



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) FINANCE, BUDGET
AND AUDIT STANDING COMMITTEE AGENDA REGULAR MEETING
SEPTEMBER 10, 2021 – 8:00AM**

**DUE TO COVID-19, THE SEPTEMBER 10, 2021 SANTA CRUZ METRO FINANCE, BUDGET
AND AUDIT STANDING COMMITTEE MEETING WILL BE CONDUCTED AS A
TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR’S
EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS
OF THE RALPH M. BROWN ACT**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

Directors, staff and the public may participate remotely via the Zoom website [at this link](#) and entering the passcode (727673) or by calling 1-669-900-9128 Meeting ID 847 3584 5848

Public comment may be submitted via email to boardinquiries@scmttd.com. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Board’s weekly correspondence that is posted online at board meeting packet link.

The Finance, Budget and Audit Standing Committee Meeting Agenda Packet can be found online at www.SCMTD.com.

The Committee may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

COMMITTEE ROSTER

Director Shebreh Kalantari Johnson	City of Santa Cruz
Director Manu Koenig	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Mike Rotkin	County of Santa Cruz
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel
Chuck Farmer	METRO CFO

MEETING TIME: 8:00AM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**

3 ORAL AND WRITTEN COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE

This time is set aside for Directors and members of the public to address any item not on the Agenda, but which is within the matter jurisdiction of the Committee. If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

4 ADDITIONS OR DELETIONS FROM AGENDA/ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

5 MONTHLY FINANCIAL UPDATE

Chuck Farmer, CFO

A. YEAR TO DATE FINANCIAL REPORT AS OF JUNE 30, 2021

B. YEAR TO DATE MONTHLY FINANCIAL REPORT AS OF AUGUST 31, 2021

6 PENSION FOLLOW UP DISCUSSION

Chuck Farmer, CFO

7 CEO ORAL REPORT / COVID-19 UPDATE

Alex Clifford, CEO

8 ADJOURNMENT

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Public Comment

If you wish to address the Board, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Board and included in the official report, please include it in your email. Comments that require a response may be deferred for staff reply.



Year to Date Financial Report as of June 30, 2021

Finance, Budget & Audit Standing Committee

September 10, 2021

Chuck Farmer, Chief Financial Officer

FY21 Pre-Audit Financials

FY21 Operating Revenue and Expenses

- Preliminary pre-audit year end financials
- Revenues favorable due to higher Sales Tax revenues and unbudgeted COVID related grants
- Actuals include \$8.9M drawdown of CARES/CRRSAA funds
- Expenses favorable due to lower labor/fringe costs as a result of vacant positions and extended unpaid leaves of absence
- Bus Replacement Fund favorable due to higher than expected Measure D sales tax
- Changes from last month
 - \$1,910K increase to Revenue – Sales Tax true up, Cabrillo payment, STA Grant
 - \$4K increase to Expenses

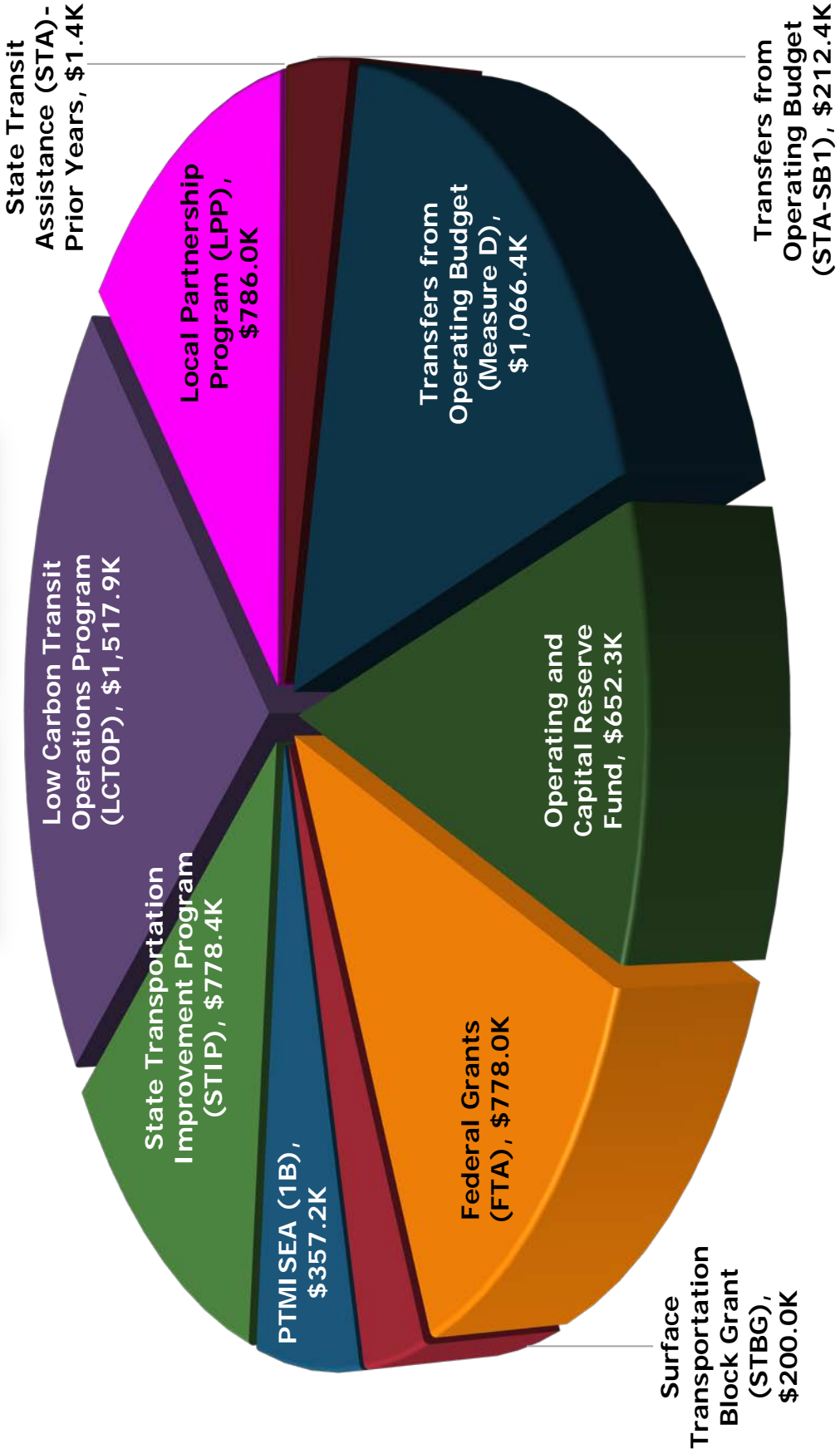
YTD June 30, 2021

	Actual	Budget	Fav / (Unfav)
Operating Revenue			
Passenger Fares	\$ 4,899	\$ 10,255	\$ (5,356)
Sales Tax/including Measure D	28,561	25,889	2,672
Federal/State Grants	18,250	19,952	(1,702)
COVID Relief Grants	8,931	-	8,931
All Other	729	1,168	(439)
Total Revenue	\$ 61,370	\$ 57,264	\$ 4,106
Operating Expense			
Labor - Regular	\$ 15,928	\$ 18,752	\$ 2,824
Labor - OT	946	1,558	612
Fringe	23,171	25,056	1,885
Non-Personnel	8,935	9,633	698
Total OpEx	\$ 48,980	\$ 54,999	\$ 6,019
Operating Surplus/(Deficit) before Transfers	\$ 12,390	\$ 2,265	\$ 10,125
Transfers			
Bus Replacement Fund*	\$ (2,314)	\$ (2,265)	\$ 49
UAL/OPEB Fund	(2,000)	-	2,000
Transfers to Operating Sustainability Reserve Fund	(3,300)		3,300
Operating & Capital Reserve Fund	(254)		254
COVID Recovery Fund	(4,522)		4,522
Operating Surplus/(Deficit) after Transfers	-	-	-

