



*One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room*

Agenda - Final

Thursday, January 15, 2026

10:00 AM

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Finance, Budget and Audit Committee

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Katy Yaroslavsky, Vice Chair

Kathryn Barger

Lindsey Horvath

Holly J. Mitchell

Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES **(ALSO APPLIES TO BOARD COMMITTEES)**

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the general public comment period, which will be held at the beginning and /or end of each meeting. Each person will be allowed to speak for one (1) minute during this General Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM - The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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DISCLOSURE OF CONTRIBUTIONS

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding coming before an agency involving a license, permit, or other entitlement for use including all contracts (other than competitively bid contracts that are required by law, agency policy, or agency rule to be awarded pursuant to a competitive process , labor contracts, personal employment contracts, contracts valued under \$50,000, contracts where no party receives financial compensation, contracts between two or more agencies, the periodic review or renewal of development agreements unless there is a material modification or amendment proposed to the agreement, the periodic review or renewal of competitively bid contracts unless there are material modifications or amendments proposed to the agreement that are valued at more than 10 percent of the value of the contract or fifty thousand dollars (\$50,000), whichever is less, and modifications of or amendments to any of the foregoing contracts, other than competitively bid contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$500 made within the preceding 12 months by the party, or the party's agent, to any officer of the agency. When a closed corporation is party to, or participant in, such a proceeding, the majority shareholder must make the same disclosure. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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Upon request, sign language interpretation, materials in alternative formats and other accommodations are available to the public for MTA-sponsored meetings and events. All requests for reasonable accommodations must be made at least three working days (72 working hours) in advance of the scheduled meeting date. Please telephone (213) 364-2837 or (213) 922-4600 between 8 a.m. and 5 p.m., Monday through Friday. Our TDD line is (800) 252-9040.

Requests can also be sent to boardclerk@metro.net.

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A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 364-2837 or (213) 922-4600. Live Public Comment Instructions can also be translated if requested 72 hours in advance.



323.466.3876

- x2 *Español (Spanish)*
- x3 *中文 (Chinese)*
- x4 *한국어 (Korean)*
- x5 *Tiếng Việt (Vietnamese)*
- x6 *日本語 (Japanese)*
- x7 *русский (Russian)*
- x8 *Հայերեն (Armenian)*

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NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

Live Public Comment Instructions:

Live public comment can be given by telephone or in-person.

The Meeting begins at 10:00 AM Pacific Time on January 15, 2026; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter

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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 15 de Enero de 2026.

Puedes unirte a la llamada 5 minutos antes del comienzo de la junta.

Marque: 888-978-8818 y ingrese el codigo

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Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.

Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."

Email: BoardClerk@metro.net

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

21. SUBJECT: MEASURE M PROGRAM

[2025-0985](#)

RECOMMENDATION

ADOPT a resolution that authorizes the Chief Executive Officer to:

- A. ESTABLISH the Measure M Short-Term Borrowing Program (Attachment A); and
- B. EXECUTE and deliver all necessary documents related to the Measure M Short-Term Borrowing Program to enter into revolving credit agreements (Attachment B).

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)

Attachments: [Attachment A - Measure M Short-Term Borrowing Program Resolution](#)

[Attachment B - Authorizing Resolution](#)

[Attachment C - Bank Recommendation Summary](#)

[Attachment D - Measure M Oversight Committee Finding of Benefit Resolution](#)

[Presentation](#)

**22. SUBJECT: I-105 EXPRESSLANES PROJECT - TOLL REVENUE
BONDS AND TIFIA LOAN FINANCINGS**

[2025-1044](#)

RECOMMENDATION

ADOPT:

- A. a Resolution (Attachment A) that authorizes the issuance and sale of a combined aggregate principal amount not to exceed \$1.7 billion for the I-105 ExpressLanes Project in the form of the Toll Revenue First Lien Bonds in one or more series, Toll Revenue Third Lien Bonds, and/or TIFIA Loan Agreement and the taking all other actions necessary in connection with the issuance of the bonds and/or loan; and

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)

- B. the revised Toll Policy (Attachment B).

Attachments: [Attachment A - Authorizing Resolution](#)

[Attachment B - Toll Policy](#)

[Presentation](#)

23. SUBJECT: FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS

[2025-0941](#)

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2027 (FY27) Budget Development Process.

