



Board Report

File #: 2024-0434, File Type: Resolution

Agenda Number: 18.

FINANCE, BUDGET & AUDIT COMMITTEE SEPTEMBER 19, 2024

SUBJECT: MEASURE R BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING a Resolution, Attachment A (“Resolution”), that authorizes the issuance and sale of up to \$500 million in aggregate principal amount of Measure R Senior Sales Tax Revenue Refunding Bonds in one or more series and taking all other actions necessary in connection with the issuance of the refunding bonds (“Refunding Bonds”); and
- B. ESTABLISHING an underwriter pool as shown in Attachment B that will be used to select underwriters for all future negotiated debt issues through June 30, 2029.

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE FULL BOARD)

ISSUE

The outstanding Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (“2010 Bonds”) are eligible for refunding, on a current basis, pursuant to the Extraordinary Optional Redemption (“EOR”) provision described in Section 14.02 of the First Supplemental Trust Agreement relating to the 2010 Bonds. As discussed in more detail below, the EOR provision offers Metro an opportunity to pay off, or refund, the 2010 Bonds prior to maturity at a lower redemption price than otherwise provided following a reduction in federal subsidy payments relating to the 2010 Bonds. Such subsidy payments were originally authorized by the American Recovery and Reinvestment Act of 2009, as part of the Build America Bond (“BAB”) program at the time the 2010 Bonds were issued. Approximately \$482.40 million of the 2010 Bonds are outstanding and eligible for the refunding.

The refunding would also eliminate the risk to Metro that Congress further reduces, or outright terminates, the subsidy payments (which are reimbursements to Metro from the Federal Government for a portion of the interest payable on the 2010 Bonds). The reduction of subsidy payments is called sequestration. In addition, the refunding would add optionality to Metro’s Measure R debt portfolio by including a par call option (the ability to redeem the Refunding Bonds prior to their final maturity at a

redemption price equal the principal amount of the Refunding Bonds, plus accrued interest), not available in connection with the outstanding 2010 Bonds, which provide for only redemptions that utilize the EOR provision.

BACKGROUND

Following authorization of the proposed refunding, Metro may proceed to refund the outstanding 2010 Bonds as early as October 2024 using the EOR provision. The Debt Policy establishes criteria to evaluate refunding opportunities for economic cost-effective opportunities or other non-economic reasons to issue refunding obligations. The refunding would add option value with an early call option applicable to the Refunding Bonds, and it would eliminate the sequestration risk associated with the 2010 Bonds.

Build America Bonds history:

In 2009 and 2010, the Build America Bond (“BAB”) program allowed municipal issuers to issue taxable bonds for new money purposes with the expectation that issuers would be reimbursed for 35% of the interest payable on such bonds (in the form of subsidy payments distributed semi-annually to such issuers, including Metro). When Metro’s Series 2010-A Build America Bonds were issued in 2010 it was determined at the time that, with the 35% interest subsidy provided under the BAB program, the taxable 2010 Bonds provided a lower cost of funds than traditional tax-exempt bonds. However, following the subsequent enactment by Congress of the Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012, which required sequestration of certain direct federal spending, BAB subsidy payments, including with respect to the 2010 Bonds, were reduced by 8.7% in 2013 (reduced from 35% to 31.95%) for federal fiscal year 2013.

The sequestration percentage of the subsidy has fluctuated from year to year since 2013. Currently, BAB subsidy payments are subject to sequestration at the 5.7% (reduced from 35% to 33.01%) rate through FY2030. Additionally, the Statutory Pay-As-You-Go Act of 2010 can impose mandatory spending cuts, including potentially 100% sequestration of the BAB subsidy, if legislation increases the federal budget deficit. In 2022, there were concerns that the BAB subsidy could be subject to 100% sequestration in 2023. The Consolidated Appropriations Act of 2023 protected the BAB subsidy from being subject to 100% sequestration through 2025, but risks remain based on future federal budget conditions. Further, in November 2023, the U.S. Supreme Court effectively confirmed that Congress had full authority to reduce BAB payments through sequestration. Sequestration risk is the threat of reduced subsidy payments due to automatic government spending cuts, which can impact bondholders and increase costs for Metro. This refunding would eliminate the sequestration risk associated with the 2010 Bonds and protect Metro from paying increased debt service over the remaining life (potentially up to \$62 million). The Refunding Bonds help Metro avoid the risk of losing money if Congress cuts BAB subsidy payments, making it safer and easier to pay off debt.