* Bus Replacement Fund – Minimum \$3M annual commitment from Measure D sales tax (\$2.3M) and STA-SGR (\$0.7M)

FY21 Capital Portfolio Spending by Funding

Source* \$6,350K



5A.4

FY21 Capital Budget Spend

Project Category:	Full Year Spending*	Full Year Budget	% Spend
Construction Related Projects	\$ 171	\$ 4,434	3.9%
IT Projects	-	800	0.0%
Facilities Repair & Improvements	868	2,487	34.9%
Revenue Vehicle Replacement	594	8,954	6.6%
Revenue Vehicle Electrification Projects	4,405	10,170	43.3%
Non-Revenue Vehicle Replacement	1	254	0.6%
Fleet & Maintenance Equipment	8	133	5.8%
Misc.	303	558	54.3%
Total	\$ 6,350	\$ 27,789	22.9%

A few key projects that were completed in FY21

- 4 Proterra electric buses accepted, will be put into service Fall 2021
- 3 ParaCruz vans put into service in June 2021
- Maintenance Facility roof replacement and access control
- Golf Club Dr. fire egress
- Fuel management system
- Vapor compressor system

5A.5

Operating Reserves as of 06/30/2021: (estimate as of 6/30/2021)

\$2.3M	Workers' Compensation Reserve Fund*	\$0.7M	Liability Insurance Reserve Fund*	\$10.8M	Operations Sustainability Reserve Fund*	\$3.0M	Cash Flow Reserve Fund*
\$1.6M	Bus Replacement Fund	\$2.0M	UAL & OPEB	\$22.6M	COVID Recovery Fund	\$2.0M	Operating & Capital Reserve Fund*

*Balances in the various Reserve categories are aligned with METRO Reserve Fund policy (revised and adopted by the Board on Nov 15, 2019)
 Bus Replacement Fund – Minimum \$3M annual commitment from Measure D sales tax and STA-SGR
 UAL & OPEB – Minimum \$2M annual commitment

Questions?

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Year to Date Monthly Financial Report as of August 31, 2021

Finance, Budget & Audit Standing Committee

September 10, 2021

Chuck Farmer, Chief Financial Officer

August 2021 Key Financial Highlights

<h2>Service</h2>	<ul style="list-style-type: none">• Fixed Route (including Hwy 17) Cost per Revenue Service Hour is \$XXX vs Target of \$378<ul style="list-style-type: none">• # canceled trips, ## due to road conditions• ParaCruz Cost per Trip is \$86 vs Target of \$103• Non-Student/Hwy 17 Passengers is ## vs Target of 136,280
<h2>YTD Financials*</h2>	<ul style="list-style-type: none">• Revenue of \$7.0M is \$1.2M favorable to budget due to Sales Tax revenues• Expenses of \$8.5M is \$0.7M favorable to budget due to reduced spending primarily in Services• Net Operating Surplus/(Deficit) of (\$1.5M) is \$1.9M favorable to budget
<h2>YTD Capital</h2>	<ul style="list-style-type: none">• Capital spend is \$161K vs \$168K budget• MaintStar upgrade completed• One Non-Revenue electric vehicle purchased• Letter of Intent placed for 3 Proterra buses• Kick off meeting held for ERP project
<h2>Personnel</h2>	<ul style="list-style-type: none">• 290 Active Personnel vs 321 Funded Personnel• 31 Vacancies at end of August, 19 related to Paratransit and Bus Operators• Current class of 3 Operators expected to graduate in early October; recruitment for another 12 with anticipated class start in mid November

* Excludes all COVID related revenues/costs

August 2021, YTD Pre-Close Financials

August 31, 2021

Monthly Operating Revenue and Expenses

	<u>August 31, 2021</u>		
\$ 000's	Actual*	Budget	Fav / (Unfav)
Operating Revenue			
Passenger Fares	\$ 726	\$ 811	\$ (85)
Sales Tax/including Measure D	2,594	1,965	629
Federal/State Grants	-	-	-
COVID Relief Grants	2,096	-	2,096
All Other	45	42	3
Total Revenue	\$ 5,461	\$ 2,818	\$ 2,643
Operating Expense			
Labor - Regular	\$ 1,322	\$ 1,577	\$ 255
Labor - OT	185	84	(101)
Fringe	2,000	2,083	83
Non-Personnel	839	869	30
Total OpEx	\$ 4,346	\$ 4,613	\$ 267
Operating Surplus/(Deficit) before Transfers	\$ 1,115	\$ (1,795)	\$ 2,910
Transfers			
Bus Replacement Fund*	\$ (232)	\$ (158)	\$ (74)
Operating Surplus/(Deficit) after Transfers	\$ 883	\$ (1,953)	\$ 2,836

- Revenues favorable due to higher Sales Tax revenues and unbudgeted COVID related grants

- Expenses favorable due to lower labor/fringe costs as a result of vacant positions and extended unpaid leaves of absence; partially offset by higher OT costs

- Bus Replacement Fund favorable due to net Measure D sales tax revenues of \$350K (less average of five Bus Operators' compensation)

* Bus Replacement Fund – Minimum \$3M annual commitment from Measure D sales tax (\$2.2M) and STA-SGR (\$0.8M)

