

**Board Report**

File #: 2015-1306, **File Type:** Resolution

Agenda Number: 13.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 20, 2016**

SUBJECT: PROPOSITION A REFUNDING BONDS

ACTION: AUTHORIZE SALE OF REFUNDING BONDS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. **AUTHORIZES** the issuance of bonds by competitive sale to refund the **Prop A Series 2008-A1, Series 2008-A2, Series 2008-A3 and Series 2008-A4 Bonds** ("the 2008-A Bonds") in one or more transactions through August 31, 2016, consistent with the Debt Policy;
- B. **APPROVES** the **forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Bonds, and Preliminary Official Statement**, all subject to modification as set forth in the resolution; and
- C. **AUTHORIZES** taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)

ISSUE

Lower interest rates offer an opportunity for Metro to lock in low long term rates by refunding the outstanding variable rate 2008-A Bonds and eliminate short term interest rate risk. The 2008-A Bonds refunded the 2005-C bonds, which were issued in combination with interest rate swaps that were intended to produce a synthetic fixed rate of approximately 3.37%. Because the fixed rate based on the interest rate swaps was higher than the current market, we terminated the swaps on July 1, 2015 at no cost to Metro. Metro has entered into agreements with two banks for the 2008-A bonds where we pay a variable interest rate that resets monthly and is tied to one-month London Interbank Offered Rate ("LIBOR") index. A refunding with fixed rate bonds will allow us to lock-in the interest cost over the remaining term of the bonds at currently low interest rates and remove the risk of rising short term rates. We are requesting the authority to sell Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds (the "Refunding Bonds") in one or more transactions through August 31, 2016, to allow flexibility should significant market volatility occur. It is our expectation that the \$238.4 million

outstanding principal of the 2008-A Bonds will be refunded through a competitive sale by spring 2016, depending on market conditions.

DISCUSSION

The 2008-A Bonds bear an interest rate that resets monthly based on one-month LIBOR. The variable interest rate, including a spread that Metro has agreed to pay to the two banks that purchased the bonds, is currently about 0.50% (half of one percent). Although current short-term interest rates are very low, the cost to Metro is expected to increase as interest rates rise due to the fact that the 2008-A bonds bear interest at a variable rate. Issuing fixed rate bonds will mitigate that risk.

The Debt Policy establishes criteria to evaluate refunding opportunities. The Refunding Bonds are recommended to change the debt from variable rate to fixed rate and the Debt Policy provides for refundings that change the type of debt instrument being used. The refunding is not being undertaken solely to achieve cost savings or meet target savings amounts. At the current variable interest rate of 0.50%, including the bank spread, a fixed rate refunding will result in a higher interest cost. However, should the LIBOR index increase to the 10 year average for one-month LIBOR of 1.495% for the remaining 16 year term of the 2008-A Bonds, the refunding will result in about \$4 million in present value total debt service savings to Metro.

As part of this issuance of Refunding Bonds, the Trust Agreement will be amended to conditionally eliminate the Debt Service Reserve Fund ("DSRF") requirement. The Refunding Bonds and any future Prop A bonds will be issued under supplemental trust agreements that allow for the elimination of the DSRF requirement once 60% of all outstanding First Tier Senior Lien bonds are issued under this revised DSRF provision, which is estimated to occur in July 2021. During the period between this Refunding Bond issue and when the amendment actually takes place, Metro may have to contribute funds to satisfy the DSRF requirement. Once the amendment takes effect, Metro will have the option to issue any new or refunding bonds without a debt service reserve fund, can also elect to have the new bonds establish a new debt service reserve requirement or participate in the existing reserve fund.

Currently, Metro is required to set-aside \$140 million in a debt service reserve fund to secure all Prop A First Tier Senior Lien Bonds, which is equal to the maximum amount of future debt service paid in a fiscal year. Metro meets this requirement with approximately \$54 million in cash and investments, and an \$85.5 million surety, or insurance policy. The cash and investments were funded from prior Prop A First Tier Senior Lien bonds, and currently earn a relatively low investment rate. The surety policy was purchased in 2008 and expires in July 2021.

Based on current projections of refundings, we anticipate meeting the 60% consent requirement in 2021, enabling us to reduce the DSRF requirement and initiate the reduction of cash and investments held in the DSRF. The lower DSRF requirement will also eliminate the need to replace the surety policy. Factoring in principal paydowns, we project that the DSRF requirement will only be approximately \$11 million by fiscal 2022, securing the remaining bonds (Prop A 2014A and 2015A bonds) that have not been issued under the amended trust agreement. At that level, we estimate \$43 million of the \$54 million cash in the DSRF will be available to pay Prop A debt service, thereby

freeing up funds for other Prop A projects.