SUBJECT: GENERAL PUBLIC COMMENT

[2025-1093](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S SUBJECT MATTER JURISDICTION

Adjournment



File #: 2025-0985, File Type: Program

Agenda Number: 21.

FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 15, 2026

SUBJECT: MEASURE M PROGRAM

ACTION: AUTHORIZE MEASURE M SHORT-TERM BORROWING PROGRAM

RECOMMENDATION

ADOPT a resolution that authorizes the Chief Executive Officer to:

- A. ESTABLISH the Measure M Short-Term Borrowing Program (Attachment A); and
- B. EXECUTE and deliver all necessary documents related to the Measure M Short-Term Borrowing Program to enter into revolving credit agreements (Attachment B).

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)

ISSUE

Metro is focused on ensuring delivery of the transit capital and highway projects set forth in the Measure M Expenditure Plan. Large capital project costs and timing are subject to change and difficult to predict. The establishment of the Measure M short-term borrowing program will provide interim taxable or tax-exempt financing until grant reimbursement or other funding sources, including proceeds from Measure M bonds or TIFIA loans, are received.

BACKGROUND

Metro's Long Range Transportation Plan assumes the use of short-term borrowing and long-term bonds to deliver Measure M capital projects. The proposed \$500 million short-term borrowing program, which will include a combination of Commercial Paper ("CP") and revolving credit facilities, will provide flexible, low-cost financing to bridge gaps between future revenues and near-term expenses. Similar short-term borrowing programs have been utilized successfully for Prop A, Prop C and Measure R, and offer flexible, low-cost financing alternatives that support prudent and effective debt management. Without this program, Measure M projects could face potential delays until sufficient funds or bond proceeds are available. Historically, delays lead to higher labor costs and material price increases, resulting in unfavorable budget impacts.

CP is a short-term debt instrument that can be issued with maturities from 1 to 270 days. As notes

mature, new notes are simultaneously issued (i.e. “rolled over”). CP requires a Letter of Credit (“LOC”), which provides guaranteed liquidity to investors when their notes mature. Additionally, the LOC provides a safety net to Metro in the form of a term loan in the unlikely event the notes cannot be remarketed, protecting Metro from incurring an obligation to immediately repay the entire amount of maturing CP Notes using funds on hand. The CP will be backed by a subordinate pledge of Measure M sales tax revenues less 16% for net local return programs and 1% of gross administrative fees. Metro can issue either tax-exempt or taxable CP under the Measure M CP program.

A revolving credit facility is an alternative to CP that has similar benefits. A revolving credit facility is a direct loan from a bank, at a rate that will float based on an index plus a spread, which is generally reset every month. In addition, a fee is charged for the unutilized amount of the facility. As a floating-rate borrowing that may be drawn over time, it is similar to a CP program for practical purposes, but because the borrowing occurs directly from a bank no ratings or broker-dealer fees are required.

DISCUSSION

The Resolution (Attachment A) authorizes access to a combination of vehicles, providing flexibility to structure the program according to the availability of credit and cost, while meeting the covenants in the trust agreement.

In addition, Metro’s Municipal Advisor, Montague DeRose & Associates (“MDA”), submitted a request for proposals (“RFP”) to 13 financial institutions to provide revolving line of credits, direct pay letter of credits to support commercial paper, and alternative products for a term out period between 3 to 5 years. The RFP required banks to have short-term ratings of at least P-1, A-1 or F-1 from at least two of the three following rating agencies: Moody’s Investors Service, Standard & Poor’s and Fitch Ratings, as is standard practice and required by Metro’s Debt Policy.

Evaluation criteria included pricing, any rate penalties that investors may impose on a particular bank, the status of a bank’s credit approval, and the bank’s willingness to execute the form of agreement. Overall program objectives include low cost and maximizing access to borrowing capacity achieved through diversification of products and providers. The selection group was comprised of Metro’s Treasury staff and MDA. The selection group ranked each proposer and recommended revolving credit facilities from Wells Fargo Bank, N.A. (3-year term) and PNC Bank, N.A. (3-year term) (See Attachment C). Costs will vary depending on the amount of tax-exempt and taxable debt Metro issues under the Measure M program. Additional fees and interest may be incurred under certain extreme circumstances.