5B.4

* Pre-close financials, subject to adjustments post close

August 31, 2021

YTD Operating Revenue and Expenses

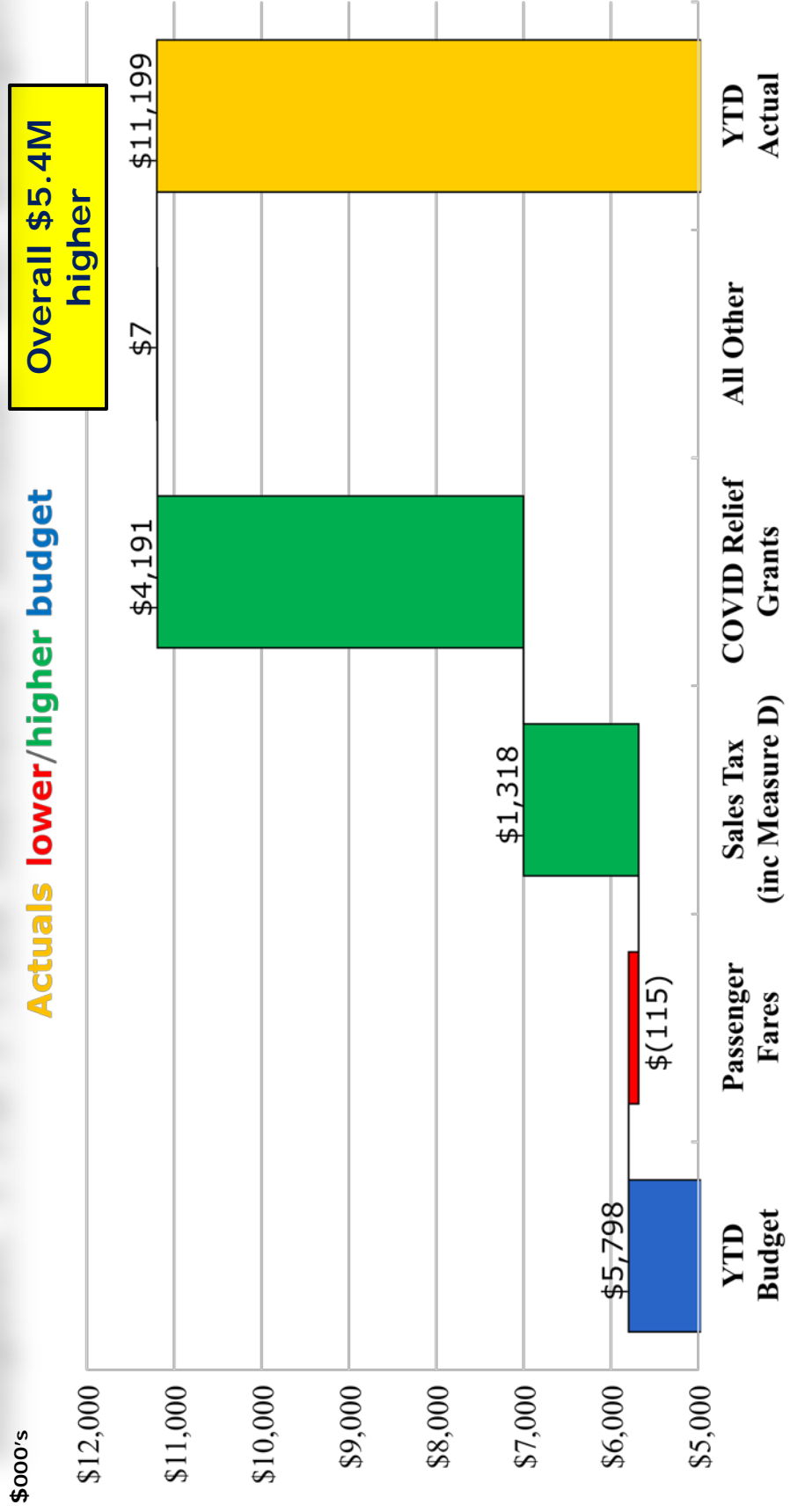
	<u>YTD as of August 31, 2021</u>	
	Actual*	Budget
		Fav / (Unfav)
Operating Revenue		
Passenger Fares	\$ 1,253	\$ 1,368
Sales Tax/including Measure D	5,665	4,347
Federal/State Grants	-	-
COVID Relief Grants	4,191	-
All Other	90	83
Total Revenue	\$ 11,199	\$ 5,798
Operating Expense		
Labor - Regular	\$ 2,624	\$ 3,154
Labor - OT	351	145
Fringe	3,983	4,222
Non-Personnel	1,555	1,685
Total OpEx	\$ 8,513	\$ 9,206
Operating Surplus/(Deficit) before Transfers	\$ 2,686	\$ (3,408)
Transfers		
Bus Replacement Fund*	\$ (529)	\$ (353)
Operating Surplus/(Deficit) after Transfers	\$ 2,157	\$ (3,761)

- Revenues favorable due to higher Sales Tax revenues and unbudgeted COVID related grants
- Expenses favorable due to lower labor/fringe costs as a result of vacant positions and extended unpaid leaves of absence, along with reduced spending primarily in Services; partially offset by higher OT costs
- Bus Replacement Fund favorable due to net Measure D sales tax revenues of \$764K (less average of five Bus Operators' compensation)

* Bus Replacement Fund - Minimum \$3M annual commitment from Measure D sales tax (\$2.2M) and STA-SGR (\$0.8M)

5B.5

August YTD FY22 Revenue Actual* vs. Budget

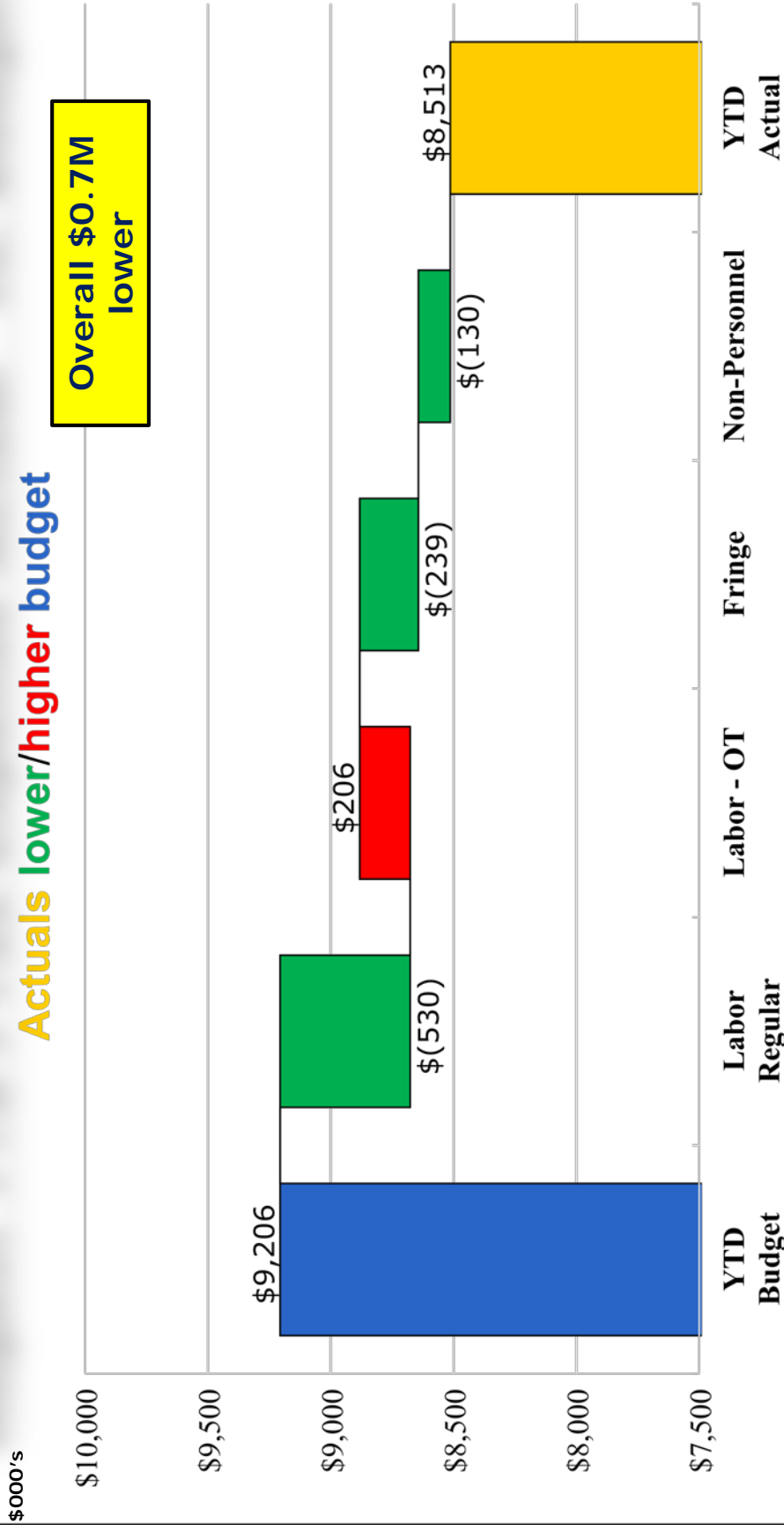


- Ridership is still below pre-pandemic levels
- Sales tax higher than anticipated
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) drawdown

* Excludes Transfers

* Pre-close financials, subject to adjustments post close; excludes Transfers, includes COVID revenues

August YTD FY22 Expense Actual* vs. Budget



- Personnel lower due to funded/vacant positions; fringe savings is retirement and medical insurance costs
- Non-Personnel lower due to reduced spending in Services, related to professional/tech fees, equipment repairs, and repairs for revenue vehicles