The Reserve Requirement was created in 1986 when the Trust Agreement was originally executed. Purchasers of Metro bonds and the rating agencies no longer place a significant amount of value on a debt service reserve fund for an issuer with the AAA credit strength of our Prop A bonds. We have received confirmation from Standard & Poor's and Moody's Investors Service that removing the debt service reserve fund for future bond issues will not have an impact on the bond ratings for the First Tier Senior Lien Bonds, keeping our ratings at the current levels of AAA and Aa1, respectively.

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 bonds will be paid from proceeds of the financing and will be budget neutral. Bond principal and bond interest expense for the Prop A 2008-A Bonds are included in the FY16 budget in project 610306, account 51101 for principal and account 51121 for interest.

ALTERNATIVES CONSIDERED

The Board could defer the refunding to a later time or indefinitely. This is not recommended because recent market conditions have been favorable for the refunding. Also short-term rates have risen since the Federal Reserve increased the Fed Funds rate on December 16, 2015, and the Federal Reserve is signaling more short-term interest rate increases will occur during 2016. Strength in the domestic economy could also cause short-term interest rates to rise. A refunding at a later time may result in the payment of higher interest costs over the term of the bonds. In addition, the current agreements with the two banks providing the short term liquidity expire in August 2016 and if we do not issue Refunding Bonds we will have to replace the existing bank facilities.

NEXT STEPS


- Further develop bond issuance documentation and publish the sales notices
- Obtain credit ratings
- Distribute the preliminary official statement to prospective underwriters and potential investors
- Initiate pre-marketing effort
- Receive electronic bids from underwriters
- Finalize bond documentation and deliver the bonds

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by: Donna R. Mills, Treasurer, (213) 922-4047
LuAnne Edwards Schurtz, Assistant Treasurer, (213) 922-2554

Reviewed by: Nalini Ahuja, Executive Director, Finance and Budget,
(213) 922-3088



Phillip A. Washington
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 PROPOSITION A FIRST
TIER SENIOR SALES TAX REVENUE REFUNDING BONDS AND
APPROVING OTHER RELATED MATTERS**

(PROPOSITION A SALES TAX)

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 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 by 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 payments or provision for the payment of the principal of the bonds and any premium, interest on the bonds and the costs of issuance of the 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, pursuant to the terms of a Trust Agreement, dated as of July 1, 1986, as amended and supplemented (the "Trust Agreement") between the Commission, as predecessor to the LACMTA, and First Interstate Bank of California, the predecessor trustee to The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), the LACMTA has issued several series of bonds, including its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2007-A (the "Series 2007-A Bonds"), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-A1, Series 2008-A2, Series 2008-A3 and Series 2008-A4 (collectively, the "Series 2008-A Bonds"), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2008-B (the "Series 2008-B Bonds"), its Proposition

A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2009-A (the “Series 2009-A Bonds”), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2011-A (the “Series 2011-A Bonds”), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2011-B (the “Series 2011-B Bonds”), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2012-A (the “Series 2012-A Bonds”), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2013-A (the “Series 2013-A Bonds”), its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2014-A (the “Series 2014-A Bonds”), and its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds Series 2015-A (the “Series 2015-A Bonds,” and collectively with the Series 2007-A Bonds, the Series 2008-A Bonds, the Series 2008-B Bonds, the Series 2009-A Bonds, the Series 2011-A Bonds, the Series 2011-B Bonds, the Series 2012-A Bonds, the Series 2013-A Bonds and the Series 2014-A Bonds, the “Prior Senior Lien Bonds”); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more series of its Proposition A First Tier Senior Sales Tax Revenue Refunding Bonds (the “Refunding Bonds”) to: (a) refund all or a portion of the outstanding Series 2008-A Bonds (the Series 2008-A Bonds so refunded shall be collectively referred to herein as the “Refunded Bonds”), provided that the refunding of the Refunded Bonds is consistent with the LACMTA’s Debt Policy as in effect at the time of pricing of the Refunding Bonds; (b) fund or make provision for one or more reserve funds or accounts, if necessary, for the Refunding Bonds; and (c) pay certain costs related thereto; and

WHEREAS, the LACMTA desires to sell the Refunding Bonds on a competitive basis in accordance with the LACMTA’s Debt Policy; and

