



Board Report

File #: 2016-0607, **File Type:** Resolution

Agenda Number: 6.

**FINANCE, BUDGET & AUDIT COMMITTEE
OCTOBER 19, 2016**

SUBJECT: MEASURE R BONDS

ACTION: AUTHORIZE NEGOTIATED SALE OF BONDS AND APPOINT UNDERWRITERS

RECOMMENDATION

ADOPT a Resolution that:

- A. AUTHORIZES the negotiated bond sale and issuance of up to \$600 million of bonds (**Measure R Senior Sales Tax Revenue Bonds, 2016**) in one or more series, to finance capital projects and to repay outstanding short-term revolving debt;
- B. APPROVES the forms of the supplemental trust agreement, continuing disclosure certificate, preliminary official statement and such other documents as required for the issuance of the bonds, and approves related documents on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the Resolution;
- C. APPROVES the form of the bond purchase contract on file with the Board Secretary, that will be entered into with the underwriters as listed in Attachment B hereto; and
- D. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of the bond purchase contract and bond documentation associated with the issuance of the Measure R 2016 Bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)

ISSUE

Currently, low long-term interest rates provide the opportunity to issue bonds to finance capital project expenditures and to repay short-term debt that was used to pay capital project expenses with permanent fixed rate financing in order to keep Measure R projects moving forward.

DISCUSSION

The Measure R Ordinance anticipated and authorized the use of debt to finance projects in the Measure R Expenditure Plan. Metro’s Long Range Transportation Plan (LRTP) assumed the

issuance of long-term debt to deliver projects faster than possible on a “pay as you go” basis. The proposed \$600 million tax-exempt fixed rate bond issue is needed to bridge the gap between annual Measure R tax receipts and the money needed to fund Measure R capital projects. Metro’s Board-approved Debt Policy permits new debt issues for financing capital projects and certain capital equipment where financing over time, with interest, allows us to meet certain public policy goals such as accelerating the completion of projects and/or improvements. The issue size is based on the FY17 budget assumption of \$300 million of non-TIFIA debt primarily for Measure R project construction expenses. The \$300 million balance will refinance on a permanent basis existing short-term debt that was used to pay Measure R project expenses in order to lock in currently low long-term interest rates and to restore capacity under the short-term program for continued use. Current long-term rates are at or near historical lows, making it a good time to lock in long-term interest rates by refinancing short-term debt with fixed rate debt.

In accordance with Section 8(i)(4) of the Measure R Ordinance, the Proposition R Independent Taxpayers Oversight Committee of Metro (Measure R Oversight Committee) is required to find that the benefits of any proposed Measure R debt financing for accelerating project delivery, avoiding cost escalation and related factors exceed issuance and interest costs prior to the Board authorizing the debt issuance. The Measure R Oversight Committee made the finding of benefit at its July 19, 2016 meeting, see Attachment C.

The negotiated sale method is recommended for this sale of Measure R Senior Bonds in accordance with the Debt Policy criteria for determining the method of bond sale due to the relatively large size of the bond sale and because the bond markets have been experiencing increased interest rate volatility owing to economic uncertainty and geopolitical events. If market conditions change suddenly, a negotiated sale puts us in the best position to alter the sale date and/or bond structure as needed. A negotiated sale method allows Metro to further its DBE/SBE/DVBE firm participation goals as well. The underwriter’s sales force will also be helpful to address any investor concerns about the new sales tax measure that Metro is placing on the November 2016 ballot, litigation associated with the projects, and general uncertainty about the direction of the economy that is typically generated during an election season. Also, we have not issued any Measure R Senior Bonds since the initial and only issuance in 2010, so a negotiated sale will be helpful in making sure that the bond issue is marketed to as many investors as possible. The underwriters will pre-market the issue, assist with the rating process and advise on market timing for pricing the bonds.

