



Board Report

File #: 2018-0595, **File Type:** Resolution

Agenda Number: 14.

**FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 14, 2018**

SUBJECT: PROPOSITION C BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the negotiated bond sale and issuance of up to \$650 million in aggregate principal amount of bonds (Proposition C Sales Tax Revenue Bonds, 2019) in one or more series, to finance capital projects and refinance outstanding commercial paper and revolving credit notes;
- 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 and all of which are 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 2019 Prop C bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

ISSUE

The Debt Policy provides guidelines for new money financings that may be long-term or short-term. Prop C new money bond issues are permitted to provide funding for eligible expenditures on highway, commuter rail, bus and rail capital projects.

BACKGROUND

The 2019 Prop C Bonds, with a par amount not to exceed \$650 million of fixed rate bonds, will fund

or reimburse LACMTA for Prop C eligible capital projects and expenditures and refinance commercial paper, the proceeds of which financed such costs. We need to obtain the funds for ongoing and planned transportation capital projects and lock in current interest rates.

DISCUSSION

In accordance with the Debt Policy, the negotiated sale method is recommended for this sale of the 2019 Prop C bonds due to its relatively large size. The underwriter's sales force will take the lead to address any investor concerns about the transaction. The underwriters will pre-market the issue, assist with the rating process, advise on timing for pricing the bonds and purchase the bonds under the terms set forth in the bond purchase contract. A negotiated sale allows Metro to further its DBE/SBE/DVBE firm participation goals as well. A significant portion of the 2019 Prop C Bonds are expected to be certified as Green Bonds, meaning the financed projects have positive environmental and/or climate benefits and meet the requirements under the Climate Bonds Initiative for low carbon assets and infrastructure. In addition, a negotiated sale gives us the ability to access alternate investor groups dedicated to purchasing bonds that are certified as Green.

Consistent with our Debt Policy, in order to select underwriters for this transaction, a competitive Request for Proposal (RFP) was conducted by PFM Financial Advisors LLC, Metro's General Financial Advisor for debt related matters. RFPs were distributed to the 12 firms in Metro's Underwriter Pool, approved by the Board in October 2015. Treasury staff and our transaction financial advisor, Public Resources Advisory Group, reviewed the proposals, evaluating them based on the criteria listed in the RFP. Staff is recommending a team of underwriters led by Siebert Cisneros Shank & Co., LLC and Citigroup Global Markets Inc. who ranked highest in the selection process. The additional underwriting team members are Bank of America Merrill Lynch, Morgan Stanley, Drexel Hamilton LLC, and Ramirez & Co., Inc. Attachment B sets forth the "take down" the underwriters will receive as consideration for underwriting the transaction, and the percentage of bonds for which each firm will be liable. If any of the selected underwriters decide not to participate in the transaction, their liability percentage of bonds will be distributed amongst the remaining underwriter team members.

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 2019 Prop C Bonds will be paid from proceeds of the financing and will be budget neutral. Funding for the new money 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.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal(s):

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

ALTERNATIVES CONSIDERED

Authorization of the sale and the appointment of the underwriters could be delayed. We do not recommend delay as the Federal Reserve Bank actions and other market, economic and geopolitical actions may push interest rates higher thus making it more expensive to complete projects or refinance commercial paper and revolving credit notes, the proceeds of which were used to pay Project expenses.

NEXT STEPS

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

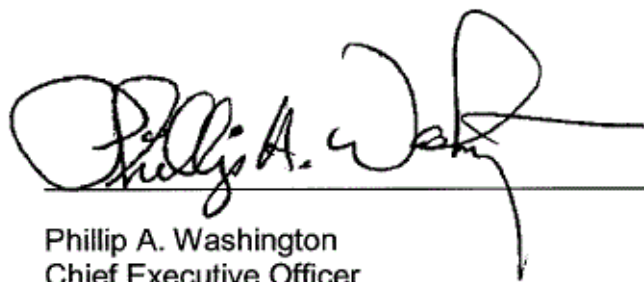
ATTACHMENTS

Attachment A - Authorizing Resolution

Attachment B - Summary of Underwriter Selection

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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 PROPOSITION C SALES TAX REVENUE 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.