Furthermore, in accordance with Section 8(i)(C) of the Measure M Ordinance, the Measure M Independent Taxpayers Oversight Committee of MTA (“Measure M Oversight Committee”) is required to find that the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs. The Measure M Oversight Committee made the finding of benefit at its December 3, 2025, meeting, Attachment D.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funding for the Measure M programs are included in the FY2026 budget in Cost Center #0521, Treasury Non-Departmental, under project #670301, task 01. The cost center manager and the Chief Financial Officer will be accountable for budgeting the cost in future years.

Impact to Budget

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

EQUITY PLATFORM

Approval of this item is intended to reduce financial risk and provide funding for Metro capital projects financed by Measure M. The capital projects include highway improvements and expansion, bus operations and maintenance, transit and rail improvements and upgrades, airport connections, and bike and pedestrian connections. The financing will also help keep senior, student and disabled transit fares more affordable and reduce congestion. The resolution finds that the benefits from acceleration of projects exceed the issuance and interest costs of the proposed debt financing.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it will provide funds needed to finance the acquisition and construction of the rail, bus and highway transit system and facilities within the County of Los Angeles. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

The Board could elect not to authorize a short-term borrowing program. This action is not recommended because a flexible tool to manage cash flow will facilitate delivery of the Measure M program.

NEXT STEPS

Staff will negotiate final terms and conditions with the bank letter of credit and revolving credit facilities providers, as well as, prepare and execute the Short-Term Program Documents (see Resolutions, Attachment A and B).

ATTACHMENTS

Attachment A - Measure M Short-Term Borrowing Program Resolution

Attachment B - Authorizing Resolution

Attachment C - Bank Recommendation Summary

Attachment D - Measure M Oversight Committee Finding of Benefit Resolution

Prepared by: Rodney Johnson, Treasurer, (213) 922-3417

Matthew Wingert, Senior Budget Manager, (213) 922-2553

Robert Suh, Budget Manager, (213) 922-4102

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



Stephanie Wiggins
Chief Executive Officer

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE MEASURE M SHORT-TERM BORROWING PROGRAM; THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; THE PLEDGE OF MEASURE M SALES TAX REVENUES OF THE AUTHORITY AND OTHER SECURITY FOR MEASURE M SECOND LIEN OBLIGATIONS AND THIRD LIEN OBLIGATIONS; AND RELATED MATTERS

(MEASURE M SALES TAX)

W I T N E S S E T H :

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”) is authorized under Section 130500 et seq. of the California Public Utilities Code (the “Act”) to issue “bonds,” which term includes indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations for purposes authorized by the Act, and to finance the cost of acquiring, constructing and developing facilities for transit systems within the meaning of the Act; and

WHEREAS, the LACMTA is authorized by Section 130350.7 of the California Public Utilities Code to impose a retail transactions and use tax 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 June 23, 2016, adopted Ordinance No. 16-01, known as the “Los Angeles County Traffic Improvement Plan” (the “Ordinance”), imposing a County-wide transactions and use tax, and the Ordinance was submitted to the electors of the County in the form of Measure M and approved by greater than a two-thirds vote at an election held on November 8, 2016; and

WHEREAS, the Ordinance, as so approved, beginning July 1, 2017, imposed a tax upon the sale of tangible personal property at retail at a rate of one-half of one percent of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County, initially at a rate of one-half of one percent of the sale price of the property whose storage, use or other consumption is subject to the tax, with such rate increasing to one percent on July 1, 2039, immediately upon the expiration of the one-half of one percent tax known as the Measure R sales tax imposed by Ordinance 08-01 of the LACMTA (the “Measure M Sales Tax”); amounts received in respect to the Measure M Sales Tax, less any refunds and the administrative fee deducted by the State of California Board of Equalization and less the Local Return (as defined in the Senior Trust Agreement (as defined below)) being referred to herein as the “Measure M Sales Tax Revenues”); and

WHEREAS, the LACMTA has commenced and is proceeding with the financing of projects and programs described in the Expenditure Plan adopted as part of the Ordinance (the “Expenditure Plan”); and

WHEREAS, the LACMTA desires to establish a short-term borrowing program (the “Measure M Short-Term Borrowing Program”) to finance projects and programs set forth in the

Expenditure Plan that would be secured by the Measure M Sales Tax Revenues and be in an aggregate principal amount not to exceed \$500,000,000; and