DISCUSSION

Refunding Bonds:

The Refunding Bonds will be structured as fixed rate bonds and will be sold using a negotiated sale method. If market conditions change suddenly, a negotiated sale provides Metro the flexibility to alter

the sale date and/or bond structure, as needed. A negotiated sale method also allows Metro to advance its DBE/SBE/DVBE firm participation goals. In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 50% of the participants chosen for the proposed transaction identify as DBE/SBE/DVBE, including the lead Senior Manager role. The underwriters will pre-market the issue to target as many investors as possible, assist with the credit rating process and advise on market conditions for optimal bond pricing.

The evaluation team has selected the following firms as the underwriting syndicate for the transaction.

Senior Managing Underwriter: Siebert Williams Shank & Co. (DBE)
Co-Senior Managing Underwriters: Jefferies and Morgan Stanley
Co-Managing Underwriter: Academy Securities (DVBE)

Underwriting Pool:

Consistent with the Metro Debt Policy, underwriters for this transaction and the requested pool were selected by a competitive Request for Proposal ("RFP") process conducted by Montague DeRose and Associates, LLC ("MDA") and Public Resources Advisory Group ("PRAG"), Metro's Transaction Municipal Advisor and General Municipal Advisor, respectively. Of the 25 proposals received, 17 are recommended for the negotiated underwriting pool expiring June 30, 2029. Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP were selected by Treasury staff and County Counsel to serve as Bond Counsel and Disclosure Counsel, respectively.

Of the 25 proposals received during the underwriter selection process, 13 were designated as DBE/SBE/DVBE (doubling the number of DBE/SBE/DVBE firms in Metro's underwriter pool from 4 to 8).

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The costs of issuance for the Refunding Bonds will be paid from proceeds of the financing and will be budget neutral. Approval of this item is intended to reduce financial risk, sequestration risk, and maintain planned funding and schedules for Metro capital projects funded by Measure R.

EQUITY PLATFORM

During the underwriter selection process, Metro was able to double the number of DBE/SBE/DVBE firms in the new underwriter pool. Almost half of the new members of the pool (8 of 17) is made up of DBE/SBE/DVBE firms. Metro Treasury will continue outreach encouraging participation by these firms while ensuring they have sufficient underwriting capacity to support bond transactions.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal:

Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the Refunding Bonds to a later time or indefinitely. This is not recommended because staff cannot predict that interest rates will remain low enough to generate a comparable economic benefit. Federal Reserve Bank actions and all other market and economic conditions may create federal budget constraints and result in further BAB subsidy reductions. Additionally, deferring issuance to a later time or indefinitely would result in the 2010 Bonds remaining at risk of increased or complete sequestration.

NEXT STEPS

- Obtain ratings on the Refunding Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing efforts
- Negotiate the sale of the Bonds with the underwriters

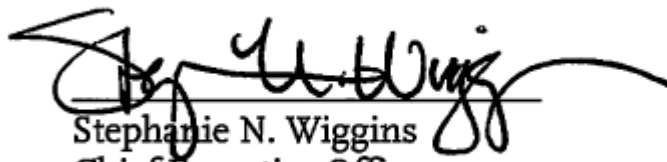
ATTACHMENTS

Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

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Chief Executive Officer

Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF ITS LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY MEASURE R SENIOR SALES TAX REVENUE REFUNDING BONDS, APPROVING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL TRUST AGREEMENTS, PURCHASE CONTRACTS, CONTINUING DISCLOSURE CERTIFICATES AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

(MEASURE R SALES TAX)

WITNESSETH:

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA") is a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code; and

WHEREAS, the LACMTA is authorized by Sections 130350.4 and 130350.5 of the California Public Utilities Code (the "Sales Tax Law") to impose a retail transactions and use tax at a rate of 0.5% that is applicable in the incorporated and unincorporated areas of the County of Los Angeles, California (the "County") if authorized by at least two-thirds of the electors voting on the issue; and