* Pre-close financials, subject to adjustments post close; includes COVID related costs

Capital Spending & Project Completion

August 31, 2021 Capital Budget Spend

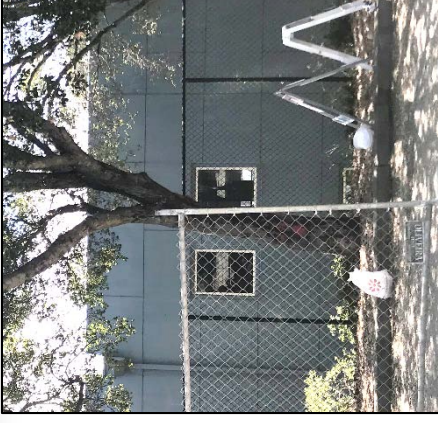
Project Category:	Month to Date		Year to Date		Full Year	
	Actuals*	Budget	Actuals*	Budget	Budget	% Spend
Construction Related Projects	\$ -	\$ 1	\$ 1	\$ 1	\$ 672	0.1%
IT Projects	-	20	-	20	549	0.0%
Facilities Repair & Improvements	-	-	6	6	1,709	0.4%
Revenue Vehicle Replacement	22	22	44	44	7,351	0.6%
Revenue Vehicle Electrification Projects	-	-	-	-	2,690	0.0%
Non-Revenue Vehicle Replacement	32	32	32	32	250	12.8%
Fleet & Maintenance Equipment	6	-	29	23	125	23.2%
Misc.	4	5	49	42	319	15.4%
Total \$	64 \$	80 \$	161 \$	168 \$	\$ 13,665	1.2%

- Spending of \$161K vs \$168K budget
- Revised FY22 Spending Budget will be submitted at the September Board meeting
- Monthly spending still being finalized

55.9

FY22 Capital Project Completion

Project: Fire Egress



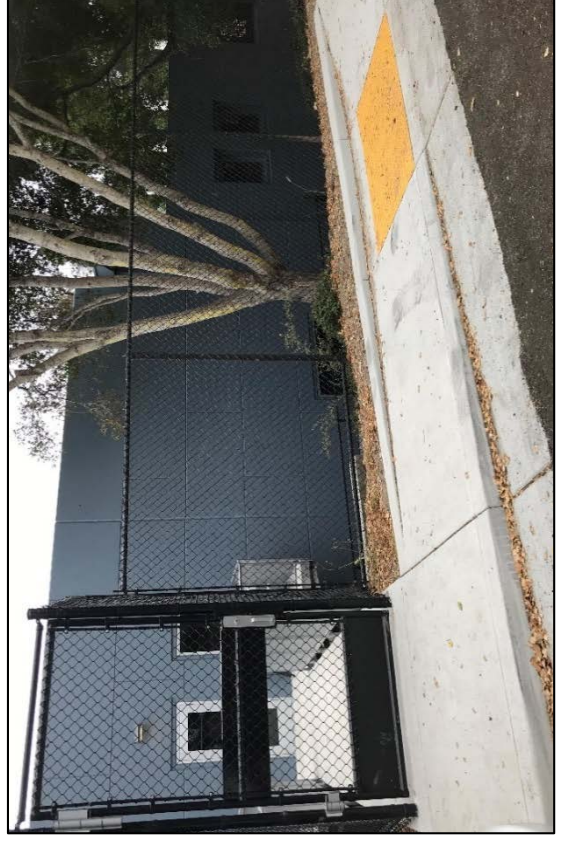
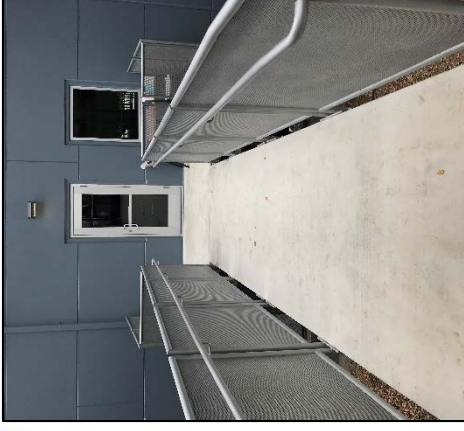
19-0017	Purpose
Purpose of project	To give egress access from conference room exiting at Vernon Street
Projected costs	\$269,368
Budget source	FY17 FTA 5339(a) - \$97,523 FY19 FTA 5339(a) - \$116,943 Ops Reserves - \$32,697
Projected timeline for completion	Aug 2020 to Dec 2020
Risks	Will weather affect construction timing Material delays due to impacted manufacturing companies



FY22 Capital Project Completion

Project: Fire Egress

19-0017	Results
Results of project	Final product meets METRO's Scope of Work
Actual costs	\$247,163
Actual timeline for completion	August 2020 to April 2021 for construction Final Acceptance Aug 5, 2021
Hurdles to overcome	<ul style="list-style-type: none">• Delay with drawing approvals and permit.• Delays with requests and reviews of design changes and construction corrections.• Delays to have quality of product corrected to meet METRO's expectations and scope of work.• Challenges in obtaining Buy America certifications.



FY21 Capital Project Completion

Project: Vapor Compressor

19-0048j	Purpose
Purpose of project	Unrepairable vapor compressor caused CNG to vent to atmosphere due to over pressurization
Projected costs	\$162,134
Budget source	Operating and Capital Reserves
Projected timeline for completion	Project acceptance June 14, 2021
Risks	Timing for materials

19-0048j	Results
Results of project	Installed Compressor is Operational
Actual costs	\$152,334
Actual timeline for completion	June 11, 2021 Installation Complete
Hurdles to overcome	Delays in quote negotiations Two months to manufacture once PO is issued

FY21 Capital Project Completion Project: Vapor Compressor



Questions?

Additional Information

Pre/Post Close Variance Reconciliation

	Month of July 31, 2021		
	Post Close Actual	Pre-Close Actual	Fav / (Unfav)
Operating Revenue			
Passenger Fares	\$ 527	\$ 514	\$ 13
Sales Tax/including Measure D	3,071	3,082	(11)
Federal/State Grants	-	-	-
COVID Relief Grants	2,096	2,120	(24)
All Other	45	41	4
Total Revenue	\$ 5,739	\$ 5,757	(18)
Operating Expense			
Labor - Regular	\$ 1,302	\$ 1,302	\$ -
Labor - OT	165	160	(5)
Fringe	1,983	1,955	(28)
Non-Personnel	717	447	(270)
Total OpEx	\$ 4,167	\$ 3,864	(303)
Operating Surplus/(Deficit) before Transfers	\$ 1,572	\$ 1,893	(321)
Transfers			
Bus Replacement Fund*	\$ (297)	\$ (307)	\$ (10)
Operating Surplus/(Deficit) after Transfers	\$ 1,275	\$ 1,586	(311)

Variances > \$100K

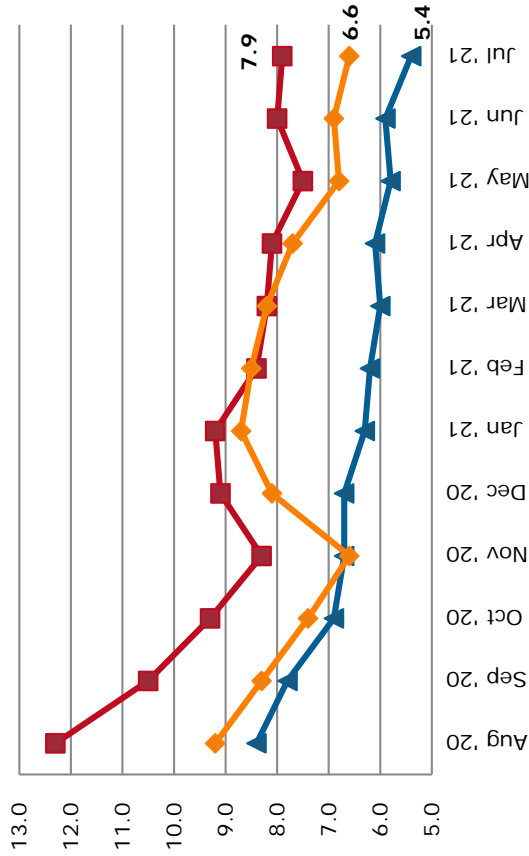
- Non-Personnel expenses unfavorable due to higher than anticipated costs for Revenue Vehicle Fuels, Lube, and Parts along with higher than expected Gas & Electric costs