WHEREAS, the LACMTA desires that the Measure M Short-Term Borrowing Program consists of one or more of the following, including modifications, extensions and replacements thereof (each, a “Short-Term Obligation”):

- (a) A commercial paper program (a “Commercial Paper Program”), pursuant to which the LACMTA would issue commercial paper notes (“CP Notes”), together with CP Enhancement Agreements (defined below) and advances thereunder; and
- (b) One or more series of variable rate drawdown bonds (“Drawdown Bonds”), pursuant to which the LACMTA would issue bonds and draw down principal on those bonds and repay that principal from time to time; and
- (c) One or more revolving credit facilities (“Revolving Credit Facilities”) pursuant to which the LACMTA may borrow amounts from time to time from one or more financial institutions; and

WHEREAS, the Short-Term Obligations may constitute either one of or a combination of Second Lien Obligations (as such term is defined in the Senior Trust Agreement (as defined below)) or Third Lien Obligations (as such term is defined in the Senior Trust Agreement); and

WHEREAS, in connection with one or more of the Short-Term Obligations, the LACMTA expects to execute and deliver one or more of the following (collectively, the “Measure M Short-Term Program Documents”):

- (a) A trust agreement (the “Senior Trust Agreement”), by and between the LACMTA and U.S. Bank Trust Company, National Association, as trustee; and
- (b) One or more supplements and/or amendments to the Senior Trust Agreement; and
- (c) A trust agreement (the “Subordinate Trust Agreement”), by and between the LACMTA and U.S. Bank Trust Company, National Association, as trustee; and
- (d) One or more supplements and/or amendments to the Subordinate Trust Agreement to provide for the issuance or incurrence of Second Lien Obligations to the extent that the Short-Term Obligations constitute Second Lien Obligations; and
- (e) One or more trust agreements, together with one or more supplements thereto, to provide for the issuance of Third Lien Obligations to the extent that the Short-Term Obligations constitute Third Lien Obligations; and
- (f) In connection with any Revolving Credit Facility and/or Drawdown Bonds, one or more revolving credit agreements, bondholder agreements, continuing covenant agreements and/or similar agreements or evidences of indebtedness, bond purchase agreements, and fee agreements between the LACMTA and one or more commercial banks, financial institutions and/or investment banks (each, a

“Financial Institution”); and

(g) In connection with any Commercial Paper Program, one or more reimbursement agreements, credit agreements and/or other similar agreements, together with any related fee agreements (each, a “CP Enhancement Agreement”) pursuant to which one or more Financial Institutions (each, a “CP Enhancement Provider”) would agree to issue a letter of credit or other credit enhancement instrument and/or make loans for the purpose of supporting the payment of principal of and/or interest on the CP Notes (each such support, “CP Enhancement”); and

(h) Any other documents deemed by a Designated Officer to be necessary or desirable to establish, modify, extend or replace any Short-Term Obligations that constitute part of the Measure M Short-Term Borrowing Program;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

1. Findings. The LACMTA hereby finds and determines that:

(a) The Measure M Short-Term Borrowing Program, including the issuance of any and all Short-Term Obligations, if determined by any of the Chair of the LACMTA, any Vice Chair of the LACMTA, the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Executive Officer, Finance 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), or any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), to be in the best interest of the LACMTA, is in the public interest.

(b) Under the provisions of the Ordinance, all of the Measure M Sales Tax Revenues are revenues of the LACMTA available for public transit purposes as set forth in the Ordinance and to that extent are available to be and are, by the terms of the Senior Trust Agreement and the Subordinate Trust Agreement and will be, by the terms of the applicable Measure M Short-Term Program Documents, pledged to secure the Second Lien Obligations and the Third Lien Obligations, respectively, and, by this Resolution, such pledge is reaffirmed and affirmed (as applicable).

(c) The forgoing recitals are true and correct and the LACMTA so finds and determines.

