



**FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 17, 2013**

SUBJECT: PEPRA/13(c)

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this report regarding PEPRA/13(c)

ISSUE

Due to objections made by our labor unions pursuant the Federal Transit Act, Section 13 (c), in December 2012 regarding the implementation of the Public Employee Pension Reform Act ("PEPRA") enacted by the State of California in October 2012, the U.S. Department of Labor ("DOL") has not certified MTA as an eligible recipient for federal grants since December 2012. Accordingly, the Federal Transit Administration has not processed any new grant applications since that time.

We currently have sufficient previously budgeted but undrawn Prop A formula allocation procedure ("FAP") monies to offset the FY13 operations cashflow deficit. However, a protracted delay, approximately 12 months, in our ability to access Federal operating grants will require future actions by the Board to address the continuing operating shortfalls by considering fare increases, services cuts and/or reprogramming of other local funding sources.

Without DOL certification in the near term, 3-6 months, the Regional Connector and Westside Subway Extension projects' full funding grant agreements and TIFIA loans will be delayed and the projects' start and completion dates will slip on a day-for-day basis. Other smaller capital projects dependent on federal funding, including rail vehicle and bus acquisition recommendations in this July Board cycle, may require the identification of alternative funding sources.

DISCUSSION

This report describes the impacts of the delay in the approval of new federal grants on Enterprise Fund operations and transit capital projects that were budgeted to receive federal funding in the MTA FY13 budget. The Enterprise Fund ("EF") accounts for bus and rail operating and capital revenues and expenditures.

Federal funds are received on a reimbursement basis under which we may only draw down grant funds after expenditures are made.

OPERATIONS

The FY13 budget for EF operating revenues included \$271 million of federal grant proceeds, primarily federal formula funds used to support bus and rail “Preventive Maintenance” and Congestion Mitigation Air Quality (“CMAQ”) operating assistance for the Orange and Expo lines. Of the budgeted federal funds, approximately \$80 million was available from previously approved grants and the balance, \$191 million, was expected to be from new grants anticipated to be executed during FY13.

Since our bus and rail operations have proceeded in accordance with budgeted levels and total operating expenses are estimated to be within 2% of budget, the absence of new grant funding is estimated to have a negative cashflow impact on the Enterprise Fund of \$191 million for FY13.

CAPITAL

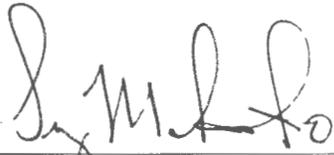
During FY13 capital projects proceeded by utilizing previously approved federal grants and other non-federal sources. To date, DOL has delayed certification of \$28.6 million in grants submitted for capital projects, including bus acquisitions and the connection from the Metro Orange Line to the Metro Red Line.

Grant applications for an additional \$272 million are currently awaiting submittal including grants for Regional Connector, Westside Subway Extension, bus acquisitions and other improvement projects.

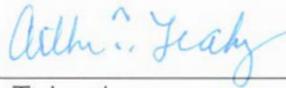
NEXT STEPS

- Continue to work with the State of California, DOL, and the unions to achieve resolution.
- Regularly report on the programmatic and financial impacts of this delay of federal funding.

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