Consistent with our Debt Policy, in order to select underwriters for this transaction, a competitive Request for Proposal (RFP) process was conducted by Fieldman Rolapp, our Financial Advisor. RFPs were distributed to the 12 firms in Metro’s Underwriter Pool, approved by the Board in October 2015. Treasury staff and our financial advisors reviewed the proposals, evaluating them based on the criteria listed in the RFP. Staff is recommending a team of underwriters to be led by Bank of America Merrill Lynch, who was ranked first in the selection process. The additional underwriting team members are JP Morgan Securities LLC, Loop Capital Markets LLC, Citigroup Global Markets Inc., RBC Capital Markets, and Drexel Hamilton LLC. Including this transaction, Metro has utilized 75% (9 out of 12 firms) of the underwriter pool that was approved in October, 2015. Attachment B sets forth the “take down” the underwriters will receive as consideration for underwriting the transaction, and the percentage of bonds to be sold to each of the underwriters. If any of the selected underwriters decide not to participate in the transaction, their percentage of bonds will be distributed

among the remaining underwriter team members.

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 bonds will be paid from proceeds of the financing and will be budget neutral. Funding for the bond principal and interest expense for this financing will be included in future budgets as follows: bond principal, account 51101 and bond interest account 51121.

ALTERNATIVES CONSIDERED

Authorization of the sale and the appointment of the underwriters could be delayed. This is not recommended as it would expose us to higher interest costs in the future should interest rates rise and could delay the construction of projects if Measure R funds are not available.

NEXT STEPS

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

ATTACHMENTS

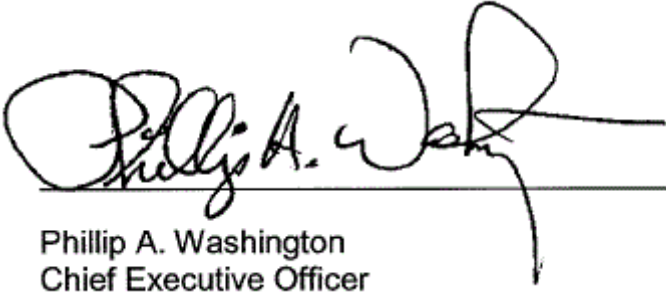
Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

Attachment C - Finding of Benefit Resolution

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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 LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY MEASURE R SENIOR SALES TAX REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL TRUST AGREEMENT, A PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE AND PRELIMINARY AND FINAL OFFICIAL STATEMENTS, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

(MEASURE R SALES TAX)

W I T N E S S E T H :

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 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, pursuant to the Act and the provisions of the Amended and Restated Trust Agreement, dated as of February 1, 2014 (as supplemented and amended from time to time, the "Trust Agreement"), between the LACMTA and U.S. Bank National Association (the "Trustee"), the LACMTA is authorized to issue Senior Bonds, Subordinate Obligations and Junior Subordinate Obligations (each as defined in the Trust Agreement); and

WHEREAS, the LACMTA has determined that the issuance of one or more series of Senior Bonds, in an aggregate principal amount not to exceed \$600,000,000, is necessary in order to (a) finance and refinance the costs of projects authorized in the Expenditure Plan adopted as part of the Ordinance (the “Expenditure Plan”); (b) refund and repay certain Subordinate Obligations previously issued to finance and refinance the costs of projects authorized in the Expenditure Plan; and (c) pay the costs of issuance incurred in connection with such Senior Bonds (collectively, the “Financing”); and

WHEREAS, the LACMTA has determined that such Senior Bonds shall be entitled “Los Angeles County Metropolitan Transportation Authority Measure R Senior Sales Tax Revenue Bonds,” with such series designations and other additions and modifications as may be appropriate (collectively, the “Series 2016 Bonds”); and

WHEREAS, the LACMTA has determined that it is in its best interest to sell the Series 2016 Bonds to the public through a negotiated sale to the underwriters selected through a competitive process by the LACMTA and approved by the Board pursuant to this Resolution (the “Underwriters”); 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 “Series 2016 Supplemental Trust Agreement”) by and between the LACMTA and the Trustee, which, along with the Trust Agreement, shall set forth the terms and provisions of the Series 2016 Bonds;