* Bus Replacement Fund – Minimum \$3M annual commitment from Measure D sales tax (\$2.2M) and STA-SGR (\$0.8M)

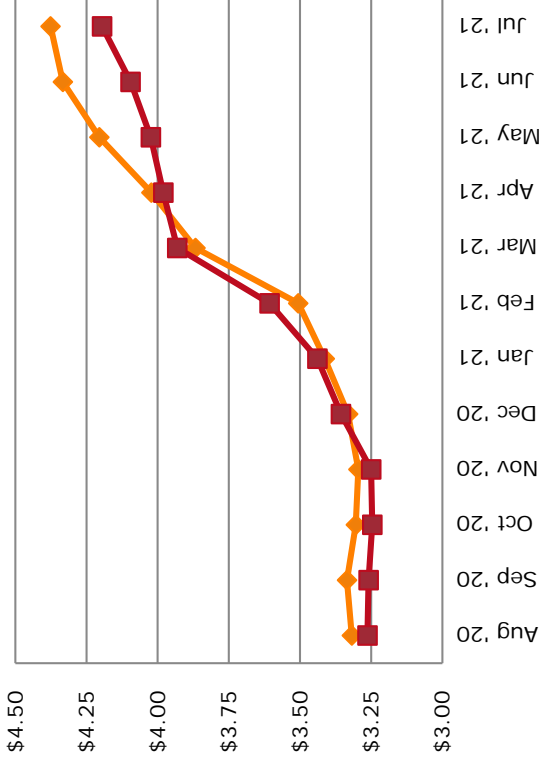
Economic Indicators & Ridership as of July 2021

Unemployment Rate %

▲ National
 ■ State of CA
 ◆ SC County



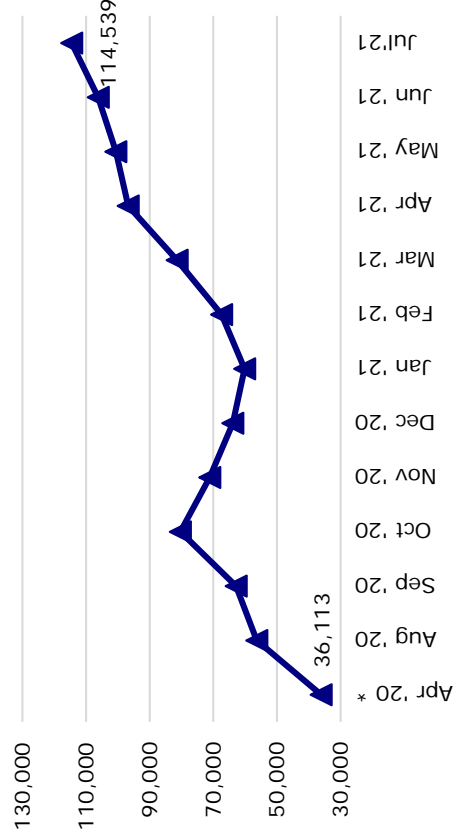
\$ Diesel/Gasoline per Gallon
 San Francisco – Oakland – San Jose
◆ \$ Gasoline per Gallon
 ■ \$ Diesel per Gallon



FY22-21 Ridership: July YTD

Ridership	FY22	FY21	% Change
Total	114,539	59,371	92.9%
Hwy 17	8,031	2,698	197.7%
Local	106,508	56,673	87.9%
UCSC	14,021	4,979	181.6%
Cabrillo	778	151	415.2%
Non-Student	99,740	54,241	83.9%

Post Pandemic Ridership Recovery

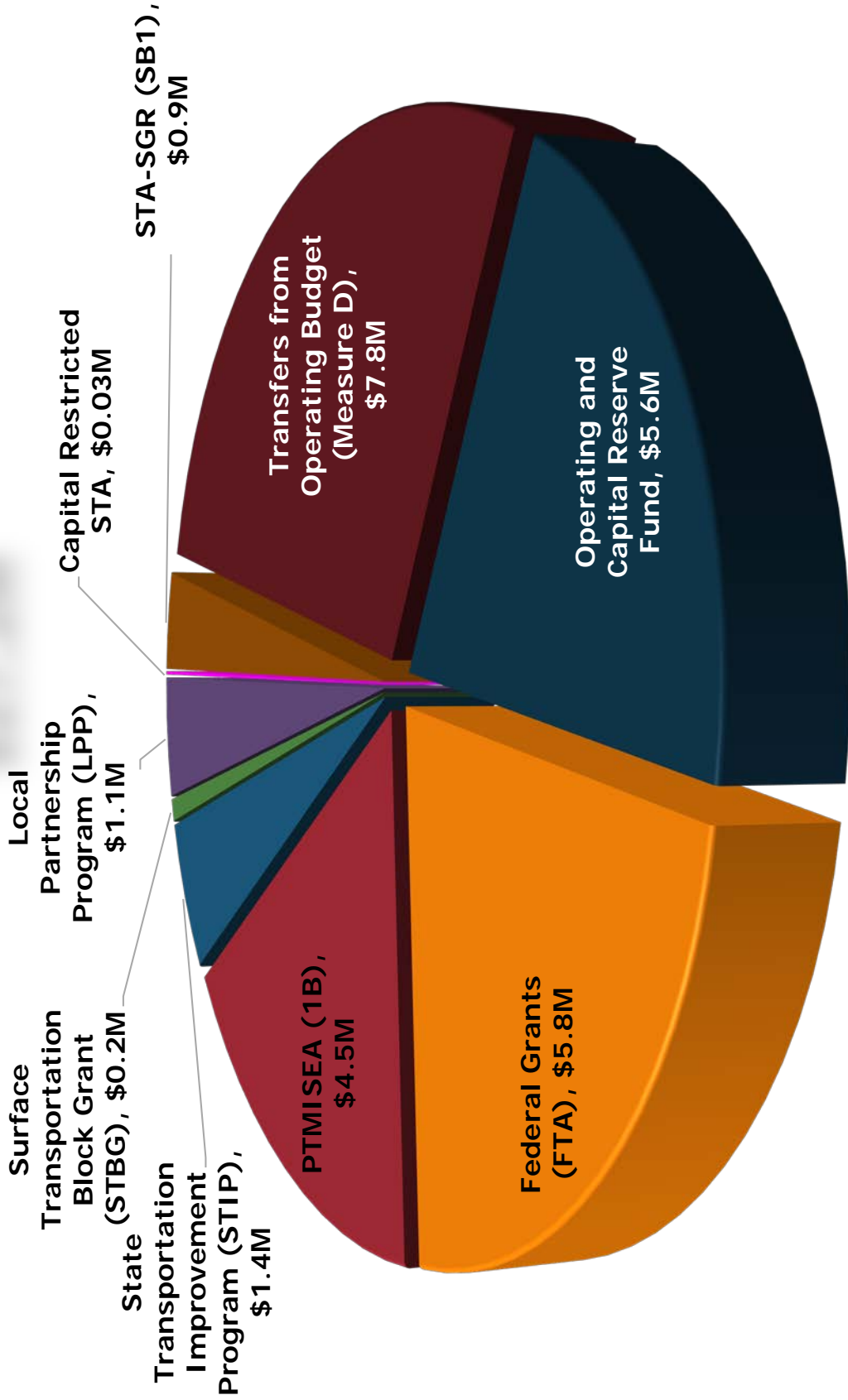


5B.17

*Start of COVID Pandemic

FY22 & Beyond Capital Portfolio Funding*

\$27.2M



*Full portfolio amounts, will be updated until next budget cycle or if funding sources change