2. Approval of the Measure M Short-Term Borrowing Program. For purposes of providing for the financing of the transit projects and programs authorized by the Act and the Expenditure Plan, the LACMTA hereby authorizes the establishment and continuation of the Measure M Short-Term Borrowing Program and the issuance or incurrence of each and every Short-Term Obligation thereunder. Each Designated Officer is hereby authorized to determine, on behalf of and in the name of the LACMTA, each of the following:

- (a) Whether the Short-Term Obligations will consist of a Commercial Paper Program, one or more series of Drawdown Bonds, one or more Revolving Credit Facilities, or a combination of some or all of these; and
- (b) The interest rates, maturity dates and any and all terms and conditions of each and every Short-Term Obligation; and
- (c) When each Short-Term Obligation shall be established; and
- (d) The term of each component of the Measure M Short-Term Borrowing Program; and
- (e) The selection of any CP Enhancement Provider, Financial Institution, and any dealer, underwriter, trustee, issuing and paying agent or other party a Designated Officer deems necessary or desirable to effect the Measure M Short-Term Borrowing Program; and
- (f) Whether and the extent to which the Short-Term Obligations constitute Second Lien Obligations or Third Lien Obligations or a combination of both; and
- (g) Whether the Short-Term Obligations shall be issued on a taxable or tax-exempt basis or a combination of both; and
- (h) What modifications, extensions or replacements (if any) shall be made with respect to each of the Short-Term Obligations from time to time;

provided, however, that (a) a Designated Officer determines that (i) the interest rate terms for each Short-Term Obligation are fair and reasonable in market conditions at the time of the initial establishment of such obligation and that the interest rate terms for any modified, extended or replacement Short-Term Obligation are fair and reasonable in market conditions at the time of such modification, extension or replacement and (ii) the aggregate principal amount of the Measure M Short-Term Borrowing Program shall not exceed \$500,000,000 at any time.

3. Measure M Short-Term Program Documents. The Designated Officers are, and each of them hereby is, authorized and directed to have prepared and to execute, acknowledge and deliver in the name of and on behalf of the LACMTA each of the Measure M Short-Term Program Documents, in each case, to the extent, in the form, and with the terms and provisions as the Designated Officer executing the same shall determine is appropriate and necessary for the Measure M Short-Term Borrowing Program, including, but not limited to, affirmative and negative covenants relating to the Measure M Short-Term Borrowing Program, the Measure M Sales Tax, and the finances and operations of the LACMTA.

4. Offering Documents. Should a Designated Officer determine to establish a Short-Term Obligation for which the preparation and circulation of an offering memorandum or other offering document is deemed appropriate by such Designated Officer, the LACMTA hereby authorizes the preparation and circulation of one or more offering memoranda and/or other offering documents relating to such Short-Term Obligation, as determined by a Designated Officer. The LACMTA also authorizes the circulation of any supplements or amendments to offering documents that are approved by a Designated Officer. Each offering document,

supplement and/or amendment shall be circulated at such time or times as a Designated Officer (after consultation with the relevant Dealer(s), the LACMTA's municipal advisor and bond counsel and/or such other advisors as such Designated Officer believes to be useful) determines. Each Designated Officer is authorized to execute and deliver any offering document, supplement and/or amendment.

5. Other Documents. The Designated Officers are, and each of them is, hereby authorized, empowered and directed to execute, acknowledge and deliver in the name and on behalf of the LACMTA such documents as are necessary or desirable to effectuate the Measure M Short-Term Borrowing Program or to extend, modify or replace any Short-Term Obligation (the "Related Documents"), including, but not limited to, any promissory notes, any tax certificate(s), note purchase agreements, issuance and paying agent agreements, dealer agreements and/or continuing disclosure certificates. The Related Documents, as executed and delivered, shall be in the form approved by the Designated Officer executing the same (which may include, but not be limited to, affirmative and negative covenants); the execution thereof shall constitute conclusive evidence of the Board's approval of such Related Documents; and from and after the execution and delivery of each Related Document, 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 Related Document.

6. Pledge of Measure M Sales Tax Revenues. The Measure M Sales Tax Revenues are hereby irrevocably pledged in accordance with the terms of the Senior Trust Agreement, the Subordinate Trust Agreement and the other Measure M Short-Term Program Documents, as applicable, to secure the Short-Term Obligations.

