



Board Report

File #: 2015-1761, File Type: Resolution

Agenda Number: 58.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 17, 2015**

SUBJECT: PROP A AND PROP C COMMERCIAL PAPER/SHORT-TERM BORROWING PROGRAMS

ACTION: AWARD CONTRACTS FOR LETTERS AND LINES OF CREDIT TO COVER \$200 MILLION OF PROP A AND \$150 MILLION OF PROP C BORROWING CAPACITY

RECOMMENDATION

CONSIDER:

A. **AUTHORIZING** the Chief Executive Officer to **renew and/or replace the direct-pay letters of credit (“LOC”) and direct purchase revolving credit facility (“RCF”) for the Proposition A and Proposition C commercial paper/short-term borrowing programs** to be provided by the banks described below and finalize negotiations with the recommended banks and enter into reimbursement/credit agreements and related documents associated with such LOCs and RCF:

1. **RENEWING AND INCREASING** the stated amount of the LOC currently provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (“Sumitomo”) for a LOC commitment amount of \$125 million for a three-year term for the Proposition A commercial paper program at an estimated cost of \$2.706 million including legal fees and other related expenses;
2. **RENEWING** the LOC currently provided by MUFG Union Bank, N.A. (“Union Bank”) for a LOC commitment amount of \$75 million for a three year term for the Proposition A commercial paper program at an estimated cost of \$1.714 million including legal fees and other related expenses;
3. **RENEWING** the RCF currently provided by Wells Fargo Bank, National Association (“Wells Fargo”) for a commitment of \$75 million for a three year term for the Proposition C short-term borrowing program at an estimated cost of \$1.702 million including legal fees and other related expenses; and

4. REPLACING the LOC currently being provided by State Street Bank and Trust Company ("State Street") with respect to the Proposition C commercial paper program with a LOC to be provided by Bank of America, N.A. ("B of A") for a LOC commitment amount of \$75 million for a three year term at an estimated cost of \$1.787 million including legal fees and other related expenses.
- B. If unable to reach agreement with one or more of the recommended banks described above, AUTHORIZING the Chief Executive Officer to finalize negotiations with each successively ranked bank for LOCs and/or RCFs having three year terms and the estimated costs shown in Attachment A;
- C. ADOPTING a resolution with respect to the Proposition A commercial paper program that approves the selection of Sumitomo and Union Bank or such other banks selected by the Chief Executive Officer, forms of the reimbursement agreements, fee agreements and reimbursement notes in substantially similar form with those on file with the Board Secretary and that makes certain benefits findings in compliance with the Government Code, Attachment B; and
- D. ADOPTING a resolution with respect to the Proposition C commercial paper and short-term borrowing programs that approves the selection of B of A and Wells Fargo or such other banks selected by the Chief Executive Officer, forms of the reimbursement agreement, fee agreement, reimbursement note, revolving credit agreement, revolving obligation notes and supplemental subordinate trust agreement in substantially similar form with those on file with the Board Secretary and that makes certain benefits findings in compliance with the Government Code, Attachment C.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

ISSUE

The Proposition A Commercial Paper program ("Prop A CP") and Proposition C Commercial Paper/Short-Term Borrowing program ("Prop C CP") have proven to be flexible, cost effective methods of short-term financing for our capital program. A letter of credit or similar facility is required for these programs in order to guarantee repayment of notes at maturity. Prop A CP LOCs with Sumitomo and Union Bank expire in March 2016. The Prop C CP LOC with State Street and the RCF with Wells Fargo expire in April 2016.

DISCUSSION

The purpose of the Commercial Paper ("CP") programs generally is to provide interim taxable or tax-exempt financing until grant reimbursement or other funding sources are received, or until permanent

financing is arranged. The Prop A CP and Prop C CP programs authorize us to issue and have outstanding at any one time up to \$350 million and \$150 million in commercial paper notes, respectively. A letter of credit is required for the CP programs in order to guarantee repayment of the maturing notes.

Commercial paper is a short-term debt instrument that can be issued with maturities from 1 to 270 days. As notes mature, new notes are simultaneously issued, i.e., rolled over. The LOCs provide guaranteed liquidity to investors when their notes mature and are a required component of the program. Additionally, the LOCs provide a safety net to us in the form of a term loan in the unlikely event the notes cannot be remarketed, precluding any requirement that we immediately repay the entire outstanding amount from cash. The securities are backed by a subordinate pledge of 75% of Proposition A sales tax revenues and 80% of Proposition C sales tax revenues for the Prop A and the Prop C programs, respectively. We can issue either tax exempt or taxable CP under both programs. The borrowing costs under the programs have been just under 1.0% over the past year.

The RCF operates in a similar manner as the Prop C CP program in that Wells Fargo will provide short-term revolving loans to us directly of up to \$75 million outstanding at any one time. The loans provided under the RCF will bear interest at variable interest rates based on an index of 70% of 1-month LIBOR or 100% of SIFMA for tax exempt loans and 100% of 1-month LIBOR for taxable loans, plus the applicable spread. The RCF will be backed by a subordinate pledge of 80% of Prop C sales tax revenues. The borrowing costs for the Wells RCF were approximately 0.90% over the past year.

Requests for proposal were sent to 25 banks by our financial advisor, Backstrom McCarley Berry & Co., LLC ("Backstrom"). Under our Debt Policy, the financial advisor conducts competitive processes to select financial product providers including letters of credit. The request for proposal required banks to have short-term ratings of at least P-1, A-1 or F-1 from at least two of the three following rating agencies: Moody's Investor Services, Standard & Poor's and Fitch Ratings, respectively. Evaluation criteria included pricing, any risk premium investors may impose on a particular bank, the status of a bank's credit approval and willingness to execute our form of agreement. We also wanted to maintain diversity in the number of banks providing us with credit. Nine proposals were received for commitment amounts ranging from \$75 million to \$150 million for both programs. The source selection group was composed of Treasury staff and Backstrom. The proposals received from some banks included alternative products or terms that were considered to be less desirable, such as standby bond purchase agreements. The selection group ranked each proposer and we are recommending Sumitomo (\$125 million) and Union Bank (\$75 million) for the Proposition A CP program and B of A (\$75 million) and Wells Fargo (\$75 million) for the Proposition C program, all for three year terms.

Based on the lower pricing received under the RFP, assuming full utilization of the respective facilities over a three year contract period, the estimated costs are lower than the cost under the current lines of credit by more than \$450,000, even with an additional \$50 million in capacity. Costs will also depend on the amount of tax-exempt and taxable debt we issue under the Prop A and Prop C programs. Additional fees and interest could be incurred under certain extreme circumstances. To date, none of our commercial paper notes have ever failed to be remarketed.