WHEREAS, the LACMTA has determined that it is in its best interest to amend certain provisions of the Trust Agreement, including, but not limited to, the provisions related to the establishment and funding of debt service reserve fund (s) for the Bonds (as defined in the Trust Agreement); 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) a Supplemental Trust Agreement (the “Supplemental Trust Agreement”) by and between the LACMTA and the Trustee, which will be used in connection with the issuance of the Refunding Bonds and amending certain provisions of the Trust Agreement;

(b) an Escrow Agreement (the “Escrow Agreement”) among the LACMTA, the Trustee and The Bank of New York Mellon Trust Company, N.A., as escrow agent, which will be used in connection with the refunding and defeasance of the Refunded Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), which will be used, from time to time, in connection with the offer and sale of the Refunding Bonds;

(d) a Notice of Intention to Sell Bonds (the “Notice of Intention to Sell Bonds”), which will be published in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer (as hereinafter defined));

(e) a Notice Inviting Bids (the “Notice Inviting Bids”), which will be used to set forth the terms and the manner in which proposals from qualified bidders for the purchase of the Refunding Bonds shall be received; and

(f) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to be executed by the LACMTA, which will be used in order to assist the underwriters of the Refunding Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5); 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 Refunding Bonds and said documents are subject to completion to reflect the results of the sale of the Refunding Bonds; and

WHEREAS, the LACMTA has pledged the Proposition A Tax, less the 25% allocated to local jurisdictions and less the State Board of Equalization’s costs of administering the Proposition A Tax (as further defined in the Trust Agreement, the “Pledged Revenues”) pursuant to the terms of the Trust Agreement to secure the Prior Senior Lien Bonds and certain other obligations of the LACMTA, and once issued, the Refunding 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, the LACMTA desires to designate the Chief Executive Officer of the LACMTA, the Executive Director, Finance and Budget of the LACMTA, the Treasurer of the LACMTA, and each Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, as an “Authorized Commission Representative” and an “Authorized Authority Representative” for all purposes under the Trust Agreement and the Supplemental Trust Agreement; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement and the Supplemental 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 LACMTA hereby finds and determines that the issuance of one or more series of its Refunding Bonds under the Trust Agreement to refund all or a portion of the Series 2008-A Bonds (provided that the refunding of the Refunded Bonds is consistent with the LACMTA's Debt Policy as in effect at the time of pricing of the Refunding Bonds), to fund or make provision for one or more reserve funds or accounts, if necessary, for the Refunding Bonds and to pay certain costs related to the issuance of the Refunding Bonds thereto is in the public interest.

Section 2. Issuance of Refunding Bonds. The Board of the LACMTA hereby authorizes the issuance by the LACMTA of one or more series of Refunding Bonds in a total aggregate principal amount not to exceed \$250,000,000 to refund all or a portion of the Series 2008-A Bonds (provided that the refunding of the Series 2008-A Bonds is consistent with the LACMTA's Debt Policy as in effect at the time of pricing of the Refunding Bonds as determined and calculated at the discretion of the Treasurer of the LACMTA, which shall be conclusive for all purposes of this Resolution), to fund or make provision for one or more reserve funds or accounts, if necessary, and to pay certain costs related to the issuance of the Refunding Bonds. The LACMTA hereby specifies that each series of Refunding Bonds shall not mature later than July 1, 2031 and the True Interest Cost (as defined below) of each series of the Refunding Bonds shall not exceed 4.00%, as such shall be calculated by the LACMTA's financial advisor as of the date of delivery of each series of the Refunding Bonds. The Refunding Bonds shall be issued in a manner by which the interest thereon is excludable from gross income under the Internal Revenue Code of 1986, as amended. The Chief Executive Officer ("CEO") of the LACMTA, any 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"), acting in accordance with this Section 2, are each hereby severally authorized to determine the actual aggregate principal amount of each series of Refunding Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the Refunding Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The Refunding Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in the Supplemental Trust Agreement. Payment of the principal of, interest on and premium, if any, on the Refunding Bonds shall be made at the place or places and in the manner provided in 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 Refunding Bonds and to the principal amount, and premium or discount if any, of the applicable series of Refunding Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the applicable series of Refunding 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 financial advisor.

Section 3. Terms of Refunding Bonds. The Refunding Bonds shall be issued as current interest bonds and shall be available in denominations of \$5,000 and integral multiples thereof. The Refunding Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the Supplemental Trust Agreement. The

Refunding Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Supplemental Trust Agreement. Interest on the Refunding Bonds shall be paid at the rates and on the dates set forth in the Supplemental Trust Agreement. No Refunding Bond shall bear interest at a rate in excess of 6.00% per annum. The Refunding Bonds shall be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the Supplemental Trust Agreement. The Refunding Bonds issued as term bonds also shall be subject to mandatory sinking fund redemption as shall be set forth in the Supplemental Trust Agreement.