(b) a Purchase Contract (the “Purchase Contract”), to 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 2016 Bonds;

(c) a Preliminary Official Statement (the “Preliminary Official Statement”), which will provide information about the Series 2016 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 2016 Bonds; and

(d) a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to 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(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 Series 2016 Bonds and said documents are subject to completion to reflect the results of the sale of the Series 2016 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 execution and delivery

of the Series 2016 Supplemental Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate, the preparation of the Preliminary Official Statement and the execution and delivery of the Official Statement (as hereinafter defined) for the purposes, in the manner and upon the terms provided; and

WHEREAS, the LACMTA has pledged the Pledged Revenues pursuant to the terms of the Trust Agreement to secure the Senior Bonds and certain other obligations of the LACMTA, and once issued, the Series 2016 Bonds will be Senior Bonds as defined in the Trust Agreement and will be secured by the pledge of the Pledged Revenues under the 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 Series 2016 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 Board finds and determines that the foregoing recitals are true and correct.

Section 2. Issuance of Series 2016 Bonds. The Board hereby authorizes the issuance by the LACMTA of one or more series of Series 2016 Bonds in a total aggregate principal amount not to exceed \$600,000,000 to (a) finance and refinance the costs of projects authorized in the Expenditure Plan, (b) refund and repay certain Subordinate Obligations previously issued to finance and refinance the costs of projects authorized in the Expenditure Plan, and (c) pay the costs of issuance incurred in connection with the Series 2016 Bonds. The LACMTA hereby specifies that each series of Series 2016 Bonds shall not mature later than June 30, 2039. The Series 2016 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, the Chief Financial Officer 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 Series 2016 Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the Series 2016 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 2016 Bonds shall be made at the place or places and in the manner provided in the Trust Agreement and the Series 2016 Supplemental Trust Agreement.

Section 3. Terms of Series 2016 Bonds. The Series 2016 Bonds shall be issued as current interest bonds and shall be available in denominations of \$5,000 and integral multiples thereof. The Series 2016 Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form of the Series 2016 Supplemental Trust Agreement. The Series 2016 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 Series 2016 Supplemental Trust Agreement.

Interest on the Series 2016 Bonds shall be paid at the rates and on the dates set forth in the Series 2016 Supplemental Trust Agreement. No Series 2016 Bond shall bear interest at a rate in excess of 6.00% per annum. The Series 2016 Bonds shall be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the Series 2016 Supplemental Trust Agreement and the Purchase Contract. The Series 2016 Bonds issued as term bonds also shall be subject to mandatory sinking fund redemption as shall be set forth in the Series 2016 Supplemental Trust Agreement and the Purchase Contract.

Execution and delivery of the Series 2016 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. Form of Series 2016 Bonds. The Series 2016 Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the form set forth in Exhibit A to the Series 2016 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 Series 2016 Supplemental Trust Agreement or as appropriate to adequately reflect the terms of such Series 2016 Bonds and the obligation represented thereby.

Section 5. Execution of Series 2016 Bonds. Each of the Series 2016 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 2016 Bonds.

Section 6. Approval of Series 2016 Supplemental Trust Agreement. The form, terms and provisions of the Series 2016 Supplemental Trust Agreement 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 Series 2016 Supplemental Trust Agreement, including counterparts thereof. The Series 2016 Supplemental Trust Agreement, as executed and delivered, shall be in substantially the form 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 Series 2016 Supplemental Trust Agreement 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 Series 2016 Supplemental Trust Agreement, 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 Series 2016 Supplemental Trust Agreement.

Section 7. Sale of Series 2016 Bonds.