DETERMINATION OF SAFETY IMPACT

Approval of this report will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding of \$6.0 million for the Proposition A and Proposition C commercial paper programs is included in the FY16 budget and is adequate to cover the estimated \$2.3 million cost for a \$300 million drawdown. The funding is in Cost Center #0521, Treasury Non-Departmental, under project #610306, task 03.01 for Proposition A and project #610307, task 03.01 for Proposition C. The cost center manager and the Executive Director, Finance and Budget will be accountable for budgeting the cost in future years.

ALTERNATIVES CONSIDERED

The Board could choose to not increase the capacity of the Prop A CP program to \$200 million or could direct a reduction below the current capacity of \$150 million for each program. It could cancel both programs and not replace the letter of credit or liquidity support. A reduction of the capacity of the CP programs would reduce our ability to quickly provide low cost, interim financing when needed. A decision to cancel the programs and not replace the letter of credit support would result in the need to refund all of the outstanding short term debt (\$62.5 million for Prop A and approximately \$63 million for Prop C) with a higher cost fixed rate financing. These alternatives are not recommended.

NEXT STEPS

- Negotiate final terms and conditions with the recommended banks.
- If satisfactory terms cannot be agreed upon with the recommended banks, negotiate with each of the next highest ranked proposers in order to obtain the best combination of terms and pricing.
- Prepare agreements and documentation to implement the letters of credit and revolving credit facility, including, among others, notices, reimbursement agreements, fee agreements, reimbursement notes, credit agreements, revolving obligation notes, supplemental trust agreements and offering memoranda.
- Obtain credit ratings for the CP notes based on the credit ratings of the banks.
- Execute documents in the third quarter of FY2016, prior to the expiration date of the current agreements in March and April of 2016.


ATTACHMENTS

Attachment A - Recommendation Summary
Attachment B - Authorizing Resolution for Prop A
Attachment C - Authorizing Resolution for Prop C

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Reviewed by: Nalini Ahuja, Executive Director, Finance & Budget



Phillip A. Washington
Chief Executive Officer

**Recommendation Summary
Letters of Credit / Revolving Credit Line
Supporting Prop A and Prop C Commercial Paper and
Short Term Borrowing Programs**

Category/Rank	Proposer / Program ¹	Maximum Commitment	Estimated First Year Cost, including interest (based on \$75 million) ²	Total Estimated 3yr Costs, including interest (based on \$75 million)
Letter of Credit				
Prop A Program				
	Sumitomo Mitsui	\$150,000,000	\$559,000	\$1,635,000
	MUFG Union Bank	\$75,000,000	\$585,000	\$1,714,000
	Barclays	\$75,000,000	\$628,000	\$1,802,000
	State Street	\$75,000,000	\$636,000	\$1,893,000
Prop C Program				
	<i>Sumitomo Mitsui³</i>	<i>\$75,000,000</i>	<i>\$589,000</i>	<i>\$1,725,000</i>
	Bank of America	\$75,000,000	\$628,000	\$1,787,000
	Barclays	\$75,000,000	\$628,000	\$1,802,000
	State Street	\$75,000,000	\$636,000	\$1,893,000
CP Alternatives				
Prop C Program				
	Wells Fargo (Revolving Credit Line)	\$150,000,000	\$581,000	\$1,702,000
	Bank of America (Revolving Credit Line)	\$75,000,000	\$630,000	\$1,849,000

Notes

Targeted firms are shown in bold.

¹ Bank of China did not provide a rate for a 3 year term for a letter of credit, thus the bank was not included in the above summary. State Street, Bank of China, and Industrial & Commercial Bank of China also offered standby liquidity facilities, which were considered less desirable in meeting the purposes of the program. JP Morgan provided indicative pricing only for the programs, thus is not included in the summary.

² All costs are based on \$75,000,000 facilities/CP programs and include estimated interest on \$75 million.

³ Sumitomo Mitsui offered a total commitment of \$150 million for Prop A and/or Prop C programs. \$125 million of capacity is targeted for the Prop A program.

Authorizing Resolution Prop A

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY APPROVING AND AUTHORIZING THE EXECUTION OF ONE OR MORE REIMBURSEMENT AGREEMENTS AND CERTAIN OTHER DOCUMENTS RELATED TO THE PROPOSITION A COMMERCIAL PAPER PROGRAM AND AUTHORIZING OTHER RELATED MATTERS

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue bonds, including but not limited to notes, to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transportation system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval of the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 16 adopted August 20, 1980 ("Ordinance No. 16"), imposed a 1/2 of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition A Tax"), and such tax was approved by the electors of the County on November 4, 1980; and

WHEREAS, the revenues received by the LACMTA from the imposition of the Proposition A Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payment or provision for the payment of the principal of such bonds and any premium, interest on such bonds and the costs of issuance of such bonds; and

WHEREAS, the LACMTA, on an on-going basis, is planning and engineering a County-wide public transportation system (the "Public Transportation System") to serve the County and on an on-going basis is constructing portions of the Public Transportation System; and

WHEREAS, to facilitate the development and construction of the Public Transportation System, as authorized by the Act, the LACMTA by resolution adopted January 23, 1991 (the "1991 Authorizing Resolution"), authorized and implemented a program of commercial paper (the "Program") involving the issuance from time to time of the Second Subordinate Sales Tax Revenue Commercial Paper Notes, Series A (the "Notes") for the purpose of providing for the financing of the acquisition of real and personal property and the construction of the Public Transportation System, provided that the aggregate principal amount of Notes and Reimbursement Obligations (as defined in such 1991 Authorizing Resolution) outstanding at any time shall not exceed \$350,000,000; and

WHEREAS, the Notes and other obligations incurred in connection with the Program are issued under and secured by the Subordinate Trust Agreement, dated as of January 1, 1991 (the “Subordinate Agreement”), by and between the LACMTA (as successor to the Commission) and U.S. Bank Trust National Association, as successor to BancAmerica Trust Company, as successor to Security Pacific National Trust Company (New York), as trustee (the “Trustee”); the First Supplemental Subordinate Trust Agreement, dated as of January 1, 1991, as amended (the “First Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; the Second Supplemental Subordinate Trust Agreement, dated as of January 1, 1994 (the “Second Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; the Third Supplemental Subordinate Trust Agreement, dated as of December 1, 1996 (the “Third Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; the Fourth Supplemental Subordinate Trust Agreement, dated as of December 1, 1996 (the “Fourth Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; the Fifth Supplemental Subordinate Trust Agreement, dated as of May 1, 2004 (the “Fifth Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; and the Sixth Supplemental Subordinate Trust Agreement, dated as of September 24, 2009 (the “Sixth Supplemental Trust Agreement,” and collectively with the Subordinate Agreement, the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, the Fourth Supplemental Trust Agreement and the Fifth Supplemental Trust Agreement, the “Trust Agreement”), by and between the LACMTA and the Trustee; and

