Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2026-0102, **File Type:** Program **Agenda Number:** 4.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
MARCH 9, 2026

SUBJECT: MEASURE R BONDS

ACTION: MAKE A FINDING THAT THE BENEFITS OF A DEBT FINANCING EXCEED ISSUANCE AND INTEREST COSTS

RECOMMENDATION

ADOPT a resolution (Attachment A) which finds, in accordance with Section 8(i)(4) of the Measure R Ordinance, that the benefits from the proposed financing for accelerating project delivery, avoiding future cost escalation and related factors exceed issuance and interest costs.

ISSUE

The Measure R Ordinance requires that the Measure R Independent Taxpayers Oversight Committee of Metro ("Measure R Oversight Committee") "review all proposed debt financing and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs".

BACKGROUND

To date, Metro has paid or plans to pay approximately $585 million in project costs, projected to be reimbursed by proceeds from long-term debt financing. This standard practice approach is a critical role of the treasury function and is utilized to avoid project delivery delays and ensure that Metro's relationships with project delivery entities remains in good standing.

DISCUSSION

The proposed issuance of $585 million of tax-exempt fixed-rate bonds ("New Money Bonds") is needed to reimburse the previously paid or planned to be paid project expenses. This issuance would confer several benefits, including aligning the useful life of the assets with life of the debt, ensuring that the repayment schedule matches the period during which the assets provide value, and preventing the misalignment of short-term cash demands with long-term assets. The conventional reimbursement approach coupled with the management of cash balances is utilized to avoid project delivery delays and ensures that Metro's relationships with project delivery entities remain in good standing. Degrading these relationships or delaying payments could result in project delays and future project cost escalation across Metro's entire capital project portfolio. Further, current market

powered by Legistar™

conditions would allow Metro to take advantage of the difference in tax-exempt borrowing rates and investment yields that would reduce overall borrowing costs or improve financial efficiency.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The costs of issuance for the New Money Bonds will be paid from proceeds of the financing and will be budget neutral. The fund source for the New Money Bonds principal and interest expense will be Measure R 35% Transit Capital. Expenses for this financing will be included in future budgets as follows: bond principal, account 51101 and bond interest account 51121.

Impact to Budget

The funding sources of Measure R are eligible for bus & rail operations and capital projects.

EQUITY PLATFORM

Approval of this item is intended to reduce financial risk and provide funding for Metro capital projects financed by Measure R. The capital projects include new rail and bus rapid transit projects, Metrolink projects, Metro Rail system improvement projects, carpool lanes, highways and other highway related improvements, rail operations, bus operations, and for local return programs. The resolution finds that the benefits from acceleration of projects exceed the issuance and interest costs of the proposed debt financing. At this time, there are no equity concerns anticipated as a result of this action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports Metro Vision 2028 Strategic Plan Goal 5 as follows:
Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

Absent the finding of benefit for the proposed New Money Bonds issuance, Metro may experience cash-flow pressures for ongoing projects while awaiting grant reimbursements or other funding sources. Additionally, the current payment sources would also remain misaligned with the useful life of the associated assets, potentially resulting in repayment inefficiencies. Finally, given current market conditions, Metro could miss the opportunity to reduce overall borrowing costs and enhance financial flexibility for other projects.

NEXT STEPS

Treasury staff will request Metro Board authorization for the issuance of Measure R New Money Bonds in conjunction with Measure R Refunding Bonds. The Measure R Refunding Bonds will refund approximately $367 million of Measure R Senior Sales Tax Revenue Bonds, Series 2016-A, which

become currently callable on June 1, 2026, to achieve debt service savings. Upon obtaining authorization, Treasury staff will obtain credit ratings for the New Money and Refunding Bonds, complete all legal documentation, and distribute the Preliminary Official Statement to potential investors while initiating pre-marketing efforts. Following this, the issuer will negotiate the sale of the New Money and Refunding Bonds with the underwriters. The New Money and Refunding Bonds are expected to be priced and delivered in April 2026.