WHEREAS, in accordance with such provision, the LACMTA, on July 24, 2008, adopted Ordinance No. 08-01, known as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (the "Ordinance") imposing the transactions and use tax for a period of 30 years, and the Ordinance was submitted to the electors of the County in the form of Measure R and approved by more than a two-thirds vote at an election held on November 4, 2008; and

WHEREAS, the Ordinance, as so approved, imposes for a period of 30 years, beginning July 1, 2009, a tax upon the sale of tangible personal property at retail at a rate of 1/2 of 1% of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County at a rate of 1/2 of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax (the "Measure R Sales Tax"); and

WHEREAS, Section 130500 et seq. of the California Public Utilities Code (the "Act") provides that the LACMTA may issue bonds, which terms includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, and all of such obligations shall be special obligations of the LACMTA, payable from the proceeds of the Measure R Sales Tax; and

WHEREAS, to facilitate the construction, maintenance, improvement and operation of the transportation projects authorized by the Ordinance, including in particular Goldline Foothill Extension and Exposition Line Phase II, the LACMTA, as authorized by the Act, issued its Measure R Senior Sales Tax Revenue Bonds, Series 2010-A (Taxable Build America Bonds) (the "Prior Bonds") on November 16, 2010, pursuant to a Trust Agreement, dated as of November 1, 2010, by and between the LACMTA and

the U.S. Bank Trust Company, National Association, as successor trustee (the “Trustee”), and a First Supplemental Trust Agreement, dated as of November 1, 2010 (the “First Supplemental Trust Agreement”), by and between the LACMTA and the Trustee; and

WHEREAS, pursuant to the Act and the provisions of the Second Amended and Restated Trust Agreement, dated as of August 1, 2020 (as supplemented and amended from time to time, the “Trust Agreement”), between the LACMTA and the Trustee, the LACMTA is authorized to issue additional Bonds (as defined in the Trust Agreement); and

WHEREAS, the Prior Bonds were issued as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009, and the LACMTA elected to receive subsidy payments from the United States Treasury in an amount equal to 35% of the interest due on the Prior Bonds (the “Subsidy Payments”); and

WHEREAS, the LACMTA has determined that a Tax Law Change has occurred under, and as defined in, the First Supplemental Trust Agreement, reducing such Subsidy Payments; and

WHEREAS, the LACMTA has determined that the issuance of one or more series of Bonds, in an aggregate principal amount not to exceed \$500,000,000, is necessary in order to: (a) refund all or a portion of the Prior Bonds; and (b) pay the costs of issuance incurred in connection with such Bonds (collectively, the “Financing”); and

WHEREAS, the LACMTA has determined that such Bonds shall be entitled “Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Refunding Bonds,” with such series designations and other additions and modifications as may be appropriate (collectively, the “Series 2024 Bonds”); and

WHEREAS, the LACMTA has determined that it is in its best interest to sell the Series 2024 Bonds to the public through a negotiated sale to one or more underwriters to be selected by a Designated Officer (as defined herein) through a competitive process by the LACMTA (the “Underwriters”); and

WHEREAS, the sale of the Series 2024 Bonds shall be in accordance with the Debt Policy of the LACMTA as determined by the a Designated Officer (as defined below), which determination shall be conclusive for purposes of this Resolution, and the proceeds of the Series 2024 Bonds will be applied in accordance with the provisions of the Act, the Sales Tax Law, the Ordinance and the Expenditure Plan adopted in connection with the Ordinance (the “Expenditure Plan”); and

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

(a) a Supplemental Trust Agreement (the “Supplemental Trust Agreement”), by and between the LACMTA and the Trustee, one or more of which will supplement the Trust Agreement for purposes of providing the terms and conditions of the Series 2024 Bonds;

(b) a Purchase Contract (the “Purchase Contract”), one or more of which will be entered into by one or more of the Underwriters and the LACMTA, which shall set forth the terms of the sale of the Series 2024 Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), one or more of which will provide information about the Series 2024 Bonds, the LACMTA, the Measure

R Sales Tax and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the Series 2024 Bonds; and

(d) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), one or more of which will be executed by the LACMTA, which will be used in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12; 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 Series 2024 Bonds and whether such Series 2024 Bonds are issued in a single issuance or multiple issuances, and said documents are subject to completion to reflect the results of the sale of the Series 2024 Bonds; and