7. Additional Authorization. The Designated Officers and all other officers, employees and agents of the LACMTA, for and on behalf of the LACMTA, be and they each hereby are authorized and directed to do any and all things necessary to effect (i) the establishment of the Measure M Short-Term Borrowing Program and the issuance and/or incurrence each of the Short-Term Obligations, (ii) the execution and delivery of the Measure M Short-Term Program Documents and the Related Documents and the carrying out of the terms thereof, (iii) any extensions, modifications or replacements of Short-Term Obligations as determined by a Designated Officer to be in the interest of the LACMTA, and (iv) the transactions contemplated by this Resolution. 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 that may be required in order to carry out the authority conferred by this Resolution, the Measure M Short-Term Program Documents and/or the Related Documents or to evidence the same authority and its exercise. The foregoing authorization includes, but is in no way limited to, authorizing LACMTA staff to pay costs of issuance in connection with the Short-Term Obligations and the Measure M Short-Term Program Documents, as applicable, and authorizing the investment of the proceeds of the Short-Term Obligations in one or more of the permitted investments provided for under the Measure M Short-Term Program Documents. All actions heretofore taken by the officers, agents and employees of the LACMTA in furtherance of this Resolution are hereby confirmed, ratified and approved.

8. Continuing Authority of Designated Officers. The authority of any individual serving as a Designated Officer under this Resolution by a written designation signed by any Designated Officer 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.

9. Further Actions. The Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify any documents related to the Measure M Short-Term Borrowing Program at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement or modification, upon consultation with the LACMTA's municipal advisor and bond counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

10. 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.

11. Effective Date. The effective date of this Resolution shall be the date of its adoption.

CERTIFICATION

The undersigned, duly qualified and acting as Board Clerk of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2026.

[SEAL]

By _____
Board Clerk, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2026

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING (A) THE EXECUTION AND DELIVERY OF A SENIOR TRUST AGREEMENT AND A SUBORDINATE TRUST AGREEMENT, AND SUPPLEMENTS THERETO, PROVIDING FOR THE ISSUANCE OF MEASURE M SALES TAX OBLIGATIONS, (B) THE EXECUTION AND DELIVERY OF REVOLVING CREDIT AGREEMENTS PURSUANT TO ITS MEASURE M SHORT-TERM BORROWING PROGRAM, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$500,000,000, AND (C) THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO AND THE TAKING OF ALL OTHER ACTIONS NECESSARY IN CONNECTION THEREWITH

(MEASURE M 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 Section 130350.7 of the California Public Utilities Code to impose a retail transactions and use tax 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 November 8, 2016, adopted Ordinance No. 16-01, known as the Los Angeles County Traffic Improvement Plan (the “Ordinance”) imposing a County-wide transactions and use tax and the Ordinance was submitted to the electors of the County in the form of Measure M and approved by more than a two-thirds vote at an election held on November 8, 2016; and

WHEREAS, the Ordinance, as so approved, beginning July 1, 2017, imposed a tax upon the sale of tangible personal property at retail at a rate of one-half of one percent of the gross receipts of the sale and a complementary tax upon the storage, use or other consumption in the County, initially at a rate of one-half of one percent of the sales price of the property whose storage, use or other consumption is subject to the tax, with such rate increasing to one percent on July 1, 2039, immediately upon the expiration of the one-half of one percent tax known as the Measure R sales tax imposed by Ordinance No. 08-01 of the LACMTA (the “Measure M Sales Tax”; amounts received in respect to the Measure M Sales Tax, less any refunds and the administrative fee deducted by the State of California Department of Tax and Fee Administration and less the Local Return (as defined in the Senior Trust Agreement (as defined below)) being referred to herein as the “Measure M Sales Tax Revenues”); 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 Measure M Sales Tax Revenues, and to finance the cost of acquiring, constructing and developing facilities for transit systems within the meaning of the Act; and

WHEREAS, the LACMTA has commenced and is proceeding with the financing of projects and programs described in the Expenditure Plan adopted as part of the Ordinance (the "Expenditure Plan"); and

WHEREAS, under its Resolution entitled "RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE MEASURE M SHORT-TERM BORROWING PROGRAM; THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; THE PLEDGE OF MEASURE M SALES TAX REVENUES OF THE AUTHORITY AND OTHER SECURITY FOR SUCH SECOND LIEN OBLIGATIONS AND THIRD LIEN OBLIGATIONS; AND RELATED MATTERS" (the "Program Resolution"), the LACMTA intends to establish a short-term borrowing program (the "Measure M Short-Term Borrowing Program") to finance projects and programs set forth in the Expenditure Plan that would be secured by the Measure M Sales Tax Revenues and be in an aggregate principal amount not to exceed \$500,000,000; and

WHEREAS, the Program Resolution contemplates a Commercial Paper Program, Drawdown Bonds and Revolving Credit Facilities (each as defined in the Program Resolution); and