WHEREAS, the LACMTA has determined that it is necessary and desirable to have the Notes secured by one or more letters of credit (the “Letter of Credit,” or the “Letters of Credit”) that are delivered pursuant to the terms of one or more reimbursement agreements (a “Reimbursement Agreement,” or the “Reimbursement Agreements”) each between one or more providers of a Letter of Credit (a “Letter of Credit Provider,” or the “Letter of Credit Providers”) that sets forth the terms and conditions for the repayment by the LACMTA of Reimbursement Obligations; and

WHEREAS, a portion of the Notes are currently secured by a Letter of Credit (the “Sumitomo Mitsui Letter of Credit”) provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (“Sumitomo Mitsui”) in the stated amount of \$74,999,724 which expires on March 11, 2016; and

WHEREAS, Sumitomo Mitsui issued the Sumitomo Mitsui Letter of Credit pursuant to the Letter of Credit Reimbursement Agreement, dated as of March 1, 2013, between the LACMTA and Sumitomo Mitsui; and

WHEREAS, an additional portion of the Notes are currently secured by a Letter of Credit (the “Union Bank Letter of Credit”) provided by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) (“Union Bank”) in the stated amount of \$74,999,724 which expires on March 11, 2016; and

WHEREAS, Union Bank issued the Union Bank Letter of Credit pursuant to the Letter of Credit Reimbursement Agreement, dated as of March 1, 2013, between the LACMTA and Union Bank; and

WHEREAS, the LACMTA now desires to (a) renew the Sumitomo Mitsui Letter of Credit and increase the stated amount of the Sumitomo Mitsui Letter of Credit to \$124,999,176, (b) renew the Union Bank Letter of Credit (at the same stated amount of \$74,999,724), and/or (c) replace the Sumitomo Mitsui Letter of Credit (at the increased stated amount of \$124,999,176) and/or the Union Bank Letter of Credit (at the stated amount of \$74,999,724) with one or more new Letters of Credit to be issued by such other Letter of Credit Provider that may be selected by the LACMTA from the pool of respondents to the LACMTA's "Request for Proposal for Letters of Credit or Alternate Credit Facilities" (the "Bank RFP") distributed to potential respondents on December 10, 2015 (each an "Other Letter of Credit Provider");

WHEREAS, so long as the Program is active, the LACMTA deems it necessary and desirable to have one or more Letters of Credit securing the payment of principal of and interest on the Notes as they mature from time to time; and

WHEREAS, Section 5922 of the Government Code of the State of California provides that in connection with, or incidental to, the issuance or carrying of bonds (which is defined to include notes) any public entity may enter into any contracts which the public entity determines to be appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including without limitation contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure; and

WHEREAS, pursuant to Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreements to be entered into in connection with, or incidental to, the Program, will reduce the amount and duration of interest rate risk with respect to the Notes and are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Notes or enhance the relationship between risk and return with respect to investments; and

WHEREAS, in order to minimize debt service and maximize benefits to the LACMTA, the LACMTA will enter into one or more Reimbursement Agreements with Sumitomo Mitsui and Union Bank and/or such Other Letter of Credit Provider which will provide one or more Letters of Credit that will separately secure the payment of principal of and interest on certain designated Notes as issued and maturing from time to time; and

WHEREAS, Sumitomo Mitsui, Union Bank and/or such Other Letter of Credit Provider will provide credit support for \$183,693,000 in aggregate principal amount of the Notes (which is only a portion of the \$350,000,000 authorized under the 1991 Authorizing Resolution); and

WHEREAS, forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the "Board"):

- (a) an Amended and Restated Letter of Credit Reimbursement Agreement (the "Sumitomo Mitsui Amended and Restated Reimbursement Agreement"), that will be

entered into by the LACMTA and Sumitomo Mitsui in connection with the renewal of, and increase of the stated amount of, the Sumitomo Mitsui Letter of Credit;

(b) an Amended and Restated Fee Agreement (the “Sumitomo Mitsui Amended and Restated Fee Agreement”), that will be entered into by the LACMTA and Sumitomo Mitsui;

(c) an Amended and Restated Reimbursement Note (the “Sumitomo Mitsui Amended and Restated Reimbursement Note”), that will be executed and delivered by the LACMTA to evidence its reimbursement obligations under the Sumitomo Mitsui Amended and Restated Reimbursement Agreement and the Sumitomo Mitsui Amended and Restated Fee Agreement;

(d) an Amended and Restated Letter of Credit Reimbursement Agreement (the “Union Bank Amended and Restated Reimbursement Agreement”), that will be entered into by the LACMTA and Union Bank in connection with the renewal of the Union Bank Letter of Credit;

(e) an Amended and Restated Fee Agreement (the “Union Bank Amended and Restated Fee Agreement”), that will be entered into by the LACMTA and Union Bank; and

(f) an Amended and Restated Reimbursement Note (the “Union Bank Amended and Restated Reimbursement Note,” and collectively, with the Sumitomo Mitsui Amended and Restated Reimbursement Agreement, the Sumitomo Mitsui Amended and Restated Fee Agreement, the Sumitomo Mitsui Amended and Restated Reimbursement Note, the Union Bank Amended and Restated Reimbursement Agreement and the Union Bank Amended and Restated Fee Agreement, the “Documents”), that will be executed and delivered by the LACMTA to evidence its reimbursement obligations under the Union Bank Amended and Restated Reimbursement Agreement and the Union Bank Amended and Restated Fee Agreement; and

WHEREAS, the LACMTA has been advised by its Bond Counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Program, the Notes, the Letters of Credit and the Reimbursements Agreements; and

WHEREAS, in the event the LACMTA decides that it is in its best interests to replace the Sumitomo Mitsui Letter of Credit and/or the Union Bank Letter of Credit with one or more Letters of Credit to be issued by one or more Other Letter of Credit Provider(s), instead of renewing the Sumitomo Mitsui Letter of Credit and/or the Union Bank Letter of Credit, the LACMTA will (a) enter into one or more Reimbursement Agreements with the Other Letter of Credit Provider(s) that will be substantially similar to the forms of the Sumitomo Mitsui Amended and Restated Reimbursement Agreement and the Union Bank Amended and Restated Reimbursement Agreement now on file with the Secretary of the Board, (b) will enter into one or more fee agreements with the Other Letter of Credit Provider(s) that will be substantially similar to the forms of the Sumitomo Mitsui Amended and Restated Fee Agreement and the Union Bank

Amended and Restated Fee Agreement now on file with the Secretary of the Board, and (c) execute and deliver one or more reimbursement notes that will be substantially similar to the forms of the Sumitomo Mitsui Amended and Restated Reimbursement Note and the Union Bank Amended and Restated Reimbursement Note now on file with the Secretary of the Board; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

Section 1. Findings. The foregoing recitals are true and correct and the LACMTA so finds and determines.