Execution and delivery of Supplemental Trust Agreement, which document will contain the maturities, interest rates and the fixed interest payment obligations of the LACMTA within parameters set forth in this Resolution, shall constitute conclusive evidence of the LACMTA's approval of such maturities, interest rates and payment obligations.

Section 4. Special Obligations. The Refunding Bonds shall be special obligations of the LACMTA secured by and payable from the Pledged Revenues and from the funds and accounts held by the Trustee under the Trust Agreement.

Section 5. Form of Refunding Bonds. The Refunding 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 Secretary 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 as appropriate to adequately reflect the terms of such Refunding Bonds and the obligation represented thereby.

Section 6. Execution of Refunding Bonds. Each of the Refunding 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 Refunding Bonds.

Section 7. Approval of Documents, Authorization for Execution. The form, terms and provisions of the Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds and the Continuing Disclosure Certificate on file with the Secretary 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 the Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds and the Continuing Disclosure Certificate, including counterparts thereof. The Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds and the Continuing Disclosure Certificate, 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 form of the Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds and the Continuing Disclosure Certificate, 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 Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds 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 the Supplemental Trust Agreement, the Escrow Agreement, the Notice Inviting Bids, the Notice of Intention to Sell Bonds and the Continuing Disclosure Certificate.

Section 8. Sale of Refunding Bonds.

(a) Each Designated Officer is hereby authorized, from time to time, to choose such times and dates as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale of the Refunding Bonds, to receive proposals from qualified bidders for the purchase of the Refunding Bonds (through the receipt of sealed written bids and/or the receipt of bids through the use of computerized bidding systems) upon the terms and in the manner set forth in the Notice Inviting Bids.

(b) Each Designated Officer is hereby authorized and directed to execute the Notices Inviting Bids, from time to time, in such form as the Designated Officer executing the same shall approve, and call for bids for the sale of the Refunding Bonds from qualified bidders in accordance with the Notice Inviting Bids.

(c) Each Designated Officer is hereby authorized and directed to cause the Notice of Intention to Sell Bonds to be published from time to time (after completion, modification or correction thereof reflecting the terms of the Refunding Bonds, as approved by said Designated Officer, such approval to be conclusively evidenced by such publication) in *The Bond Buyer* (or such other publication as may be selected by a Designated Officer), a financial publication generally circulated throughout the State of California, at least five days prior to the sale of the Refunding Bonds in accordance with Section 53692 of the Government Code of the State of California and any such action previously taken is hereby confirmed, ratified and approved.

(d) Each Designated Officer is authorized and directed to cause any Notice Inviting Bids to be published at least once in *The Los Angeles Daily Journal* (or such other publication as may be selected by a Designated Officer) not less than five days prior to the sale of the Refunding Bonds and to print and distribute (including via electronic methods) any Notice Inviting Bids to such municipal broker-dealers, banking and financial institutions and other persons as the Designated Officer deems necessary or desirable, and any such action previously taken is hereby confirmed, ratified and approved.

(e) Each Designated Officer is hereby authorized and directed for and on behalf of the LACMTA to accept the best bid for the Refunding Bonds received from

qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the Notice Inviting Bids herein approved and to award the Refunding Bonds, from time to time, to such best bidder(s).

(f) Each Designated Officer is hereby authorized and directed to take any other action such Designated Officer determines is necessary or desirable to cause any such competitive sale to comply with the LACMTA's Debt Policy and applicable law.

Section 9. Preliminary Official Statement and Official Statement. The form of the Preliminary Official Statement on file with the Secretary 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 Secretary 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 Refunding 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 Proposition A Tax and a description of historical receipts of sales tax revenues substantially in the form of the Preliminary Official Statement on file with the Secretary 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 Refunding Bonds and the terms and conditions of the Supplemental Trust Agreement together with such information and description as a Designated Officer determines is appropriate or necessary.

Upon the sale of the Refunding Bonds, any Designated Officer shall provide for the preparation, publication, execution and delivery in electronic and/or printed form of a final Official Statement in substantially the form of the Preliminary Official Statement on file with the Secretary of the Board and made available to the Board with such changes as any Designated Officer determines are appropriate or necessary. Any Designated Officer is hereby authorized and directed to execute and deliver the final Official Statement in the name and on behalf of the LACMTA. One or more supplements to the final Official Statement may be prepared and delivered reflecting updated and revised information as any Designated Officer deems appropriate or necessary. The Official Statement shall be circulated for use in selling the Refunding Bonds at such time or times as any Designated Officer deems appropriate.