Pension Discussion

Finance, Budget & Audit Standing Committee

September 10, 2021

Chuck Farmer, Chief Financial Officer

Pension Discussion Recommendation

- Review Pension and OPEB
- Alternatives Review
- Recommendation and Review Analysis
- Next Steps
- Questions

Pension and OPEB Liabilities as of 6/30/19

Category	Total Accrued Liability	Market Value of Assets	Unfunded Accrued Liability	% Funded
Pensions [1]	\$192,306,857	\$127,847,867	\$64,458,990	66.5%
Other Post-Employment Benefits [2]	\$124,340,668	\$0	\$124,340,668	0.0%

[1] CalPERS' Actuarial Valuation Report - 06/30/2019

[2] MacLeod Watts Actuarial Valuation Report - 06/30/2019

Definitions:

Total Accrued Liability = What You Need

Market Value of Assets = What You Have

Unfunded Accrued Liability = What You Owe

Pension UAL vs. OPEB

PENSION UAL

- Must prefund with CalPERS
- High Rate of Return – 7.00% (Discount Rate)
- Current Payment \$5.1M
- Payment does not fully cover existing retirees or current employees
- Pension is subject to interest
- UAL payment subject to CalPERS Investment Returns
- Pension Interest Payment goes to CalPERS and not METRO's UAL

OPEB

- Pay-go
- 20-Year AA Tax-Exempt GO Bond Rate
- Current Payment of \$3.2M
- Payment is for actual spending within year
- OPEB does not accrue interest
- Payment subject to Health Care increases
- METRO pays \$0.0 interest on any outstanding OPEB's. – Pay Go

METRO will focus on the Pension UAL and tackle OPEB afterwards

Pension Alternatives

Modeled Pension Cost Optimization Strategies

1. Additional Discretionary Contributions (Prepay UAL Faster)
2. Section 115 Trust (Investment Alternative to CalPERS)
3. Pension Obligation Bonds (Directly Refinance UAL at Lower Interest Rates)
4. CalPERS' Fresh Start (Re-amortize UAL with CalPERS)
5. Rolling Stock Equipment Lease Program (Indirectly Refinance UAL at Lower Interest Rates)*

* Equipment Lease Program was reviewed but determined METRO will not qualify due to Federal regulations regarding Grants and Bus useful lives are too short for leasing

Pension Recommendation

Pension Recommendation

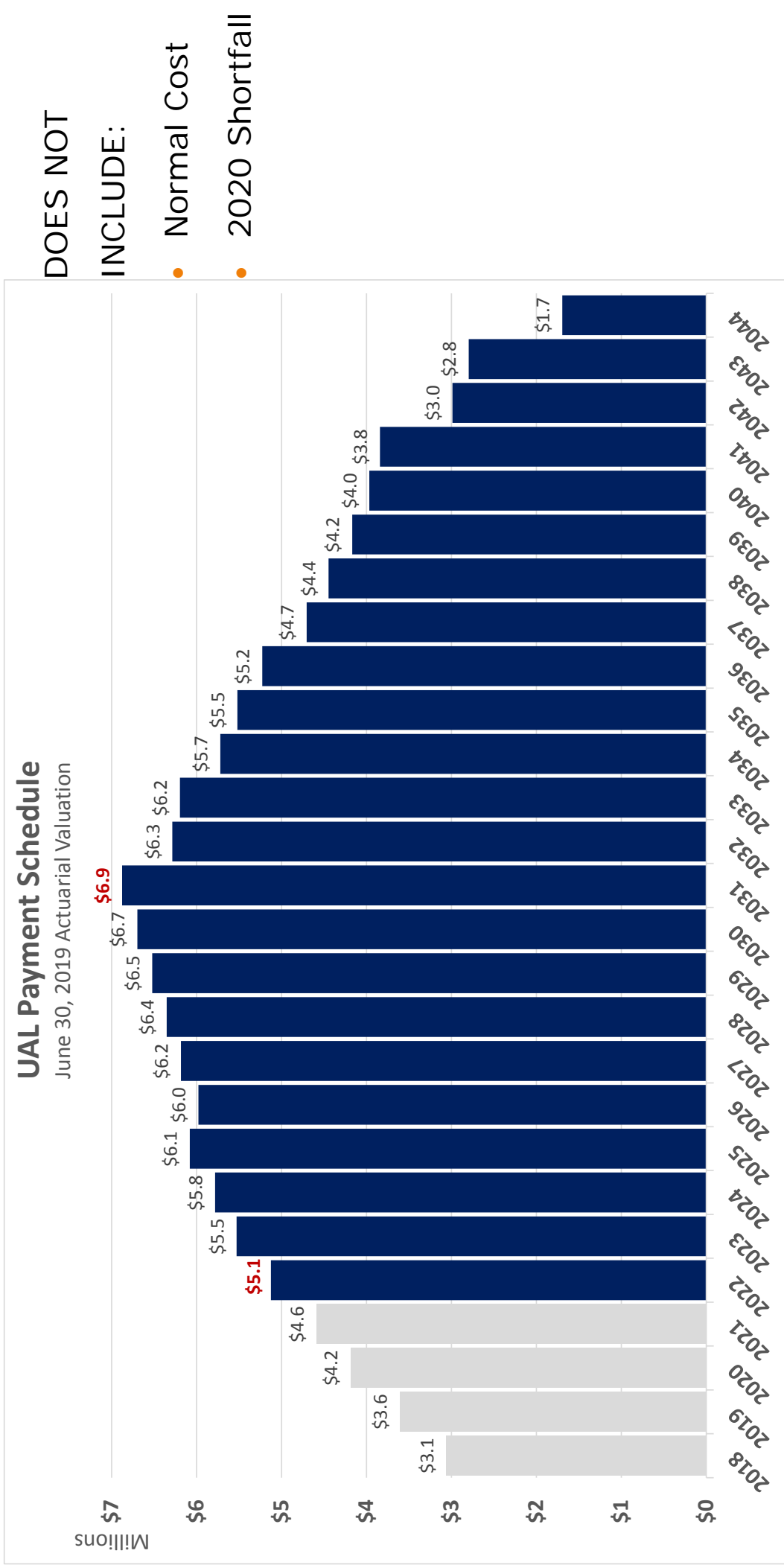
- Recommending Pension Obligation Bond (POB) as solution
- Outstanding balance of \$64.7M in Pension
 - Objective – 100% Fully Funded with POBs
 - CalPERS Asset Liability Management Meeting in November
 - Will set Pension Discount Rate (7.0%, 6.8% or 6.5%)
 - Determine the exact outstanding balance of Pension
- Rational – POBs 3.25% vs. CalPERS UAL @ 7.0%
 - Net Savings = 3.75%
- Total UAL Savings ~ 34%

Pension Bonds - Advantages vs. Disadvantages

- Advantages
 - POB lower Interest Rate (3.25%)
 - POB enables METRO to reshape to level annual payments
 - Easier to budget and manage cash flows
- Disadvantages
 - Risk of POBs depend on CalPERS investment outcome
 - Actual savings depend on CalPERS performance over life of bond