Section 2. Approval of Documents; Authorization for Execution. The LACMTA hereby approves the appointment of Sumitomo Mitsui, Union Bank and/or such Other Letter of Credit Provider selected and appointed by a Designated Officer (as defined below), as the providers of the Letters of Credit (in a combined stated amount of \$199,998,900) with respect to the Program and the Notes. The form, terms and provisions of the Documents are in all respects approved and the Chief Executive Officer (“CEO”) of the LACMTA, the Executive Director, Finance and Budget of the LACMTA, any Treasurer of the LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each a “Designated Officer”), any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the LACMTA. The Documents, as executed and delivered, shall be in substantially the forms now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board’s approval of any and all changes or revisions therein from the forms of the Documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Documents.

If a Designated Officer determines that it is in the LACMTA’s best interests to replace the Sumitomo Mitsui Letter of Credit and/or the Union Bank Letter of Credit with one or more Letters of Credit to be issued by one or more Other Letter of Credit Provider(s), instead of renewing the Sumitomo Mitsui Letter of Credit and/or the Union Bank Letter of Credit, the Designated Officers are hereby authorized to (a) enter into one or more Reimbursement Agreements with one or more Other Letter of Credit Provider(s) that is substantially similar to the forms of the Sumitomo Mitsui Amended and Restated Reimbursement Agreement and the Union Bank Amended and Restated Reimbursement Agreement (each an “Alternate Reimbursement Agreement”) now on file with the Secretary of the Board and made available to the Board and approved above, (b) enter into one or more fee agreements with one or more Other Letter of Credit Provider(s) that is substantially similar to the forms of the Sumitomo Mitsui

Amended and Restated Fee Agreement and the Union Bank Amended and Restated Fee Agreement (each an “Alternate Fee Agreement”) now on file with the Secretary of the Board and made available to the Board and approved above, and (c) execute and deliver one or more reimbursement notes that is substantially similar to the forms of the Sumitomo Mitsui Amended and Restated Reimbursement Note and the Union Bank Amended and Restated Reimbursement Note (each an “Alternate Reimbursement Note,” and collectively with the Alternate Reimbursement Agreement and the Alternate Fee Agreement, the “Alternate Documents”) now on file with the Secretary of the Board and made available to the Board and approved above. The Alternate Documents, as executed and delivered, shall be substantially similar to the forms of the Documents now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board’s approval of any and all changes or revisions therein from the forms of the Documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Alternate Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Alternate Documents.

The LACMTA hereby determines that entering into one or more Reimbursement Agreements with Sumitomo Mitsui, Union Bank and/or such Other Letter of Credit Provider pursuant to Section 5922 of the Government Code of the State of California would be designed to reduce the LACMTA’s cost of borrowing for the Notes. In addition to the provisions set forth in the previous paragraph, no Designated Officer shall enter into a Reimbursement Agreement with Sumitomo Mitsui, Union Bank and/or such Other Letter of Credit Provider unless (a) such Reimbursement Agreement is designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, or (ii) to result in a lower cost of borrowing when used in combination with the issuance of the Notes, (b) the term of such Reimbursement Agreement does not exceed the Program Termination Date; (c) the amount of Letters of Credit issued pursuant to the terms of the respective Reimbursement Agreements does not exceed the principal amount of the Notes issuable under the Program; and (d) the amounts payable by the LACMTA with respect to such Reimbursement Agreements shall be payable solely and exclusively from Net Pledged Revenues. In accordance with Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreements entered into in accordance with this Resolution and consistent with the requirements set forth herein is designed to reduce the amount or duration of payment, interest rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Notes.

Section 3. Additional Authorization. The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Documents and/or the Alternate Documents and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments and take all other actions that may be required in order to carry out the authority conferred by this Resolution or the provisions of the Documents and/or the

Alternate Documents or to evidence said authority and its exercise. In connection with the execution and delivery of the Documents and the renewal of the Sumitomo Mitsui Letter of Credit and the Union Bank Letter of Credit and/or the execution and delivery of the Alternate Documents and the issuance of a new Letter of Credit by an Other Letter of Credit Provider, the LACMTA is hereby authorized and directed to prepare and cause to be distributed, from time to time, one or more commercial paper offering memoranda with respect to the Notes. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Section 4. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 5. Effective Date. This Resolution shall be effective upon adoption by the Board.

CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2016.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2016

Authorizing Resolution Prop C

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY APPROVING AND AUTHORIZING THE EXECUTION OF ONE OR MORE REIMBURSEMENT AGREEMENTS AND CERTAIN OTHER DOCUMENTS RELATED TO THE PROPOSITION C COMMERCIAL PAPER PROGRAM, THE EXECUTION OF ONE OR MORE REVOLVING CREDIT AGREEMENTS AND CERTAIN OTHER DOCUMENTS RELATED TO THE PROPOSITION C REVOLVING OBLIGATIONS AND AUTHORIZING OTHER RELATED MATTERS

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue indebtedness and securities of any kind or class, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other obligations ("Bonds"), to finance and refinance the acquisition, construction, rehabilitation or equipping of facilities to be used as part of a countywide transportation system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval of the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a 1/2 of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the Proposition C Tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payment or provision for the payment of the principal of such bonds and any premium, interest on such bonds and the costs of issuance of such bonds; and

WHEREAS, the LACMTA, on an on-going basis, is planning and engineering a County-wide public transportation system (the "Public Transportation System") to serve the County and on an on-going basis is constructing portions of the Public Transportation System; and

WHEREAS, to facilitate the development and construction of the Public Transportation System, as authorized by the Act, the LACMTA by resolution adopted June 23, 1993 (the "1993 CP Authorizing Resolution"), authorized and implemented a commercial paper program (the "CP Program") involving the issuance, from time to time, of the Subordinate Proposition C Sales Tax Revenue Commercial Paper Notes, Series A (the "CP Notes") for the purpose of providing for the financing of the acquisition and construction of the Public Transportation System, provided that the aggregate principal amount of CP Notes and Reimbursement Obligations (as

defined in the 1993 CP Authorizing Resolution) outstanding at any time shall not exceed \$150,000,000; and