(a) The Board hereby authorizes the initial sale of the Series 2016 Bonds to the public through a negotiated sale to the Underwriters. The Series 2016 Bonds shall be sold subject to an underwriters' discount (excluding original issue discount and premium) not to exceed \$1.50 per \$1000 of principal amount of the Series 2016 Bonds and subject to the terms and conditions set forth in the form of the Purchase Contract. The form, terms and provisions of the Purchase Contract on file with the Secretary of the Board and made available to the Board, within the parameters set forth in this Resolution, and the Underwriters named therein, are in all respects approved, and each of the Designated Officers is hereby severally authorized, empowered and directed to execute, acknowledge and deliver from time to time the Purchase Contract, including counterparts thereof, in the name of and on behalf of the LACMTA. The Purchase Contract, as executed and delivered, shall be in substantially the form 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 LACMTA's approval of any and all changes or revisions therein from the form of the Purchase Contract 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 Purchase Contract, 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 Purchase Contract.

(b) 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 Series 2016 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 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 Series 2016 Bonds and the terms and conditions of the Trust Agreement and the Series 2016 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 written format and/or through electronic means) the Preliminary Official Statement for use in selling the Series 2016 Bonds from time to time. The Underwriters are hereby further authorized to distribute (via written 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.

(c) 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 written format and/or through electronic means) for use in selling the Series 2016 Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriters, the LACMTA's Financial Advisor and Bond Counsel and such other advisors as a Designated Officer believes to be useful. The Underwriters are hereby authorized to circulate (via written 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.

(d) The form, terms and provisions of 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 hereby approved and the LACMTA's obligation to provide the information as described therein is 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 Continuing Disclosure Certificate. The Continuing Disclosure Certificate, as executed and delivered, shall be in substantially the form 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 LACMTA's approval of any and all changes or revisions therein from the form of the Continuing Disclosure Certificate on file with the Secretary of the Board and made available to the Board, and from and after the execution and delivery of 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 Continuing Disclosure Certificate.

(e) 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 2016 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 2016 Bonds, and any such notices are hereby ratified, confirmed and approved.

(f) Each Designated Officer's authority to approve the final terms of the sale of the Series 2016 Bonds and to execute or to direct the execution of the Purchase Contract shall commence upon the date of adoption of this Resolution and shall continue for twelve calendar months thereafter unless rescinded or modified by subsequent action of the LACMTA prior to the time that a Purchase Contract has been duly signed and delivered.

Section 8. Bond Insurance. In connection with the sale of all or a portion of the Series 2016 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 2016 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 2016 Bonds.

Section 9. Investments. Each Designated Officer is hereby authorized to invest the proceeds of the Series 2016 Bonds in accordance with the Trust Agreement and the Series 2016 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 Series 2016 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 will reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Investment Agreement and 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 2016 Bonds or enhance the relationship between risk and return with respect to investments.

Section 10. Additional Authorizations. All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the Financing and the issuance and sale of the Series 2016 Bonds are hereby ratified, confirmed and approved. The officers, employees and agents of the LACMTA 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 tax certificates or agreements, 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 2016 Bonds, to manage and administer the Financing after the issuance and sale of the Series 2016 Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, this Resolution, the Series 2016 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 2016 Bonds, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of the Series 2016 Bonds, or in connection with the addition, substitution or replacement of underwriters, or any agreements with paying 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.

Section 11. 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, the Chief Financial Officer 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 12. Further Actions. From and after the delivery of the Series 2016 Bonds, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify the Series 2016 Supplemental Trust 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 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 13. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the Series 2016 Bonds, to be used to pay costs of issuance of the Series 2016 Bonds, including, but not limited to, costs of attorneys, accountants, financial advisors, trustees, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

Section 14. 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 15. Effective Date. The effective date of this Resolution shall be the date of its 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

Summary of Underwriter Selection

Recommended Firms for 2016 Measure R New Money Bonds

Position	Firm	Alloc.
Senior Manager	Bank of America Merrill Lynch	45%
Co-Senior Manager	JP Morgan Securities	15%
Co-Senior Manager	Loop Capital Markets	15%
Co-Manager	Citigroup Global Markets	10%
Co-Manager	RBC Capital Markets	10%
Manager	Drexel Hamilton	5%

Proposed Price (Takedown): \$1.00 per \$1,000 of Bonds (0.1% of the bond issue)

The takedown is normally the largest component of the spread, similar to a commission, which represents the income the selling broker or dealer derives from the sale of the bonds. It compensates the underwriters for their work in structuring the transaction, marketing the transaction, and underwriting any bonds that are not sold to investors. Note that the actual takedown rate will be in accordance with the senior manager's proposal. The takedown rates for all of the underwriting team will be at the rates of the senior manager. Out of pocket expenses will be an additional charge.