WHEREAS, the LACMTA has pledged the Pledged Revenues pursuant to the terms of the Trust Agreement to secure the Bonds and certain other obligations of the LACMTA and once issued, the Series 2024 Bonds will be “Bonds” as defined in the Trust Agreement and will be secured by the pledge of the Pledged Revenues under the Trust Agreement; and

WHEREAS, Section 5852.1 of the California Government Code requires that the governing body of a public body obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorizing the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the Financing and to authorize the issuance of the Series 2024 Bonds, execution and delivery of one or more Supplemental Trust Agreements, Purchase Contracts and Continuing Disclosure Certificates, the preparation of one or more Preliminary Official Statements and the preparation, execution and delivery of one or more Official Statements (as hereinafter defined) for the purposes, in the manner and upon the terms provided; 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 Board finds and determines that the foregoing recitals are true and correct and that:

(a) The issuance of one or more series of its Series 2024 Bonds from time to time under the Trust Agreement and the Supplemental Trust Agreement to refund all or a portion of the Prior Bonds, and to pay certain costs of issuance related to the issuance of the Series 2024 Bonds, is in the public interest.

(b) Under the provisions of the Ordinance, all of the Pledged Tax Revenues are revenues of the LACMTA available under the Expenditure Plan and are available to be and are, by

the terms of the Trust Agreement, pledged, to secure the Series 2024 Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and as to be supplemented as set forth in the Supplemental Trust Agreement, are reasonable and proper for the security of the holders of the Series 2024 Bonds.

Section 2. Issuance of Series 2024 Bonds. The Board hereby authorizes the issuance by the LACMTA of one or more series of Series 2024 Bonds in an aggregate principal amount not to exceed \$500,000,000 to: (a) refund all or a portion of the Prior Bonds; and (b) pay the costs of issuance incurred in connection with the Financing; provided, however, that the True Interest Cost (as defined below) of each series of the Series 2024 Bonds shall not exceed 6.0%, as such shall be calculated by the LACMTA's municipal advisor as of the date of delivery of each series of the Series 2024 Bonds. The LACMTA hereby specifies that the Series 2024 Bonds shall mature not later than June 1, 2039.

The Series 2024 Bonds may be issued as bonds the interest on which is excludable from gross income under the Internal Revenue Code of 1986, as amended. The LACMTA hereby designates the Chair of the Board, any Vice Chair of the Board, the Chief Executive Officer of LACMTA, the Chief Financial Officer of LACMTA, the Treasurer of LACMTA, any Assistant Treasurer of LACMTA, any Executive Officer - Finance of LACMTA and any Deputy Executive Officer - Finance of LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them as Designated Officers (each a "Designated Officer"), and the Designated Officers, acting in accordance with this Section 2, are each hereby severally authorized to determine whether all or any portion, and which portion, of the Prior Bonds shall be refunded, the aggregate principal amount of each series of Series 2024 Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the Series 2024 Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. Payment of the principal of, interest on and premium, if any, on the Series 2024 Bonds shall be made at the place or places and in the manner provided in the Trust Agreement and the Supplemental Trust Agreement.

As used herein, the term "True Interest Cost" shall be the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the applicable series of Series 2024 Bonds and to the principal amount and original issue premium, if any, less underwriters' discount and original issue discount, if any, of the applicable series of Series 2024 Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the applicable series of Series 2024 Bonds scheduled for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity for such year. The calculation of the True Interest Cost shall include such other reasonable assumptions and methods as determined by the LACMTA's municipal advisor.

Section 3. Terms of Series 2024 Bonds. The Series 2024 Bonds shall be issued as current interest bonds, as serial bonds or term bonds or both, in denominations of \$5,000 and integral multiples thereof, in the aggregate principal amounts, and dated all as set forth in the Supplemental Trust Agreement as it is finally executed and delivered. Interest on the Series 2024 Bonds shall be paid at the rates (not to exceed 6.0% per annum) and on the dates, and the Series 2024 Bonds may be subject to optional or mandatory redemption on such terms and conditions, as shall be set forth in the Supplemental Trust Agreement as finally executed and delivered.