ATTACHMENTS

Attachment A - Finding of Benefit Resolution

Prepared by: Rodney Johnson, Treasurer, (213) 922-3417
Matthew Wingert, Senior Budget Manager, (213) 922-2553
Robert Suh, Budget Manager, (213) 922-4102

Reviewed by: Michelle Navarro, Interim Chief Financial Officer, (213) 922-3056

ATTACHMENT A

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A MEASURE R BOND ISSUANCE EXCEED ISSUANCE AND INTEREST COSTS

WHEREAS, the Measure R Ordinance provides for the establishment and implementation of a retail transactions and use tax for a period of thirty years and an expenditure plan that describes the Measure R transit capital projects to be constructed with the proceeds of such tax; and

WHEREAS, the accelerated construction of certain Measure R transit capital projects would avoid inflationary cost escalation; and

WHEREAS, the proposed $585 million debt financing would provide additional funds to meet the cash flow necessary to pay for an accelerated construction program for Measure R transit capital projects; and

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the $585 million debt financing, which would accelerate project delivery and avoid inflationary cost escalation, exceed issuance and interest costs.

Adopted this __th day of March, 2026.

Signed: _____

Board Clerk
Los Angeles County Metropolitan
Transportation Authority

Measure R Sales Tax: 2026 Bond Financing

Measure R Independent Taxpayers Oversight Committee Meeting
March 9, 2026

Metro

Measure R Ordinance

Measure R Ordinance

Section 8. Oversight | i. The Measure R Oversight Committee shall:

4. Review all proposed debt financing and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs.

Section 12. Establishment of Bonding Authority

Metro is authorized to issue limited tax bonds, from time to time, payable from and secured by Sales Tax Revenues to finance any program or project in the Expenditure Plan, pursuant to Sections 130500 et sez. of the Public Utilities Code, and any successor act. ...

Metro

Source: Ordinance #08-01, and Page 14 and 16

Measure R 2026 Bond Financing

Bond Financing

Seeking a Finding of Benefit for a $585 million bond issuance to:

- Reimburse incurred expenses
- Pay upcoming capital project financing costs
- Tax-exempt fixed-rate bonds with a final maturity expected to be 2039
- Sale in April of 2026
- Bond issue will conform to the guidelines established by Metro's Board approved Debt Policy

Form of Liquidity Management

- Metro's liquidity relies heavily on sales tax, reimbursement-based grants, and reimbursements from bond proceeds
- Metro must pay project costs upfront and seek reimbursement later
- Without sufficient liquidity, Metro will be faced with operational inefficiencies and forced to delay future projects until enough funds accumulate to continue on a pay-as-you-go basis
- This may result in higher total project costs due to inflation and rising construction expenses

Metro

Benefits

Benefits of Measure R Bonds Financing

- Align useful life of project with expense of debt and prevent the misalignment of short-term cash demands with long-term assets
- Replenish short-term borrowing capacity and manage future funding for projects
- Take advantage of the difference in tax-exempt borrowing rates and investment yields to reduce overall borrowing costs or improve financial efficiency

Current Investment Rate Exceed Financing Cost

Investment Opportunities for Excess Cash	
1-Month US Treasury Rate[1]	3.69%
3-Month US Treasury Rate[1]	3.68%
6-Month US Treasury Rate[1]	3.65%
1-Year US Treasury Rate[1]	3.49%
Metro External Portfolio Managers[2]	3.80%

Projected Tax-Exempt Bonds Financing Cost	
Measure R Tax-Exempt Bond Financing[3]	2.39%

[1]Rates as of February 4, 2026
[2]Yield to Maturity at Market as of December 31, 2025
[3]Preliminary Financing Cost as of January 12, 2026

Metro

Recommendation & Next Steps

- Adopt a Resolution finding that the benefits of a New Money Measure R Bonds financing accelerating project delivery and avoiding future cost escalation exceeds issuance and interest costs.
- Next Steps:
  - Request authorization from Metro Board for the New Money and Refunding Bonds issuance
  - Obtain ratings on the New Money and Refunding Bonds
  - Complete legal documentation, distribute the preliminary official statement to potential investors, and initiate pre-marketing efforts
  - Negotiate the sale of the New Money and Refunding Bonds with the underwriters
  - Price and deliver the New Money and Refunding Bonds in April of 2026

Metro