Pension Financial Analysis

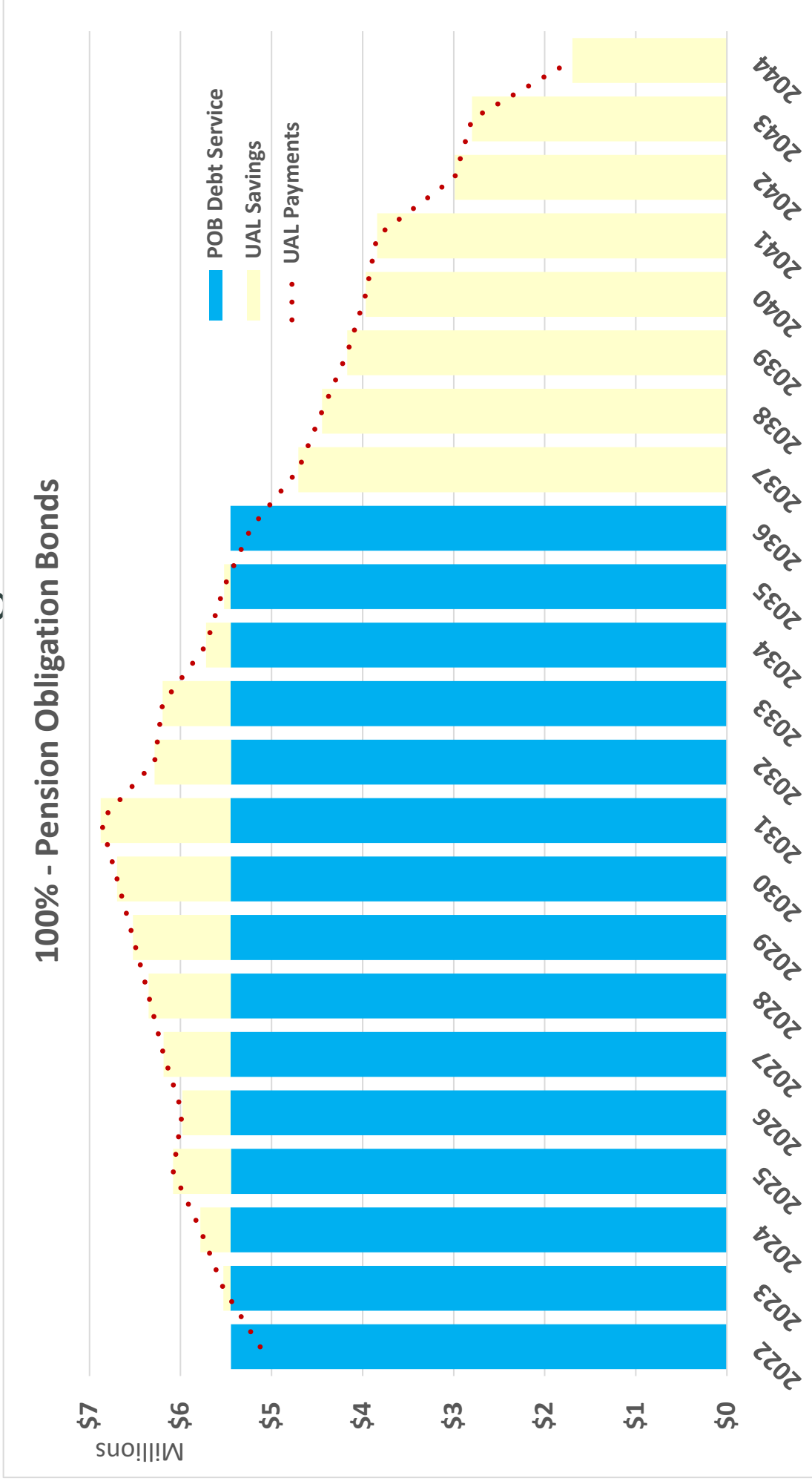
Current UAL Amortization Schedule



\$118.7 Million in total payments

Note: Assumes unfunded liability does not continue to grow and CalPER's hits their discount rate

15-Year Pension Obligation Bonds



Savings of \$36.9 Million – 34%

Note: Assumes unfunded liability does not continue to grow and CalPER's hits their discount rate

Financial Analysis

	Current UAL Payments	100% POB	Savings
Principal	\$ 64,585,649	\$ 64,585,649	\$ -
Interest	54,109,558	17,164,923	36,944,636
Total	\$ 118,695,207	\$ 81,750,572	\$ 36,944,636

- Total Savings from a Pension Obligation Bond is estimated at \$36.9 Million
- Assumes POB at 3.25% Interest Rate - Conservative
- Santa Cruz County just approved \$124.2 Million POB at an estimated 2.4% Interest Rate offering

Note: Assumes unfunded liability does not continue to grow and CalPER's hits their discount rate

Process Going Forward

- Approval to Hire Team Including Advisor
- Assemble Financing Team: Bond Counsel & Underwriter
- Draft & review legal documents
- Draft Preliminary Official Statement (POS)
- Rating Agency Presentation
 - METRO Budget Update & COVID Impacts
- Obtain Bond Rating (Standard & Poor's)
- Board Approval
 - Financing Team, POS, and POB size & structure
- Price Bonds & Close Bonds
- Invest bond proceeds to CalPERS Pension

NOTE: Will schedule meeting with Santa Cruz Civic Improvement Corporation (SCCIC) - TBD

Step 1

- GFOA Recommends each agency to first hire a Municipal Advisor
- Municipal Advisor –
 - Provides independent advice
 - Registered with and regulated by SEC & MSRB
 - Serves on behalf of METRO (Duty of Loyal & Duty of Care)
- Municipal Advisor's Role
 - Assembling Financing Team
 - Coordinating financing - document review & rating process
 - Provide financial projections / pension model
 - Communication with CalPERS
 - Ensure market pricing of POBs

Board Follow Up

- September 24th Board Meeting
 - Direction to proceed with POB and financing plan
 - Authorize hiring a municipal advisor, bond counsel & underwriter
- October 22nd Board Meeting
 - Approve moving forward with bond rating
 - Introduce financing team
- November 19th Board Meeting
 - Review bond rating (Standard & Poor's)
 - Impact CalPERS Discount Rate & market update
 - Authorize Sale of POBs: Amount, final maturity, structure

Requesting Approval from Board

- Approval to move forward in assembling a team for a Bond placement
- Approval Hiring of Municipal Advisor
- Approval Hiring of Bond Counsel
- Approval Hiring of Underwriter
- Financing Team costs incorporated into Pension Obligation Bond

Questions?