Execution and delivery of the Supplemental Trust Agreement, which document will contain the maturities, principal amounts, interest rates, the payment obligations of the LACMTA and terms,

all within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, principal amounts, interest rates, payment obligations and terms.

Section 4. Special Obligations. The Series 2024 Bonds shall be special obligations of the LACMTA payable from and secured by a pledge of and lien on Pledged Revenues and the funds and accounts held by the Trustee under the Trust Agreement, including as supplemented by the Supplemental Trust Agreement, all as provided therein.

Section 5. Form of Series 2024 Bonds. The Series 2024 Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in Exhibit A to the Supplemental Trust Agreement on file with the Clerk of the Board and made available to the Board, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Supplemental Trust Agreement or otherwise by law, or as appropriate to adequately reflect the terms of such Series 2024 Bonds and the obligation represented thereby.

Section 6. Execution of Series 2024 Bonds. Each of the Series 2024 Bonds shall be executed on behalf of the LACMTA by any Designated Officer and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of such Designated Officer(s) shall have the same force and effect as if such officer(s) had manually signed each of such Series 2024 Bonds.

Section 7. Approval of Documents; Authorization for Execution. The forms, terms and provisions of the Supplemental Trust Agreement, Purchase Contract and the Continuing Disclosure Certificate on file with the Clerk of the Board and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA one or more Supplemental Trust Agreements, Purchase Contracts and Continuing Disclosure Certificates, including counterparts thereof, in the name of and on behalf of the LACMTA. The Supplemental Trust Agreement(s), Purchase Contract(s) and Continuing Disclosure Certificate(s), as executed and delivered, shall be in substantially the forms now on file with the Clerk of the Board and made available to the Board and hereby approved, 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 form of the Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, now on file with the Clerk of the Board and made available to the Board; and from and after the execution and delivery of the Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, 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 each Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate.

Section 8. Sale of Series 2024 Bonds.

(a) The Designated Officers are each authorized and directed to engage third parties, including but not limited to, Underwriters, that such Designated Officer deems necessary or advisable in order to: consummate the Financing, assist with the issuance and sale of the Series 2024 Bonds, to manage and administer the Financing after the issuance and sale

of the Series 2024 Bonds or otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

(b) The Board hereby authorizes the sale of the Series 2024 Bonds to the public through a negotiated sale to the Underwriters. The Series 2024 Bonds shall be sold subject to an Underwriters' discount (excluding original issue discount and premium) not to exceed \$3.00 per \$1000 of principal amount of the Series 2024 Bonds and subject to the terms and conditions set forth in the form of the Purchase Contract.

Section 9. Preliminary Official Statement and Official Statement. One or more Preliminary Official Statements shall be used by the LACMTA in connection with the sale and issuance of the Series 2024 Bonds. The form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board is hereby approved. The Preliminary Official Statement shall be substantially in the form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board with such changes as a Designated Officer approves (such approval to be conclusively evidenced by the execution and delivery of the certificate referenced in the following sentence). The Preliminary Official Statement shall be circulated for use in selling the Series 2024 Bonds at such time or times as a Designated Officer shall deem such Preliminary Official Statement to be final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by said Designated Officer to said effect. The Preliminary Official Statement shall contain a description of the finances and operations of the LACMTA, a description of the Measure R Sales Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Clerk of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. The Preliminary Official Statement shall also contain a description of the applicable Series 2024 Bonds and the terms and conditions of the Trust Agreement and the Supplemental Trust Agreement together with such information and description as a Designated Officer determines is appropriate or necessary. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the Preliminary Official Statement and any supplement thereto for use in selling the Series 2024 Bonds from time to time. The Underwriters are hereby further authorized to distribute (via printed format and/or through electronic means) copies of the LACMTA's most recent annual audited financial statements and such other financial statements of the LACMTA as any Designated Officer shall approve. Upon the execution and delivery of the Purchase Contract, from time to time, one or more of the Designated Officers shall provide for the preparation, publication, execution and delivery of one or more final Official Statements in substantially the form of the Preliminary Official Statement deemed final by a Designated Officer with such changes as any Designated Officer approves, such approval to be conclusively evidenced by the execution of such final Official Statement. Any Designated Officer is hereby authorized and directed to execute and deliver one or more final Official Statements in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement(s) or revised final Official Statement(s) may be prepared and delivered to the Underwriters reflecting updated and revised information as shall be acceptable to the Underwriters and as the Designated Officers, or any one of them, approve. Each final Official Statement shall be circulated (via printed format and/or through electronic means) for use in selling the Series 2024 Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriters, the LACMTA's municipal advisor and bond counsel and such other advisors as a Designated Officer believes to be useful. The Underwriters are hereby authorized to circulate (via printed format and/or through electronic means) the final Official Statement, any supplement to the final Official Statement and any revised final Official Statement, as the case may be.