Evaluation of Proposals

The Request For Proposals ("RFP") was sent on August 1, 2016 to all 12 firms that are in our underwriter pool, which was approved by the Board in October, 2015. Proposals were due August 10, 2016 and were received from the 12 firms listed below:

List of Proposers
Bank of America Merrill Lynch
Barclays Capital Inc.
Citigroup Global Markets Inc.
Drexel Hamilton LLC (Disabled Veteran Business Enterprise)
J.P. Morgan Securities LLC
Loop Capital Markets LLC (Minority Owned)
Morgan Stanley
Ramirez & Co., Inc. (Minority Owned)
RBC Capital Markets
Siebert Cisneros Shank & Co., LLC (Minority Owned)
Stifel, Nicolaus & Company, Incorporated
Wells Fargo Bank, N.A.

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

- Relevant experience of the firm and its individuals 30%
- Quality of the proposal 30%
- Capabilities of the firm of underwriting & distributing the 2016 Bonds 40%

Relevant experience included transportation debt, sales tax revenue secured debt, experience working directly with TIFIA and working on debt that was secured by revenues that also secured TIFIA loans. One factor that was considered in evaluating the capabilities of a firm was the demonstrated commitment of a firm in bidding on our recent competitive bond issues. The RFP also included questions about providing specific suggestions for the structuring of the 2016 Measure R Bonds. The selection committee made up of four staff and one of our financial advisors reviewed all proposals and scored the firms based on the evaluation criteria. These recommendations also reflect the LACMTA's Debt Policy of finding opportunities to contract with small, local, disadvantaged and disabled veteran firms; given the relatively large size of the transaction, this bond issue provides an opportunity to fulfill this policy goal. One co-senior manager is minority owned and the manager on this transaction is a disabled veteran business enterprise. Given the size of the transaction the other members of the recommended syndicate are large broker-dealer firms with strong marketing and distribution capabilities.

Finding of Benefit Resolution

**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 sales tax revenues for the construction of 12 transit capital projects over 30 years; and

WHEREAS, accelerated construction would avoid inflationary cost growth; and

WHEREAS, the proposed \$600 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

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program has generated 49,850 annual full-time and part-time jobs since 2010; and is expected to generate 124,030 annual full-time and part-time jobs during the remaining construction program.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$600 million debt financing, which would accelerate project delivery and avoid inflationary cost growth, exceed issuance and interest costs.

Adopted this 19th day of July, 2016

Signed:


Michele Jackson
LACMTA Board Secretary



Measure R Bonds

Board Meeting
October 27, 2016



Metro

Issue

We are seeking authorization to issue \$600 million of Measure R bonds through a negotiated sale to finance capital expenditures in order to keep Measure R projects moving forward:

Refinancing outstanding short term debt:	\$300 million
New Money for projects:	\$300 million