(PROPOSITION C SALES TAX)

WITNESSETH:

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 transit 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. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a ½ of 1% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the LACMTA from the imposition of the transactions and use 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 is planning and engineering a Countywide rail, bus and highway transit system (the "Rail, Bus and Highway Transit System") to serve the County and has commenced construction of portions of the Rail, Bus and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail, Bus and Highway Transit System, the LACMTA, as authorized by the Act, pursuant to the terms of the Amended and Restated Trust Agreement, dated as of January 1, 2010, as amended and supplemented (the "Trust Agreement"), by and between the LACMTA and U.S. Bank National Association, as trustee (the "Trustee"), has issued multiple series of bonds, including its Proposition C Sales Tax

Revenue Refunding Bonds, Senior Bonds, Series 2009-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-D; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2009-E; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2010-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2013-B; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A; Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2016-A; Proposition C Sales Tax Revenue Bonds, Senior Bonds, Series 2017-A; and Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2018-A (collectively, the “Prior Senior Bonds”); and

WHEREAS, the LACMTA now desires to provide for the issuance of one or more series of its Proposition C Sales Tax Revenue Bonds, Senior Bonds, from time to time and in one or more transactions (collectively, the “New Money Bonds”) to: (a) finance and/or refinance (through the refunding and repayment of the LACMTA’s Subordinate Proposition C Sales Tax Revenue Commercial Paper Notes, Series A-TE (Tax-Exempt Notes) (the “Proposition C Commercial Paper Notes”) and the LACMTA’s Subordinate Proposition C Sales Tax Revenue Revolving Obligations (the “Proposition C Revolving Obligations”)), or reimburse itself for prior expenditures with respect to, additional portions of the Rail, Bus and Highway Transit System; (b) make a deposit to a debt service reserve fund, if necessary; and (c) pay certain costs of issuance related thereto (collectively, the “Financing”); and

WHEREAS, the LACMTA has determined that it is in its best interest to sell the New Money Bonds to the public through a negotiated sale to the underwriters selected through a competitive process by the LACMTA and approved by the Board of Directors of the LACMTA (the “Board”) pursuant to this Resolution (the “Underwriters”); and

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

(a) a Supplemental Trust Agreement (the “New Money Supplemental Trust Agreement”) by and between the LACMTA and the Trustee, which would supplement the Trust Agreement for purposes of providing the terms and conditions of the New Money Bonds;

(b) a Preliminary Official Statement (the “Preliminary Official Statement”), which will provide information about the New Money Bonds, the LACMTA, the Proposition C Tax and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the New Money Bonds;

(c) 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 New Money Bonds; and

(c) 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(b)(5), and which will provide for the annual and periodic update of certain financial and operating information with respect to the LACMTA and the collection of the Proposition C Tax, among other things, and certain enumerated events;

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 New Money Bonds, whether the New Money Bonds are issued in a single issuance or multiple issuances, and that said documents are subject to completion to reflect the results of the sale of the New Money Bonds; and

WHEREAS, the LACMTA has pledged the Proposition C Tax (less the 20% local allocation and the California Department of Tax and Fee Administration’s costs of administering such tax) (the “Pledged Taxes”) pursuant to the terms of the Trust Agreement to secure the Prior Senior Bonds and certain other obligations of the LACMTA, and once issued, the New Money Bonds will be “Bonds” and “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, the LACMTA desires to designate the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and any such officer serving in an acting or interim capacity, and any written designee of any of them as an “Authorized Authority Representative” for all purposes under the Trust Agreement and the New Money Supplemental Trust Agreement; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the governing body of a public body obtain from an underwriter, financial 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 execution and delivery of one or more New Money 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 LACMTA hereby finds and determines that:

(a) The issuance of one or more series of its New Money Bonds under the Trust Agreement to finance and/or refinance (through the refunding and repayment of all or a portion of the outstanding Proposition C Commercial Paper Notes and all or a portion of the outstanding Proposition C Revolving Obligations), or reimburse itself for prior expenditures with respect to, additional portions of the Rail, Bus and Highway Transit System, to make a deposit to a debt service reserve fund, if necessary, and to pay certain costs of issuance related to the issuance of the New Money Bonds, is in the public interest.

(b) Under the provisions of Ordinance No. 49, all of the Pledged Taxes are revenues of the LACMTA available for rail, bus and highway transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Senior Bonds were issued, pledged, along with the Pledged Revenues, to secure the Prior Senior Bonds and are pledged to secure the New Money Bonds, and, by this Resolution, such pledge is reaffirmed.

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

Section 2. Issuance of New Money Bonds. The Board hereby authorizes the issuance by the LACMTA of one or more series of New Money Bonds, from time to time and in one or more transactions, in a total aggregate principal amount not to exceed \$650 million, for the purposes of (a) financing and/or refinancing (through the refunding and repayment of all or a portion of the outstanding Proposition C Commercial Paper Notes and all or a portion of the outstanding Proposition C Revolving Obligations), or reimbursing itself for prior expenditures with respect to, additional portions of the Rail, Bus and Highway Transit System, (b) making a deposit to a debt service reserve fund, if necessary, and (c) paying certain costs of issuance related to the issuance of the New Money Bonds; *provided, however*, that the True Interest Cost (as defined below) of each series of the New Money Bonds shall not exceed 5.00%, as such shall be calculated by the LACMTA's municipal advisor as of the date of delivery of each series of the New Money Bonds. The LACMTA hereby specifies that the New Money Bonds shall not mature later than July 1, 2048.

The New Money 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 of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant

Treasurer of the LACMTA (or such other titles as the LACMTA may from time to time assign for such respective positions), and 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 New Money Bonds to be issued (not in excess of the maximum amount set forth above), and to direct the execution and authentication of the New Money Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The New Money Bonds shall be in fully registered form and shall be issued as Book-Entry Bonds as provided in each New Money Supplemental Trust Agreement. Payment of the principal of, interest on and premium, if any, on the New Money Bonds shall be made at the place or places and in the manner provided in each New Money 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 New Money Bonds and to the principal amount, and premium or discount if any, of the applicable series of New Money Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the applicable series of New Money 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 New Money Bonds. The New Money Bonds shall be issued as current interest bonds and shall be available in denominations of \$5,000 and integral multiples thereof. The New Money Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the New Money Supplemental Trust Agreement. The New Money 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 New Money Supplemental Trust Agreement. Interest on the New Money Bonds shall be paid on the dates set forth in the New Money Supplemental Trust Agreement. No New Money Bond shall bear interest at a rate in excess of 6.00% per annum. The New Money Bonds may be subject to redemption at the option of the LACMTA on such terms and conditions as shall be set forth in the New Money Supplemental Trust Agreement and the Purchase Contract, or not be subject to redemption. The New Money Bonds issued as term bonds also shall be subject to mandatory sinking fund redemption as and to the extent set forth in the New Money Supplemental Trust Agreement and the Purchase Contract.

Execution and delivery of the New Money Supplemental Trust Agreement, which document will contain the maturities, interest rates and the 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 New Money 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. The New Money Bonds shall also be secured by and be paid from such other sources as the LACMTA may hereafter provide.

Section 5. Form of New Money Bonds. The New Money Bonds and the Trustee’s Certificate of Authentication to appear thereon shall be in substantially the form set forth in

Exhibit A to the New Money 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 New Money Supplemental Trust Agreement or as appropriate to adequately reflect the terms of such New Money Bonds and the obligation represented thereby.