Section 10. Trustee, Paying Agent and Registrar. U.S. Bank Trust Company, National Association is hereby appointed as Trustee, Paying Agent and Registrar for the Series 2024 Bonds. Such appointments shall be effective upon the issuance of the Series 2024 Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 11. Additional Authorization. Each Designated Officer, for and on behalf of the LACMTA, is and they hereby are, jointly and severally authorized and directed to do any and all things necessary to effect the issuance of the Series 2024 Bonds and the Financing, and the execution and delivery of each Supplemental Trust Agreement, each Purchase Contract, and each Continuing Disclosure Certificate, and to carry out the terms thereof. The officers, employees and agents of the LACMTA, including, but not limited to the Designated Officers, are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any escrow agreements, any tax certificates or agreements, any documents with respect to the refunding of the Prior Bonds, any calculation agent certificates, any agreements for depository services, and any agreements for rebate compliance services, which they, or any of them, may deem necessary or advisable in order to consummate the Financing and the issuance and sale of the Series 2024 Bonds, to manage and administer the Financing after the issuance and sale of the Series 2024 Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, this Resolution, the Series 2024 Bonds and the documents approved hereby.

All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Series 2024 Bonds, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Series 2024 Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying agents, calculation agents or the Trustee or any similar action may be given or taken by any Designated Officer without further authorization or direction by the LACMTA, and each Designated Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Designated Officer may deem necessary or desirable to further the purposes of this Resolution. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution and the Financing are hereby confirmed, ratified and approved.

Any Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause written notice to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Series 2024 Bonds, said notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with CDIAC, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended, if necessary, and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Series 2024 Bonds, and any such notices are hereby ratified, confirmed and approved.

In connection with the sale of all or a portion of the Series 2024 Bonds, any Designated Officers is hereby authorized on behalf of the LACMTA to purchase or otherwise arrange for the provision of (including the payment of such premiums, fees and other costs and expenses as such Designated Officer determines acceptable), one or more policies of municipal bond insurance to support the timely payment of principal of and interest on all or a portion of the Series 2024 Bonds, said municipal bond

insurance to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the Series 2024 Bonds.

Section 12. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by Chair of the Board, any Vice Chair of the Board, the Chief Executive Officer of LACMTA, the Chief Financial Officer of LACMTA, the Treasurer of LACMTA, any Assistant Treasurer of LACMTA, any Executive Officer - Finance of LACMTA or any Deputy Executive Officer Finance of LACMTA shall remain valid notwithstanding the fact that the individual officer of the LACMTA signing such designation ceases to be an officer of the LACMTA, unless such designation specifically provides otherwise.

Section 13. Investments. Each Designated Officer is hereby authorized to invest the proceeds of the Series 2024 Bonds in accordance with the Trust Agreement and the Supplemental Trust Agreement and the LACMTA's Investment Policy and is further authorized to enter into or to instruct the Trustee to enter into one or more investment agreements, float contracts, swaps or other hedging products (hereinafter collectively referred to as the "Investment Agreement") providing for the investment of moneys in any of the funds and accounts created under the Trust Agreement and the Supplemental Trust Agreement, on such terms as the Designated Officer shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the LACMTA hereby finds and determines that the Investment Agreement is 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 Series 2024 Bonds or enhance the relationship between risk and return with respect to investments.

Section 14. Good Faith Estimates. In accordance with Section 5852.1 of the California Government Code, good faith estimates of the following are set forth in Exhibit A attached hereto: (a) the true interest cost of the Series 2024 Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Series 2024 Bonds, (c) the amount of proceeds of the Series 2024 Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Series 2024 Bonds, and (d) the sum total of all debt service payments on the Series 2024 Bonds calculated to the final maturity of the Series 2024 Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Series 2024 Bonds.