APPENDIX

Returns Comparison

- Returns from CalPERS vs. Index Funds

Time Period	CalPERS	S&P500 *	DJIA *
20 Years: FYs 2001-21	6.9%	8.4%	8.5%
10 years: FYs 2011-21	8.5%	14.8%	13.5%
5 Years: FYs 2016-21	10.3%	17.4%	16.3%
1 Year: FY 2021	21.3%	38.2%	32.5%

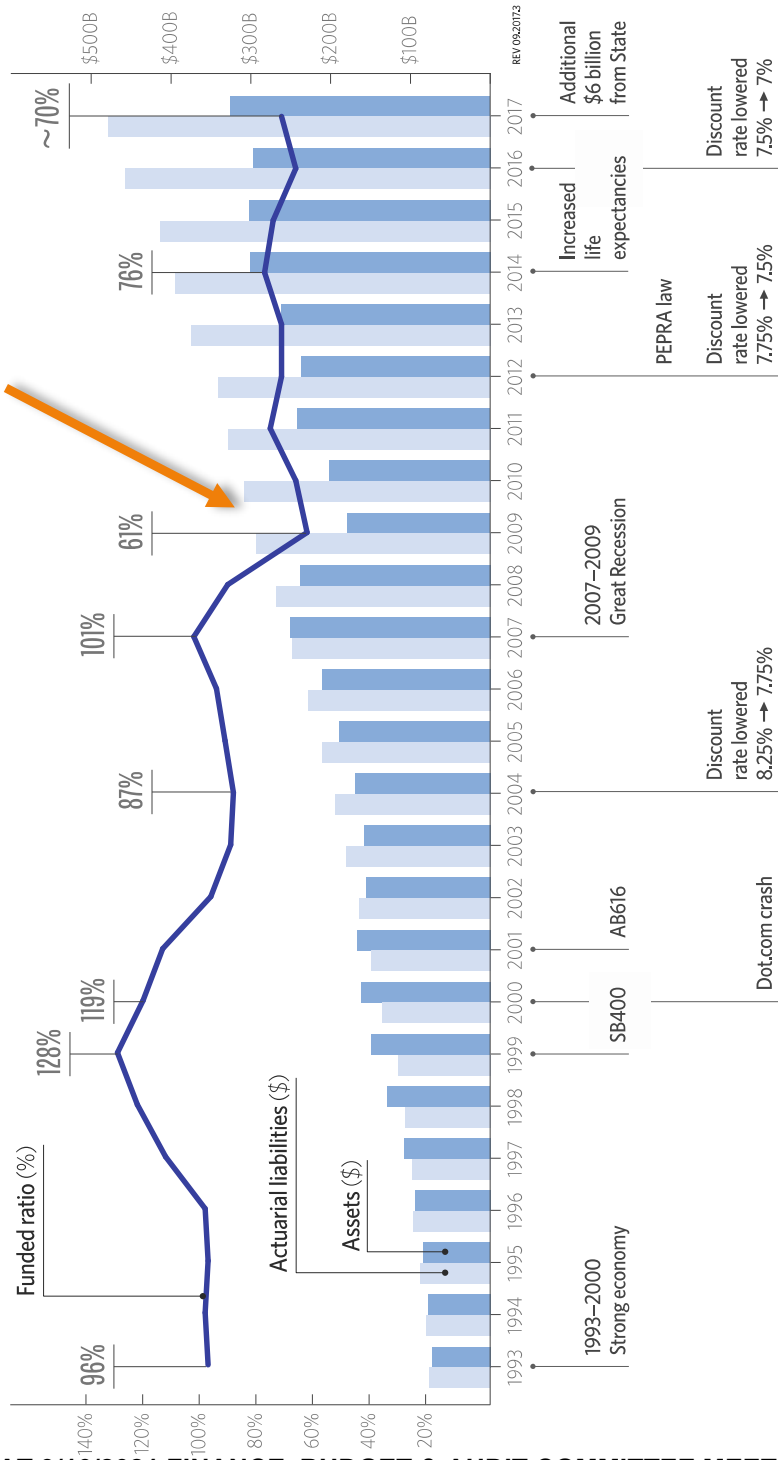
Sources: CalPERS and dqydj.com

* Returns include dividends reinvestment

CalPERS History Lesson

- 1999 – CalPERS “Superfunded” (128%)
- 2000 – SB 400 / AB 616
 - (Retroactive Benefit Increase)
- 2000-02 – dot.com investment losses:
 - 2000-01: -7.2%
 - 2001-02: -6.1%
- Loss of “Super Funded” Status
- 2008-09 – Great Recession:
 - Investment Loss: - 27% (\$67 Bn)
 - Full impact: - 34.75% (+ 7.75% discount rate)
 - CalPERS 61% funded
- 2012 – PEPR A - New Employees Only

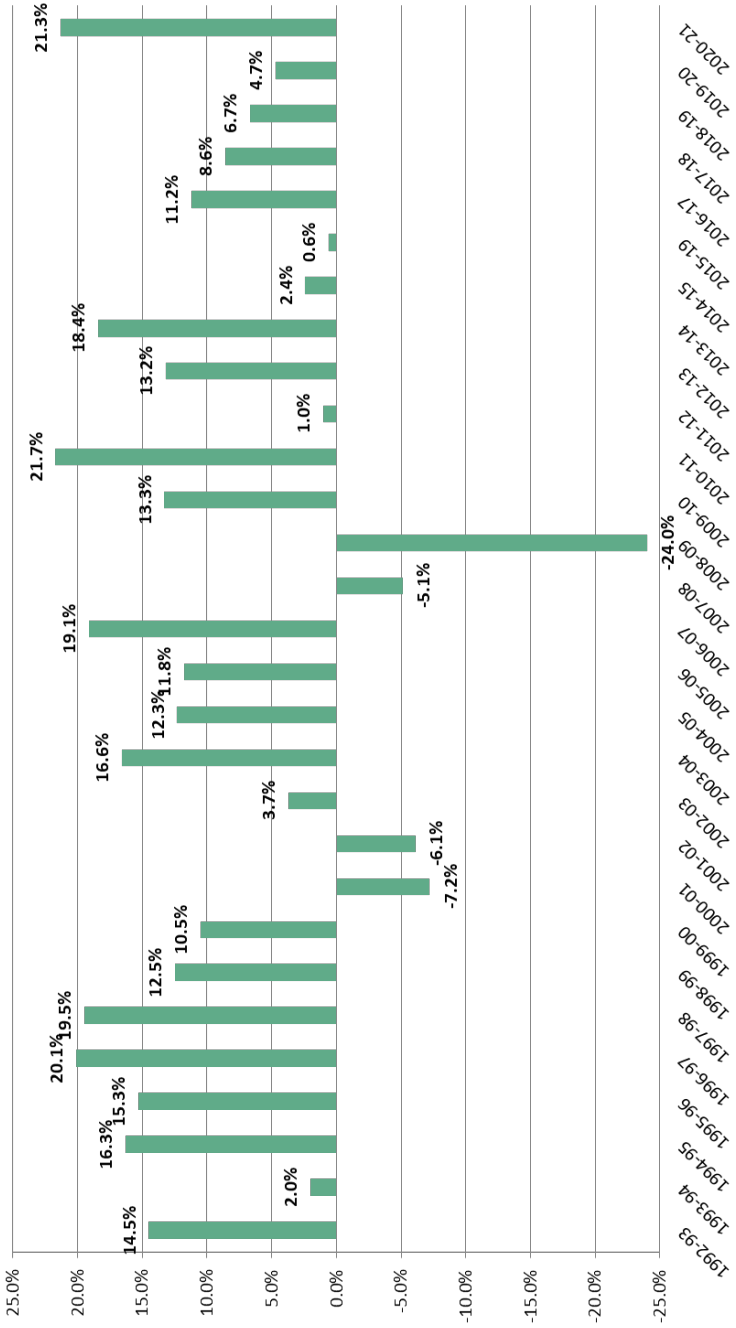
Problem Started



Investment Risk and Returns

CalPERS Historical Average Rates of Return:

Thru 2019-20: 5 years – 6.3% 10 years – 8.5% 20 years – 5.5% 30 years – 8.0%



- 2020: 55% of pension benefits funded by investment returns
- CalPERS manages pension investments
- METRO bears all investment risk
- Failure by CalPERS to achieve target investment returns does not relieve METRO from pension benefit guarantees to employees and retirees
- METRO's cash (UAL payments) makes up investment return shortfalls

VERBAL PRESENTATION

CEO ORAL REPORT / COVID-19 UPDATE

Alex Clifford, CEO/General Manager

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