Section 10. Trustee, Paying Agent and Registrar. The LACMTA hereby appoints The Bank of New York Mellon Trust Company, N.A. as Trustee, Paying Agent and Registrar for the Refunding Bonds. Such appointments shall be effective upon the issuance of the Refunding 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. Escrow Agent. The LACMTA hereby appoints The Bank of New York Mellon Trust Company, N.A. as Escrow Agent under the Escrow Agreement. Such appointment

shall be effective upon the issuance of the Refunding Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 12. Bond Insurance and Reserve Fund Surety Bond. In connection with the sale of all or a portion of the Refunding Bonds, the Designated Officers are 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 Refunding Bonds and/or one or more reserve fund surety bonds, said municipal bond insurance and/or reserve fund surety bond to contain such terms and conditions as such Designated Officer(s) shall determine is appropriate or necessary for the issuance of the Refunding Bonds. Notwithstanding the Debt Policy of the LACMTA, each of the Designated Officers is hereby authorized and directed to determine the process of procuring the provider of municipal bond insurance or reserve fund surety and such process may be, at the determination of such Designated Officer, either a competitive bidding process or a privately negotiated process, even if such process does not comply with the Debt Policy of the LACMTA.

Section 13. Authorized Commission Representative/Authorized Authority Representative. The Board hereby designates the CEO, the Executive Director, Finance and Budget of the LACMTA, the Treasurer of the LACMTA, and each Assistant Treasurer of the LACMTA, or any such officer serving in an acting or interim capacity, as an Authorized Commission Representative and an Authorized Authority Representative for all purposes under the Trust Agreement and with respect to all bonds outstanding under the Trust Agreement. Such appointment shall remain in effect until modified by resolution.

Section 14. Additional Authorization. The Designated Officers, 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 Refunding Bonds, the Supplemental Trust Agreement, the Escrow Agreement, the Notice of Intention to Sell Bonds, the Notice Inviting Bids and the Continuing Disclosure Certificate 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 Trust Agreement, the Supplemental Trust Agreement, the Escrow Agreement, the Notice of Intention to Sell Bonds, the Notice Inviting Bids and the Continuing Disclosure Certificate or to evidence said authority and its exercise. The foregoing authorization includes, but is in no way limited to, the direction (from time to time) by a Designated Officer of the investment of the proceeds of the Refunding Bonds and of the Pledged Revenues including the execution and delivery of investment agreements or purchase agreements related thereto, the execution by a Designated Officer and the delivery of one or more tax certificates as required by the Supplemental Trust Agreement for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; the execution by a Designated Officer of any documents necessary in connection with obtaining bond insurance on all or a portion of the Refunding Bonds, and the execution and delivery of documents required by The Depository Trust Company in connection with the Book-Entry

Bonds. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

Any Designated Officer, on behalf of the LACMTA, is further authorized and directed to cause written notice(s) to be provided to the California Debt and Investment Advisory Commission (“CDIAC”) of the proposed sale of the Refunding Bonds, said notice(s) to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice(s) 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 Refunding Bonds, and any such notices are hereby ratified, confirmed and approved.

Section 15. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by the CEO of the LACMTA, any Executive Director, Finance and Budget of the LACMTA, any Treasurer of the LACMTA, or any Assistant Treasurer of the 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 16. Further Actions. From and after the delivery of the Refunding Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify the Supplemental Trust Agreement, the Escrow Agreement and the Continuing Disclosure Certificate 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 financial 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, reserve fund surety or investment agreement and enter into one or more municipal bond insurance policies, reserve fund sureties or investment agreements as any such Designated Officer shall determine is appropriate or necessary.

Section 17. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Refunding Bonds, to be used to pay costs of issuance of the Refunding Bonds, including, but not limited to, costs of attorneys, accountants, verification agents, financial advisors, trustees, escrow agents, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 18. Investment Agreements. In connection with the issuance of the Refunding Bonds, each of the Designated Officers is hereby authorized and directed to terminate, amend, assign or otherwise dispose of any investment agreement relating to any of the Refunded Bonds in such manner and on such terms and provisions as any such Designated Officer shall determine is appropriate or necessary.

Section 19. 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 20. Effective Date. This Resolution shall be effective upon adoption.

Authorizing Resolution

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