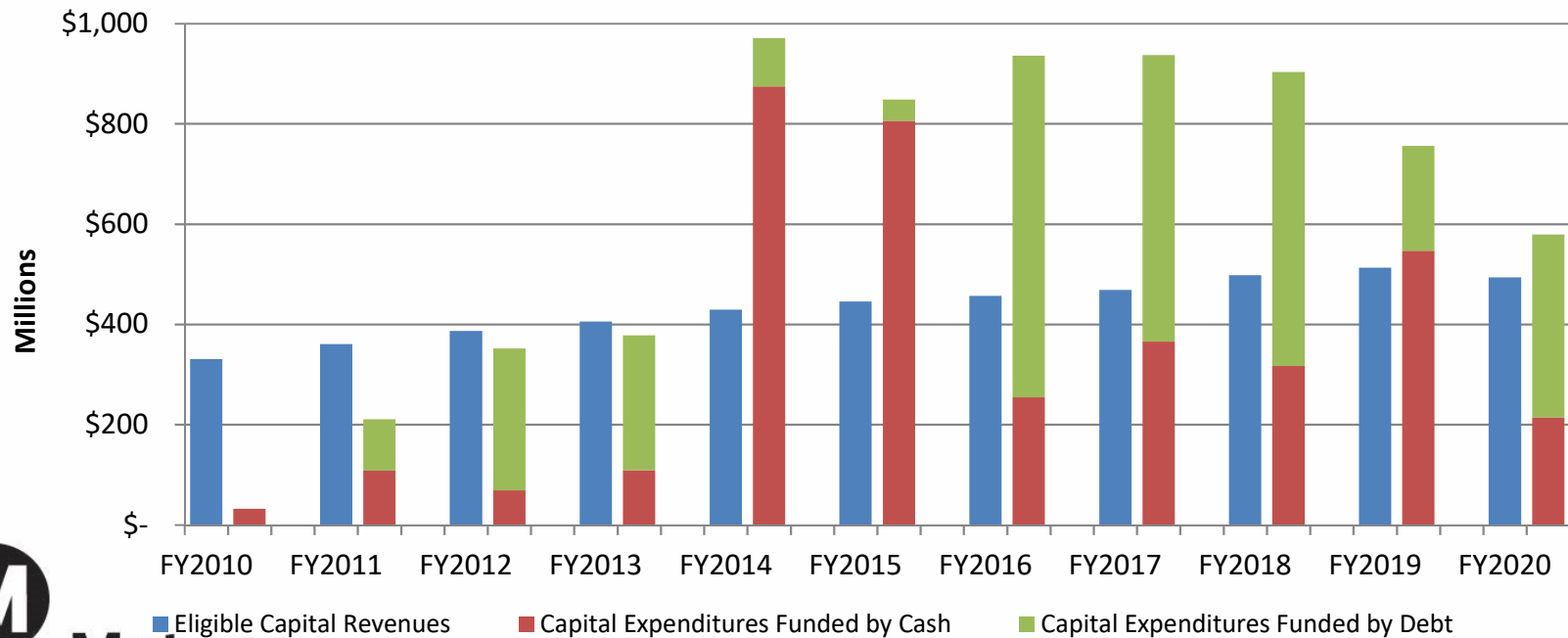
- **Strategic Goal** – Issue debt when the start of physical construction is imminent as this is the period with the largest expenditures
  - Timing debt issuance with construction reduces unnecessary interest costs
  - IRS Tax-exempt rules generally require debt proceeds to be spent within three years