WHEREAS, the CP Notes and other obligations incurred in connection with the CP Program are issued under and secured by the Subordinate Trust Agreement, dated as of June 1, 1993 (the “Subordinate Trust Agreement”), by and between the LACMTA and U.S. Bank National Association, as successor to Bank of America National Trust and Savings Association, as trustee (the “Trustee”), and the First Supplemental Subordinate Trust Agreement, dated as of June 1, 1993 (the “Original First Supplemental Subordinate Trust Agreement”), by and between the LACMTA and the Trustee, as amended by Amendment No. 1 to First Supplemental Subordinate Trust Agreement, dated as of October 16, 1995 (the “First Amendment”), by and between the LACMTA and the Trustee, Amendment No. 2 to First Supplemental Subordinate Trust Agreement, dated as of July 1, 1996 (the “Second Amendment”), by and between the LACMTA and the Trustee, Amendment No. 3 to First Supplemental Subordinate Trust Agreement, dated as of June 1, 1998 (the “Third Amendment”), by and between the LACMTA and the Trustee, Amendment No. 4 to First Supplemental Subordinate Trust Agreement, dated as of May 1, 2002 (the “Fourth Amendment”), by and between the LACMTA and the Trustee, Amendment No. 5 to First Supplemental Subordinate Trust Agreement, dated as of January 1, 2008 (the “Fifth Amendment”), by and between the LACMTA and the Trustee, Amendment No. 6 to First Supplemental Subordinate Trust Agreement, dated as of September 1, 2010 (the “Sixth Amendment”), by and between the LACMTA and the Trustee, and the Second Supplemental Subordinate Trust Agreement, dated as of April 1, 2013, as amended (the “Second Supplemental Subordinate Trust Agreement,” and collectively with the Original First Supplemental Subordinate Trust Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment and the Sixth Amendment, the “First Supplemental Subordinate Trust Agreement”), by and between the LACMTA and the Trustee; and

WHEREAS, the LACMTA has determined that it is necessary and desirable to have the CP Notes secured by one or more letters of credit (the “Letter of Credit,” or the “Letters of Credit”) that are delivered pursuant to the terms of one or more reimbursement agreements (a “Reimbursement Agreement,” or the “Reimbursement Agreements”) each between the LACMTA and one or more providers of a Letter of Credit (a “Letter of Credit Provider,” or the “Letter of Credit Providers”) that sets forth the terms and conditions for the repayment by the LACMTA of Reimbursement Obligations; and

WHEREAS, the CP Notes are currently secured by a Letter of Credit (the “State Street Letter of Credit”) provided by State Street Bank and Trust Company (“State Street”) in the maximum stated amount of \$74,999,724, which expires on April 22, 2016; and

WHEREAS, the LACMTA now desires to replace the State Street Letter of Credit with a Letter of Credit (the “Bank of America Letter of Credit”) to be issued by Bank of America, N.A. (“Bank of America”) or by such other Letter of Credit Provider that may be selected by the LACMTA from the pool of respondents to the LACMTA’s “Request for Proposal for Letters of Credit or Alternate Credit Facilities” (the “Bank RFP”) distributed to potential respondents on December 10, 2015 (each an “Other Letter of Credit Provider”), with a stated amount of \$74,999,724; and

WHEREAS, so long as the CP Program is active, the LACMTA deems it necessary and desirable to have one or more Letters of Credit securing the payment of principal of and interest on the CP Notes as they mature from time to time; and

WHEREAS, Section 5922 of the Government Code of the State of California provides that in connection with, or incidental to, the issuance or carrying of bonds (which is defined to include notes) any public entity may enter into any contracts which the public entity determines to be appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including without limitation contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure; and

WHEREAS, pursuant to Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreement(s) to be entered into in connection with, or incidental to, the CP Program, will reduce the amount and duration of interest rate risk with respect to the CP Notes and are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the CP Notes or enhance the relationship between risk and return with respect to investments; and

WHEREAS, in order to minimize debt service and maximize benefits to the LACMTA, the LACMTA will enter into one or more Reimbursement Agreements with Bank of America or such Other Letter of Credit Provider which will provide one or more Letters of Credit that will separately secure the payment of principal of and interest on certain designated CP Notes as issued and maturing from time to time; and

WHEREAS, Bank of America or such Other Letter of Credit Provider will provide credit support for \$68,885,000 in aggregate principal amount of the Notes (which is only a portion of the \$150,000,000 authorized under the 1993 Authorizing Resolution); and

WHEREAS, the LACMTA has determined that it is in the best interests of the LACMTA to secure an additional \$75,000,000 aggregate principal amount of short-term borrowing capacity in order to facilitate the development and construction of the Public Transportation System; and

WHEREAS, in addition to the Notes, pursuant to the terms of the Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement, the LACMTA is authorized to issue and/or incur, from time to time, Subordinate Obligations in the form of Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the “Subordinate Revolving Obligations”), in an aggregate principal amount not to exceed \$75,000,000 outstanding at any one time; and

WHEREAS, the Subordinate Revolving Obligations are issued and/or incurred in the form of one or more revolving lines of credit (a “Revolving Line of Credit”) provided by one or more providers of such Revolving Lines of Credit (a “Line of Credit Provider”); and

WHEREAS, the Revolving Line of Credit (the “Wells Fargo Revolving Line of Credit”) is currently provided by Wells Fargo Bank, National Association (“Wells Fargo”) pursuant to the

Revolving Credit Agreement, dated as of April 1, 2013, by and between the LACMTA and Wells Fargo, which is scheduled to expire on April 22, 2016; and

WHEREAS, the LACMTA now desires to either renew the Wells Fargo Revolving Line of Credit or replace the Wells Fargo Revolving Line of Credit with one or more Revolving Lines of Credit to be provided by such other Line of Credit Provider(s) that may be selected by the LACMTA from the pool of respondents to the Bank RFP (each an “Other Line of Credit Provider”); and

WHEREAS, the Revolving Line of Credit will be provided to the LACMTA by Wells Fargo or such Other Line of Credit Provider, as applicable, pursuant to a revolving credit agreement (each a “Credit Agreement”) to be entered into by and between the LACMTA and Wells Fargo or such Other Line of Credit Provider, as applicable, whereby the LACMTA will be allowed to request Advances (as defined in the applicable Credit Agreement), from time to time, in an aggregate principal amount not to exceed \$75,000,000 at any one time outstanding to finance or refinance on either a reimbursement or forward funding basis the acquisition, construction, rehabilitation or equipping of facilities authorized under the Act and Ordinance No. 49 (including, but not limited to facilities to be used as part of a Public Transportation System), to finance certain costs of issuance and for any other financing needs of the LACMTA authorized under the Act and Ordinance No. 49 (including, but not limited to, the refunding and restructuring of existing indebtedness of the LACMTA); and

WHEREAS, the Advances, the Revolving Loans (as defined in the applicable Credit Agreement) and the Term Loans (as defined in the applicable Credit Agreement) will be incurred pursuant to the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement and the applicable Credit Agreement; and

WHEREAS, the obligations incurred by the LACMTA pursuant to the terms of the Credit Agreement (including, but not limited to, the Advances, the Revolving Loans and the Term Loans) will be limited obligations of the LACMTA, secured by, and payable from, Net Pledged Revenues and such other funds and accounts as provided in the Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement and will be evidenced by one or more promissory notes; and

WHEREAS, the Advances, the Revolving Loans and the Term Loans may be incurred under the Credit Agreement whereby the interest paid by the LACMTA on such Advances, Revolving Loans and Term Loans may be (i) excluded from the gross income of the recipients thereof under the varying provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or related thereto (collectively, the “Code”) and/or (ii) included in the gross income of the recipients thereof under the Code; and