Section 15. Further Actions. From and after the delivery of the Series 2024 Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify each document authorized or authorized to be amended by this Resolution at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement, or modification, upon consultation with the LACMTA's municipal advisor and bond counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof. Further, the Designated Officers and each of them are hereby authorized and directed to terminate any municipal bond insurance policy or investment agreement and enter into one or more municipal bond insurance policies or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

Section 16. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Series 2024 Bonds, to be used to pay costs of issuance of the Series 2024 Bonds, including, but not limited to, costs of attorneys, accountants, municipal advisors, trustees, verification agents, escrow agents, calculation agents, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 17. 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 sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 18. Electronic Signatures. The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

Section 19. Effective Date. This Resolution shall be effective with respect to the Series 2024 Bonds issued on or before June 30, 2025.

CERTIFICATION

The undersigned, duly qualified and acting as Board Clerk 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 _____, 2024.

By _____

Board Clerk, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2024

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Montague DeRose and Associates (the “Municipal Advisor”) with respect to the bonds (the “Bonds”) approved in the attached Resolution, and is provided in compliance with Section 5852.1 of the California Government Code with respect to the Bonds:

Section 1. True Interest Cost of the Bonds. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.89%.

Section 2. Finance Charge of the Bonds. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$1,373,910, as follows:

(a) Underwriters’ Discount	\$767,060
(b) Bond Counsel and Disbursements	130,000
(c) Disclosure Counsel and Disbursements	65,000
(d) Municipal Advisor and Disbursements	55,000
(e) Rating Agencies	306,750
(f) Other	50,100
Total	<u>\$1,373,910</u>

Section 3. Amount of Proceeds to be Received. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the LACMTA for sale of the Bonds less the finance charge of the Bonds described in Section 2 above and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$505,885,855.

Section 4. Total Payment Amount. Based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the LACMTA will make to pay debt service on the Bonds plus the finance charge of the Bonds described in Section 2 above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$627,251,711.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of Bonds sales, the amount of Bonds sold, the amortization of the Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Bonds sold will be determined by the LACMTA based on need to provided funds for the Financing and other factors. The actual interest rates at which the Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of

sale. Market interest rates are affected by economic and other factors beyond the LACMTA's control. The LACMTA has approved the issuance of the Bonds with a maximum true interest cost of 6.0%.

Summary of Underwriter Selection

Evaluation of Proposals

The Request For Proposals (“RFP”) was sent on July 16, 2024 to 43 firms who had previously expressed interest in serving as underwriter on Metro’s bonds or were known as active in the California market. An advertisement of the RFP was also posted in the Bond Buyer. Proposals were due August 2, 2024 and were received from 25 firms. Of the 25 firms that submitted a proposal, 13 were designated as DBE/SBE/DVBE.

Proposals were evaluated in accordance with the guidelines and the following criteria established in the RFP:

- Relevant experience of the firm and its individuals 25%
- Capabilities of the firm of underwriting & distributing LACMTA’s debt 30%
- Demonstrated commitment of the firm to LACMTA 25%
- Quality of the proposal 20%

Relevant experience included transportation debt, experience working directly with TIFIA or on debt that was secured by revenues that also secured TIFIA loans, toll revenue bonds, grant anticipation notes, private activity bonds, and Transit Oriented Development (TOD) financings. In addition to experience, firms were asked to provide evidence demonstrating their commitment to LACMTA which included items such as bidding on recent competitive bond issues, liquidity support, or other materials that had been recently provided. The RFP also included questions about providing specific suggestions for the structuring of LACMTA’s bonds as well as suggestions for our debt program, in general. The selection committee made up of three staff and LACMTA’s general municipal advisor reviewed all proposals and scored the firms based on the evaluation criteria. The seventeen firms that ranked the highest are being recommended for inclusion in the underwriting pool.