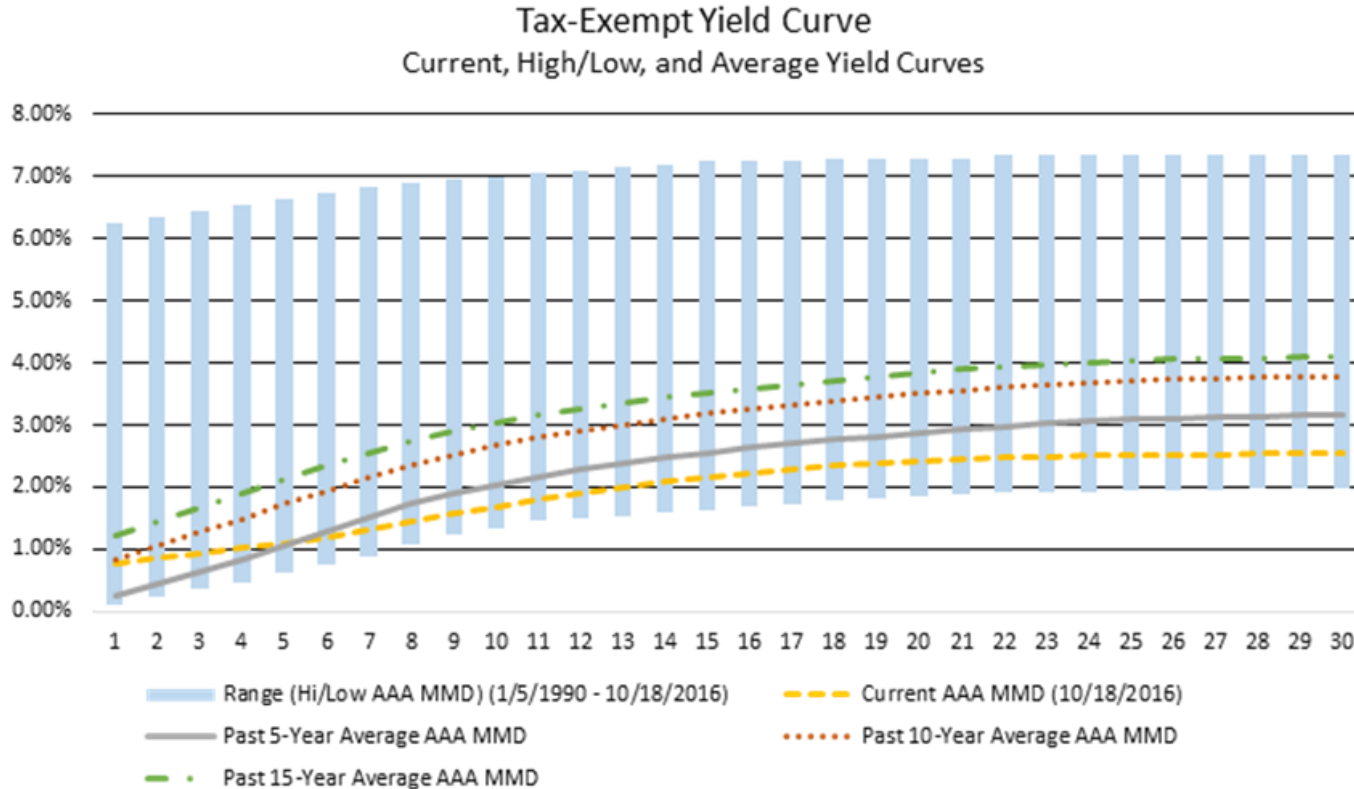
- **Tax-exempt fixed rate bonds**
- **Final maturity expected to be 2039**
- **Fall 2016 sale**

Issue

- **The underwriting team was selected from the underwriter pool approved by the Board in October 2015.**
- **With this transaction we will have utilized 75% of the underwriter pool.**
- **The Measure R Oversight Committee made a finding that the benefits of the proposed debt financing for accelerating projects and avoiding cost escalation exceed issuance and interest cost at its July 19, 2016 meeting.**

Issue

Current long-term rates are low compared to historical averages making it a good time to issue long-term fixed rate debt.



Recommendation & Next Steps

- **Adopt a Resolution:**

- A. Authorizing the negotiated sale of \$600 million of Measure R Bonds;
- B. Approve the forms of the supplemental trust agreement, continuing disclosure certificate, Preliminary Official Statement and other documents;
- C. Approve the form of the bond purchase agreement; and
- D. Authorize taking all action necessary to achieve the foregoing.

- **Next Steps**

- Obtain credit ratings on the bonds
- Complete legal documentation and initiate the pre-marketing effort
- Price the bonds

End Presentation

Discussion