WHEREAS, forms of the following documents are on file with the Secretary of the Board of Directors of the LACMTA and have been made available to the members of the Board of Directors of the LACMTA (the “Board”):

- (a) with respect to the CP Program, the CP Notes, the Letter of Credit and the Reimbursement Agreement:

(i) a Letter of Credit Reimbursement Agreement (the “Bank of America Reimbursement Agreement”), that will be entered into by the LACMTA and Bank of America in connection with the issuance of the Bank of America Letter of Credit by Bank of America;

(ii) a Fee Agreement (the “Bank of America Fee Agreement”), that will be entered into by the LACMTA and Bank of America; and

(iii) a Reimbursement Note (the “Bank of America Reimbursement Note,” and collectively, with the Bank of America Reimbursement Agreement and the Bank of America Fee Agreement, the “CP Documents”), that will be executed and delivered by the LACMTA to evidence its reimbursement obligations under the Bank of America Reimbursement Agreement and the Bank of America Fee Agreement; and

(b) with respect to the Subordinate Revolving Obligations and the Revolving Line of Credit

(i) a Third Supplemental Subordinate Trust Agreement (the “Third Supplemental Subordinate Trust Agreement”) by and between the LACMTA and the Trustee, which among other things, amends the Second Supplemental Subordinate Trust Agreement;

(ii) an Amended and Restated Credit Agreement (the “Wells Fargo Amended and Restated Credit Agreement”), to be entered into by the LACMTA and Wells Fargo, in connection with the renewal of the Wells Fargo Revolving Line of Credit; and

(iii) a Tax-Exempt Note and a Taxable Note (the “Wells Fargo Revolving Obligation Notes,” and together with the Wells Fargo Amended and Restated Credit Agreement, the “Revolving Obligations Documents”), that will be executed and delivered by the LACMTA to evidence its payment and reimbursement obligations under the Wells Fargo Amended and Restated Credit Agreement; and

WHEREAS, the LACMTA has been advised by its Bond Counsel that such documents are in appropriate form, and the LACMTA hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the CP Program, the CP Notes, the Letter of Credit, the Reimbursement Agreement, the Subordinate Revolving Obligations and the Revolving Lines of Credit; and

WHEREAS, in the event the LACMTA decides that it is in its best interests to replace the State Street Letter of Credit with a Letter of Credit to be issued by an Other Letter of Credit Provider, instead of the Bank of America Letter of Credit, the LACMTA will (a) enter into a Reimbursement Agreement with the Other Letter of Credit Provider that is substantially similar to the form of the Bank of America Reimbursement Agreement now on file with the Secretary of the Board, (b) will enter into a fee agreement with the Other Letter of Credit Provider that is substantially similar to the form of the Bank of America Fee Agreement now on file with the

Secretary of the Board, and (c) execute and deliver a reimbursement note that is substantially similar to the form of the Bank of America Reimbursement Note now on file with the Secretary of the Board; and

WHEREAS, in the event the LACMTA decides that it is in its best interests to replace the Wells Fargo Revolving Line of Credit with a Revolving Line of Credit to be provided by an Other Line of Credit Provider, instead of renewing the Wells Fargo Revolving Line of Credit, the LACMTA will (a) enter into a Credit Agreement with the Other Line of Credit Provider that is substantially similar to the form of the Wells Fargo Amended and Restated Credit Agreement now on file with the Secretary of the Board, and (b) execute and deliver tax-exempt and taxable notes that are substantially similar to the form of the Wells Fargo Revolving Obligation Notes now on file with the Secretary of the Board; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Subordinate Trust Agreement, the First Supplemental Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

Section 1. Findings.

- (a) The foregoing recitals are true and correct and the LACMTA so finds and determines.
- (b) The issuance and/or incurrence of the Subordinate Revolving Obligations, from time to time, and the payment of certain costs related thereto, if determined by a Designated Officer (as hereinafter defined) to be in the best interest of the LACMTA, are in the public interest.

Section 2. Approval of CP Documents; Authorization for Execution. The LACMTA hereby approves the appointment of Bank of America, or such Other Letter of Credit Provider selected and appointed by a Designated Officer (as defined below), as the provider of the Letter of Credit (in a stated amount of \$74,999,724) with respect to the CP Program and the CP Notes. The form, terms and provisions of the CP Documents are in all respects approved and the Chief Executive Officer (“CEO”) of the LACMTA, the Executive Director, Finance and Budget of the LACMTA, any Treasurer of the LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each a “Designated Officer”), any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver each of the CP Documents including counterparts thereof, in the name and on behalf of the LACMTA. The CP Documents, as executed and delivered, shall be in substantially the forms now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board’s approval of any and all changes or revisions therein from the forms of the CP Documents now on file with the Secretary of the Board and made available to

the Board; and from and after the execution and delivery of the CP Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the CP Documents.

If a Designated Officer determines that it is in the LACMTA's best interests to replace the State Street Letter of Credit with a Letter of Credit to be issued by an Other Letter of Credit Provider, instead of the Bank of America Letter of Credit, the Designated Officers are hereby authorized to (a) enter into a Reimbursement Agreement with the Other Letter of Credit Provider that is substantially similar to the form of the Bank of America Reimbursement Agreement (an "Alternate Reimbursement Agreement") now on file with the Secretary of the Board and made available to the Board and approved above, (b) enter into a fee agreement with the Other Letter of Credit Provider that is substantially similar to the form of the Bank of America Fee Agreement (an "Alternate Fee Agreement") now on file with the Secretary of the Board and made available to the Board and approved above, and (c) execute and deliver a reimbursement note that is substantially similar to the form of the Bank of America Reimbursement Note (the "Alternate Reimbursement Note," and collectively with the Alternate Reimbursement Agreement and the Alternate Fee Agreement, the "Alternate CP Documents") now on file with the Secretary of the Board and made available to the Board and approved above. The Alternate CP Documents, as executed and delivered, shall be substantially similar to the forms of the CP Documents now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of the CP Documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Alternate CP Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Alternate CP Documents.

The LACMTA hereby determines that entering into one or more Reimbursement Agreements with Bank of America or such Other Letter of Credit Provider pursuant to Section 5922 of the Government Code of the State of California would be designed to reduce the LACMTA's cost of borrowing for the CP Notes. In addition to the provisions set forth in the previous paragraph, no Designated Officer shall enter into a Reimbursement Agreement with Bank of America or such Other Letter of Credit Provider unless (a) such Reimbursement Agreement is designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, or (ii) to result in a lower cost of borrowing when used in combination with the issuance of the CP Notes, (b) the term of such Reimbursement Agreement does not exceed the Program Termination Date; (c) the amount of Letters of Credit issued pursuant to the terms of the respective Reimbursement Agreements does not exceed the principal amount of the CP Notes issuable under the CP Program; and (d) the amounts payable by the LACMTA with respect to such Reimbursement Agreements shall be payable solely and exclusively from Net Pledged Revenues. In accordance with Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Reimbursement Agreements entered into in accordance with this Resolution and consistent with the requirements set forth herein is designed to reduce the amount or duration of payment,

interest rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the CP Notes.