Section 6. Execution of New Money Bonds. Each of the New Money 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 New Money Bonds.

Section 7. Approval of New Money Supplemental Trust Agreement and Continuing Disclosure Certificate; Authorization for Execution. The form, terms and provisions of the New Money Supplemental Trust Agreement 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 one or more New Money Supplemental Trust Agreements and one or more Continuing Disclosure Certificates, including counterparts thereof. The New Money Supplemental Trust Agreement(s) and the Continuing Disclosure Certificate(s), 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 New Money Supplemental Trust Agreement 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 each New Money Supplemental Trust Agreement and each 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 New Money Supplemental Trust Agreement and each Continuing Disclosure Certificate.

Section 8. Sale of New Money Bonds.

(a) The Board hereby authorizes the initial sale of the New Money Bonds to the public through a negotiated sale to the Underwriters. The New Money Bonds shall be sold subject to an underwriters' discount (excluding original issue discount and premium) not to exceed \$2.00 per \$1000 of principal amount of the New Money 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, one or more, Purchase Contracts, including counterparts thereof, in the name of and on behalf of the LACMTA. Each 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 each 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 such Purchase Contract.

(b) 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 New Money 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 New Money Bonds, and any such notices are hereby ratified, confirmed and approved.

(c) Each Designated Officer's authority to approve the final terms of the sale of the New Money Bonds and to execute or to direct the execution of the one or more Purchase Contracts 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. 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 New Money Bonds. 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 New Money 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 C 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 New Money Bonds and the terms and conditions of the Trust Agreement and the New Money 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 written format and/or through electronic means) the Preliminary Official Statement for use in selling the New Money 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.

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 New Money Bonds at such time or times as a Designated Officer deems appropriate after consultation with the Underwriters, the LACMTA's Municipal Advisor, LACMTA's Disclosure Counsel and LACMTA's 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.

Section 9. Trustee, Paying Agent and Registrar. U.S. Bank National Association is hereby appointed as Trustee, Paying Agent and Registrar for the New Money Bonds. Such appointments shall be effective upon the issuance of the New Money Bonds and shall remain in effect until the LACMTA, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

Section 10. Authorized Authority Representative. The Board hereby designates each of the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, any Assistant Treasurer of the LACMTA, and any such officer serving in an acting or interim capacity, as an "Authorized Authority Representative" for all purposes under the Trust Agreement, the New Money Supplemental Trust Agreement, and any amendments or supplements to the Trust Agreement or the New Money Supplemental Trust Agreement. Such appointment shall remain in effect until modified by resolution. The prior designation of officers, including the Chairperson of the Board and the Chief Executive Officer of the LACMTA, as Authorized Authority Representatives under the Trust Agreement and any amendments or supplements thereto shall continue.

Section 11. 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 issuance of the New Money Bonds, and the execution and delivery of each New

Money Supplemental Trust Agreement, each Purchase Contract and each 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, each New Money Supplemental Trust Agreement, each Purchase Contract and each 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 New Money Bonds and of the Pledged Taxes 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 each New Money Supplemental Trust Agreement for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; 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.

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 the Chief Executive Officer, the Chief Financial Officer, the Treasurer, any Deputy Executive Officer, Finance, or any Assistant Treasurer (or such other titles as the LACMTA may from time to time assign for such respective positions), 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 New Money Bonds in accordance with the Trust Agreement and the New Money 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 New Money 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 New Money Bonds or enhance the relationship between risk and return with respect to investments.

Section 14. Good Faith Estimates. In accordance with SB 450, good faith estimates of the following are set forth in Exhibit A attached hereto: (a) the true interest cost of the New Money Bonds, (b) the sum of all fees and charges paid to third parties with respect to the New Money Bonds, (c) the amount of proceeds of the New Money 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 New Money Bonds, and (d) the sum total of all debt service

payments on the New Money Bonds calculated to the final maturity of the New Money Bonds plus the fees and charges paid to third parties not paid with the proceeds of the New Money Bonds.