Recommended Firms for Underwriting Pool (in alphabetical order)

Academy Securities (Disabled Veteran Business Enterprise and Minority Business Enterprise)
American Veteran Group (Disabled Veteran Business Enterprise)
Bank of America
Barclays
Blaylock Van (Minority Business Enterprise)
Cabrera Capital Markets (Minority Business Enterprise)
Goldman Sachs
J.P. Morgan Securities
Jefferies
Loop Capital Markets (Minority Business Enterprise)
Mischler Financial Group (Disabled Veteran Business Enterprise)
Morgan Stanley
Ramirez & Co. (Minority Business Enterprise)
Raymond James
Siebert Williams Shank & Co. (Minority Business Enterprise and Woman Business Enterprise)
TD Securities
Wells Fargo Bank

Measure R Bonds

**Finance, Budget and Audit Committee
September 19, 2024**

Measure R Bonds

Measure R Bonds Summary

Purpose:

- To refund the Measure R Series 2010-A (Taxable Build America Bonds) Bonds in October 2024
 - The Build America Bond ("BAB") program, established in 2009, allowed municipal issuers to issue taxable bonds for new money purposes with the expectation that they would be reimbursed for 35% of annual interest costs
 - When the Series 2010-A Bonds were issued, determination was made that with the 35% subsidy, the BABs provided a lower cost of funds than traditional tax-exempt bonds

Issue:

- The refunding would de-risk the bonds by eliminating the threat of sequestration, as well as adding optionality with an early call option

Sequestration overview:

- BAB subsidy reduced by 8.7% in 2013 and annually since
- Subsidy payments are subject to sequestration at the 5.7% rate through FY2030
- In November 2023, Supreme Court confirmed that Congress has full authority to reduce BAB subsidy payments at any time

Measure R Bonds

Measure R Bonds Summary

Mode and Structure:

- Refunding Bonds will be sold to investors on a negotiated basis through underwriters selected from the newly established underwriter bench
- Refunding Bonds will be issued at a fixed rate with maturities ranging from 2025-2039

DBE/SBE/DVBE Participation Goals:

- Negotiated sale method allows Metro to advance its DBE/SBE/DVBE firm participation goals
- Of the 25 proposals received for the underwriting pool, 13 were designated as DBE/SBE/DVBE firms

Measure R Bonds

Measure R Bonds Summary

- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 50% of the participants chosen for the proposed transaction identify as DBE/SBE/DVBE, including the lead Senior Manager role.

Underwriting Firm	Transaction Role
Siebert Williams Shank & Co., LLC (Minority Business Enterprise and Woman Business Enterprise)	Senior Manager
Jefferies	Co-Senior Manager
Morgan Stanley	Co-Senior Manager
Academy Securities (Disable Veteran Business Enterprise and Minority Business Enterprise)	Co-Manger

Measure R Bonds

Underwriter Pool Summary

- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 47% of the participants chosen for the proposed pool identify as DBE/SBE/DVBE.
- DBE/SBE/DVBE firm participation has increased 76% from the previously selected pool which was comprised of 27% of DBE/SBE/DVBE designated firms

Underwriting Firm	DBE/SBE/DVBE Designation
Academy Securities	Disabled Veteran Business Enterprise and Minority Business Enterprise
American Veteran Group	Disabled Veteran Business Enterprise
Bank of America	No Designation
Barclays	No Designation
Blaylock Van	Minority Business Enterprise
Cabrera Capital Markets	Minority Business Enterprise
Goldman Sachs	No Designation
J.P. Morgan Securities	No Designation
Jefferies	No Designation
Loop Capital Markets	Minority Business Enterprise
Mischler Financial Group	Disabled Veteran Business Enterprise
Morgan Stanley	No Designation
Ramirez & Co.	Minority Business Enterprise
Raymond James	No Designation
Siebert Williams Shank & Co., LLC	Minority Business Enterprise and Woman Business Enterprise
TD Securities	No Designation
Wells Fargo Bank	No Designation



Measure R Bonds

Recommendation:

- A. Adopt a resolution authorizing the negotiated sale of up to \$500 million of Measure R Refunding Bonds
- B. Establish an underwriter pool that will be used to select underwriters for all future negotiated debt issues through June 30, 2029

Next Steps:

- Obtain credit ratings on the Refunding Bonds
- Complete legal documentation and initiate the pre-marketing efforts
- Negotiate the sale of the Refunding Bonds with the underwriters