Section 3. Additional Authorization – CP Program. The Designated Officers and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the CP Documents or the Alternate CP Documents and to carry out the terms thereof. The Designated Officers and all other officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments and take all other actions that may be required in order to carry out the authority conferred by this Resolution or the provisions of the CP Documents or the Alternate CP Documents or to evidence said authority and its exercise. In connection with the execution and delivery of the CP Documents and the issuance of the Bank of America Letter of Credit or the execution and delivery of the Alternate CP Documents and the issuance of a Letter of Credit by an Other Letter of Credit Provider, the LACMTA is hereby authorized and directed to prepare and cause to be distributed, from time to time, one or more commercial paper offering memoranda with respect to the CP Notes. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Section 4. Issuance and/or Incurrence and Terms of Subordinate Revolving Obligations. For the purposes set forth in the foregoing recitals, the LACMTA is hereby authorized to (a) issue and/or incur, from time to time, the Subordinate Revolving Obligations in the form of the Revolving Lines of Credit to be provided by Wells Fargo or such Other Line of Credit Provider, as applicable, pursuant to one or more Credit Agreements (including the Wells Fargo Amended and Restated Credit Agreement or the Alternate Credit Agreement (as hereinafter defined)), provided that the aggregate principal amount of all Subordinate Revolving Obligations outstanding at any time shall not exceed \$75,000,000, and (b) incur the other Obligations (as defined in the applicable Credit Agreement) under each Credit Agreement, the Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement. Wells Fargo's or such Other Line of Credit Provider's commitment to make Advances under the applicable Credit Agreement shall have a term not exceeding three years from the date of execution of the applicable Credit Agreement unless such date is earlier terminated pursuant to the terms of the applicable Credit Agreement or extended, reduced or rescinded by a subsequent resolution of the LACMTA (and approved by Wells Fargo or such Other Line of Credit Provider, as applicable), and any Term Loan made under each Credit Agreement shall have a term not exceeding three years from the date such Term Loan is made by Wells Fargo or such Other Line of Credit Provider. The outstanding principal amount of each Revolving Loan and each Term Loan shall bear interest at the interest rates set forth in each Credit Agreement. Notwithstanding anything to the contrary in the previous sentence or the provisions of this Resolution, interest payable by the LACMTA on any Revolving Loan or Term Loan shall not exceed the Maximum Rate (as defined in the applicable Credit Agreement); provided, however, if the rate of interest calculated in accordance with the terms of each Credit Agreement exceeds the Maximum Rate, interest at the rate equal to the difference between the rate of interest calculated in accordance with the terms of the applicable Credit Agreement and the Maximum Rate shall be deferred until such date as the rate of interest calculated in accordance with the terms of the applicable Credit Agreement ceases to exceed the Maximum Rate, at which time the LACMTA shall pay Wells

Fargo or such Other Line of Credit Provider, as applicable, the deferred interest as provided in the applicable Credit Agreement.

The Revolving Lines of Credit are being obtained to provide funds, from time to time, to finance on either a reimbursement or forward funding basis the acquisition, construction, rehabilitation and equipping of facilities authorized under the Act and Ordinance No. 49 (including, but not limited to facilities to be used as part of a Public Transportation System), to finance certain costs of issuance and for any other financing needs of the LACMTA authorized under the Act and Ordinance No. 49 (including, but not limited to, the refunding and restructuring of existing indebtedness of the LACMTA).

The LACMTA shall be obligated to repay Wells Fargo or such Other Line of Credit Provider, as applicable, for all Advances, Revolving Loans and Term Loans and pay all Obligations owed to Wells Fargo or such Other Line of Credit Provider, as applicable, and such Advances, Revolving Loans, Term Loans and Obligations shall be payable, both with respect to interest and principal as provided for in the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement, each Credit Agreement and the Wells Fargo Revolving Obligation Notes and the Alternate Revolving Obligation Notes (as hereinafter defined, and together with the Wells Fargo Revolving Obligation Notes, the “Subordinate Revolving Obligation Notes”). The Advances, the Revolving Loans and the Term Loans may be incurred under each Credit Agreement whereby the interest paid by the LACMTA on such Revolving Loans and Term Loans is excluded from gross income for federal income tax purposes or not excluded or part excluded and part not excluded in such combination as is acceptable to the Designated Representative (as hereinafter defined) authorizing the same.

The terms of each Advance shall, consistent with this Resolution and the Second Supplemental Subordinate Trust Agreement, be set forth in a Request for Advance and Revolving Loan (as described in the applicable Credit Agreement) delivered to Wells Fargo or such Other Line of Credit Provider, as applicable, by a Designated Representative.

Section 5. Pledge to Secure the Advances, the Revolving Loans, the Term Loans, the Notes and the Obligations – Subordinate Revolving Obligations. The LACMTA hereby approves the pledge to secure the Subordinate Revolving Obligations, the Advances, the Revolving Loans, the Term Loans, the Subordinate Revolving Obligation Notes and the Obligations as set forth in the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement, each Credit Agreement and the Subordinate Revolving Obligation Notes.

Section 6. Limited Obligations; Subordinate Obligations - Subordinate Revolving Obligations. The Subordinate Revolving Obligations, the Advances, the Revolving Loans, the Term Loans, the Subordinate Revolving Obligation Notes and the Reimbursement Obligations (as defined in the applicable Credit Agreement) shall be limited obligations of the LACMTA, secured by, have a lien on and be payable from, Net Pledged Revenues and from the funds and accounts held by the Trustee and the LACMTA under the Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement, as and to the extent therein described. The Subordinate Revolving Obligations, the Advances, the Revolving Loans, the Term Loans, the Subordinate Revolving Obligation Notes and the Reimbursement Obligations (as defined in the

applicable Credit Agreement) shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide, including, but not limited to, proceeds of additional borrowings for such purpose and any applicable state or federal grants received by the LACMTA.

The Subordinate Revolving Obligations shall be issued, from time to time, as Subordinate Obligations as provided for in Section 2.09 of the Subordinate Trust Agreement.

The Obligations (other than Reimbursement Obligations (as defined in the applicable Credit Agreement) and payment of principal of and interest on the Subordinate Revolving Obligation Notes) shall be secured by and have a lien on Net Pledged Revenues junior and subordinate in all respects to the liens on, security interest in and pledges of the Net Pledged Revenues granted to the Subordinate Obligations (including, but not limited to, the Subordinate Revolving Obligations, the Advances, the Revolving Loans, the Term Loans, the Subordinate Revolving Obligation Notes and the Reimbursement Obligations (as defined in the applicable Credit Agreement)).