# 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**

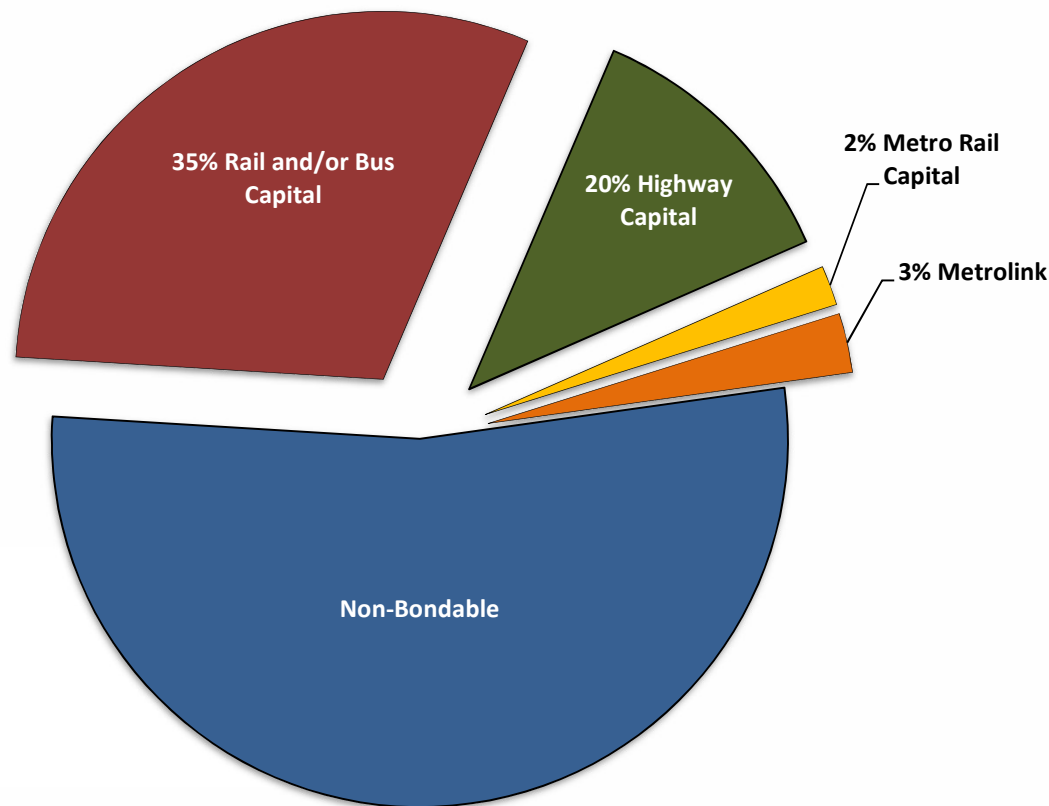


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# Debt Strategy : Measure R

## 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%

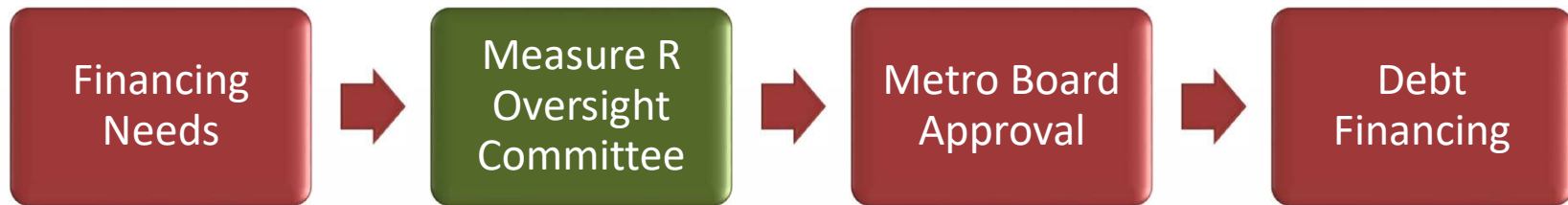
### Ineligible Revenue allocation categories Include:

- 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

<b>Short-Term Program</b> (in millions)	
<b>Program Authorization</b>	\$300.0
<b>Program Initiation Date</b>	11/01/2015
<b>Outstanding Par as of November 1, 2020</b>	\$106.0
<b>Major Projects Funded by Current Outstanding Par</b>	Crenshaw/LAX, Southwestern Yard, Expo 2, Westside Purple Line Extension Sections 1 and 3
<b>Banks providing lines of credit</b>	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
<b>Grand Total</b>	<b>\$2,610.6</b>	<b>\$2,400.8</b>	<b>\$124.8</b>		



# 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
<b>Measure R</b>	<b>\$2,028.0</b>
Measure M	<u>\$2,469.5</u>
<b>Total</b>	<b>\$5,940.7</b>



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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