Section 15. Further Actions. From and after the delivery of the New Money Bonds and, the Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify each New Money Supplemental Trust Agreement and each 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 municipal advisor and LACMTA's Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

Section 16. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of the New Money Bonds, to be used to pay costs of issuance of the New Money Bonds, including, but not limited to, costs of attorneys, accountants, municipal advisors, trustees, the costs associated with rating agencies, 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 declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 18. Effective Date. This Resolution shall be effective upon adoption and shall be effective with respect to the New Money Bonds issued on or before December 31, 2019.

[Remainder of page intentionally left blank]

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 _____, 2018.

[SEAL]

By _____
Board Secretary, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2018

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Public Resources Advisory Group (the “Municipal Advisor”) with respect to the bonds (the “New Money Bonds”) approved in the attached Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the New Money Bonds:

Section 1. True Interest Cost of the New Money 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 New Money 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 New Money Bonds, is 3.71%.

Section 2. Finance Charge of the New Money 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 New Money Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the New Money Bonds), is \$1,329,500.00, as follows:

(a)	Underwriters’ Discount	\$807,500.00
(b)	Bond Counsel and Disbursements	40,000.00
(c)	Disclosure Counsel and Disbursements	50,000.00
(d)	Municipal Advisor and Disbursements	55,000.00
(e)	Rating Agencies	292,000.00
(f)	Other	<u>85,000.00</u>
	Total	<u>\$1,329,500.00</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 New Money Bonds less the finance charge of the New Money Bonds described in Section 2 above and any reserves or capitalized interest paid or funded with proceeds of the New Money Bonds, is \$628,050,971.10.

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 New Money Bonds plus the finance charge of the New Money Bonds described in Section 2 above not paid with the proceeds of the New Money Bonds, calculated to the final maturity of the New Money Bonds, is \$968,150,472.22.

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 New Money Bonds sales, the amount of New Money Bonds sold, the amortization of the New Money Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of New Money 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 New Money Bonds will be sold will depend on the bond market at the time of each sale. The actual amortization of the New Money 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 New Money Bonds with a maximum true interest cost of 5.00%.

Summary of Underwriter Selection

Recommended Firms for 2019 Proposition C New Money Bonds

Position	Firm	Alloc.
Joint Senior Manager	Siebert Cisneros Shank & Co., LLC (Minority/Woman Owned)	35%
Joint Senior Manager	Citigroup Global Markets Inc.	35%
Co-Senior Manager	Bank of America Merrill Lynch	10%
Co-Senior Manager	Morgan Stanley	10%
Co-Manager	Drexel Hamilton LLC (Disabled Veteran Business Enterprise)	5%
Co-Manager	Ramirez & Co., Inc. (Minority Owned)	5%

Proposed Price (Takedown): \$1.25 per \$1,000 of Bonds (0.125% 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 September 10, 2018 to all 12 firms that are in our underwriter pool, which was approved by the Board in October, 2015. Proposals were due September 24, 2018 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/Woman 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 2019 Bonds 40%

Relevant experience included transportation debt, sales tax revenue secured debt, experience and working with complex financial structures. 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 2019 Proposition C 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 Joint Senior Manager and one Co-Manager are minority owned and one Co-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.

Documents on File

The following linked documents are on file with the Board Secretary's Office.

http://libraryarchives.metro.net/DB_Attachments/2018-0595_Continuing_Disclosure_Certificate_Prop_C.pdf

http://libraryarchives.metro.net/DB_Attachments/2018-0595_POS_Prop_C.pdf

http://libraryarchives.metro.net/DB_Attachments/2018-0595_Purchase_Contract_Prop_C.pdf

http://libraryarchives.metro.net/DB_Attachments/2018-0595_Twenty_Ninth_Supplemental_Trust_Agreement.pdf