Section 7. Approval of Revolving Obligations Documents; Authorization for Execution - Subordinate Revolving Obligations. The LACMTA hereby approves the appointment of Wells Fargo, or such Other Line of Credit Provider selected and appointed by a Designated Officer, as the provider of the Revolving Line of Credit with respect to the Subordinate Revolving Obligations. The form, terms and provisions of the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents are in all respects approved and the Designated Officers, any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver each of the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents including counterparts thereof, in the name and on behalf of the LACMTA. The Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents, as executed and delivered, shall be in substantially the forms now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents.

If a Designated Officer determines that it is in the LACMTA's best interests to replace the Wells Fargo Revolving Line of Credit with a Revolving Line of Credit to be provided by an Other Line of Credit Provider, instead of renewing the Wells Fargo Revolving Line of Credit, the Designated Officers are hereby authorized to (a) enter into a Credit Agreement with the Other Line of Credit Provider that is substantially similar to the form of the Wells Fargo Amended and Restated Credit Agreement (an "Alternate Credit Agreement") now on file with the Secretary of the Board and made available to the Board and approved above, and (b) execute and deliver tax-

exempt and taxable notes that are substantially similar to the form of the Wells Fargo Revolving Obligation Notes (the “Alternate Revolving Obligation Notes” and together with the Alternate Credit Agreement, the “Alternate Revolving Obligations Documents” now on file with the Secretary of the Board and made available to the Board and approved above. The Alternate Revolving Obligations Documents, as executed and delivered, shall be substantially similar to the forms of the Revolving Obligations Documents now on file with the Secretary of the Board and made available to the Board and hereby approved, or with such changes therein as shall be approved by the Designated Officer executing the same; the execution thereof shall constitute conclusive evidence of the Board’s approval of any and all changes or revisions therein from the forms of the Revolving Obligations Documents now on file with the Secretary of the Board and made available to the Board; and from and after the execution and delivery of the Alternate Revolving Obligations Documents, the officers, agents and employees of the LACMTA are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Alternate Revolving Obligations Documents.

Section 8. Trustee, Paying Agent and Registrar – Subordinate Revolving Obligations. U.S. Bank National Association is hereby appointed as Trustee, Paying Agent and Registrar for the Subordinate Revolving Obligations. Such appointments shall be effective upon the adoption of this Resolution and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 9. Designated Representatives – Subordinate Revolving Obligations. The Board hereby appoints the Chair of the LACMTA, any Vice Chair of the LACMTA, the CEO of the LACMTA, the Executive Director, Finance and Budget of the LACMTA, any Treasurer of the LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity and any other persons the CEO may designate to serve, as “Designated Representatives” of the LACMTA under the terms of this Resolution, the Second Supplemental Subordinate Trust Agreement and each Credit Agreement. The Designated Representatives are, and each of them is, hereby authorized and are hereby directed to perform those duties set forth in the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents or the Alternate Revolving Obligations Documents, including, without limitation, the execution of a Request for Advance and Revolving Loan (as described in the applicable Credit Agreement). The Designated Representatives are, and each of them is, also authorized to make representations, certifications and warranties in connection with implementing and obtaining the Revolving Lines of Credit and the issuance and/or incurrence of Advances, Revolving Loans and Term Loans as and when required in the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents or the Alternate Revolving Obligations Documents, and the certifications and agreements relating to the federal tax exemption with regards to certain advances. The Designated Representatives are hereby further authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents or the Alternate Revolving Obligations Documents.

Section 10. Authorized Authority Representative – Subordinate Revolving Obligations. The Board hereby designates the Executive Director, Finance and Budget of the LACMTA, any Treasurer of the LACMTA, any Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, as an Authorized Authority Representative for all purposes under the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement and each Credit Agreement and with respect to the Subordinate Revolving Obligations, the Revolving Lines of Credit, the Advances, the Revolving Loans, the Term Loans and the Subordinate Revolving Obligation Notes. Such appointments shall remain in effect until modified by resolution.

Section 11. Additional Authorization – Subordinate Revolving Obligations. Each Designated Officer and all officers, agents and employees of the LACMTA, for and on behalf of the LACMTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Third Supplemental Subordinate Trust Agreement, the Revolving Obligations Documents or the Alternate Revolving Obligations Documents and to carry out the terms thereof. Each Designated Officer, each Designated Representative and all officers, agents and employees of the LACMTA are further authorized and directed, for and on behalf of the LACMTA, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution, the Subordinate Trust Agreement, the Second Supplemental Subordinate Trust Agreement, the Third Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents or the Alternate Revolving Obligations Documents or to evidence the same authority and its exercise. The foregoing authorization includes, but is in no way limited to, authorizing LACMTA staff to pay costs of issuance of implementing and obtaining the Revolving Lines of Credit and fees and costs of Wells Fargo or such Other Line of Credit Provider, as applicable, authorizing the investment of the proceeds of the Advances in one or more of the permitted investments provided for under the Subordinate Trust Agreement and the Second Supplemental Subordinate Trust Agreement, and authorizing the execution by a Designated Officer, or any one of them, of one or more tax compliance certificates as required by the Second Supplemental Subordinate Trust Agreement and the Revolving Obligations Documents or the Alternate Revolving Obligations Documents for the purpose of complying with the rebate requirements of the Code. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Section 12. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 13. Effective Date. This Resolution shall be effective upon adoption by the Board.

CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2016.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2016

Prop A and Prop C Commercial Paper / Short-Term Borrowing Programs

**Board Meeting
February 25, 2016**

Proposition A & Proposition C Short-Term Borrowing Programs

- Prop A and Prop C short-term borrowing programs, provide interim funding for our capital programs.
- **Seeking Authorization to:**
 - Renew agreements with Sumitomo Mitsui, MUFG Union Bank and Wells Fargo
 - Replace State Street Bank with Bank of America
 - Increase Prop A capacity by \$50 million due to the size of our construction program
- Bank fees for new bank agreements are lower for both Prop A and Prop C, reducing expected costs by approximately \$450,000 over three years



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Proposition A & Proposition C Short-Term Borrowing Programs Key Features

Short-Term Borrowing Programs			
	Proposition A	Proposition C	Total
Total Program Authorization	\$350,000,000	\$150,000,000	\$500,000,000
Capacity	\$200,000,000	\$150,000,000	\$350,000,000
Amount outstanding	\$62,500,000	\$63,624,000	\$126,124,000
Issuance Date	03/08/2016	03/29/2016	
Expiration	03/08/2019	03/29/2019	
Liquidity Providers	Sumitomo Mitsui (\$125 million) MUFG Union Bank (\$75 million)	Bank of America (\$75 million) Wells Fargo (\$75 million)	



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