WHEREAS, pursuant to the Program Resolution and the Act, the LACMTA desires to authorize the execution and delivery of (i) a trust agreement (the "Senior Trust Agreement"), by and between the LACMTA and U.S. Bank Trust Company, National Association, as trustee (the "Senior Trustee"), (ii) a trust agreement (the "Master Subordinate Trust Agreement"), by and between the LACMTA and U.S. Bank Trust Company, National Association, as trustee (the "Subordinate Trustee"), (iii) one or more supplemental subordinate trust agreements (collectively, the "First Supplemental Subordinate Trust Agreement" and together with the Master Subordinate Trust Agreement, the "Subordinate Trust Agreement"), by and between the LACMTA and the Subordinate Trustee, (v) a revolving credit agreement (the "Wells Revolving Credit Agreement"), by and between the LACMTA and Wells Fargo Bank, National Association ("Wells"), and (vi) a revolving credit agreement (the "PNC Revolving Credit Agreement" and together with the Wells Revolving Credit Agreement, the "Revolving Credit Agreements"), by and between the LACMTA and PNC Bank, N.A. ("PNC"); and

WHEREAS, Section 5922 of the Government Code of the State of California provides that in connection with, or incidental to, the issuance or carrying of bonds (which is defined to include notes), any public entity may enter into any contracts which the public entity determines to be appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including without limitation contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure; and

WHEREAS, pursuant to Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Revolving Credit Agreements to be entered into pursuant to the Program Resolution will reduce the amount and duration of interest rate risk with respect to its short-term borrowing under the Program Resolution and are designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing or enhance the relationship between risk and return with respect to investments; and

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

- (a) the Senior Trust Agreement;
- (b) the Master Subordinate Trust Agreement;
- (c) the First Supplemental Subordinate Trust Agreement;
- (d) the Wells Revolving Credit Agreement; and
- (e) the PNC Revolving Credit Agreement; 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 Revolving Credit Agreements and said documents are subject to completion; and

WHEREAS, the Board of the LACMTA desires to authorize borrowings under the Revolving Credit Agreements from time to time and as obligations the interest on which is tax-exempt or taxable (or a combination of both) for federal income tax purposes; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the execution and delivery of the Senior Trust Agreement, the Subordinate Trust Agreement and the Revolving Credit Agreements for the purposes, in the manner and upon the terms provided; and

WHEREAS, the LACMTA now desires to approve such documents and the financing program therein implemented and to authorize the officers and staff of the LACMTA to take such further actions, including the execution and delivery of such additional documents, agreements and certificates as shall be necessary and appropriate to give full effect to this Resolution; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Senior Trust Agreement, the Subordinate Trust Agreement, and the Revolving Credit Agreements (in the forms made available to the Board herewith);

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. Approval of Senior Trust Agreement. The form, terms and provisions of the Senior Trust Agreement on file with the Board Clerk and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each of the Chair of the LACMTA, any Vice Chair of the LACMTA, the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Executive Officer, Finance 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”), is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Senior Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The Senior Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Board Clerk 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 Senior Trust Agreement now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the Senior Trust Agreement, the officers, employees and agents 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 Senior Trust Agreement.

Section 3. Approval of Master Subordinate Trust Agreement. The form, terms and provisions of the Master Subordinate Trust Agreement on file with the Board Clerk and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each Designated Officer is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the LACMTA the Master Subordinate Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The Master Subordinate Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Board Clerk 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 Master Subordinate Trust Agreement now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the Master Subordinate Trust Agreement, the officers, employees and agents 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 Master Subordinate Trust Agreement.

Section 4. Approval of First Supplemental Subordinate Trust Agreement. The form, terms and provisions of the First Supplemental Subordinate Trust Agreement on file with the Board Clerk and made available to the Board, within the parameters set forth in this Resolution, are in all respects approved, and each Designated Officer is hereby severally authorized, empowered and directed to execute, acknowledge and deliver in the name of and on behalf of the

LACMTA the First Supplemental Subordinate Trust Agreement, including counterparts thereof, as determined by a Designated Officer. The First Supplemental Subordinate Trust Agreement, as executed and delivered, shall be in substantially the form now on file with the Board Clerk 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 First Supplemental Subordinate Trust Agreement now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the First Supplemental Subordinate Trust Agreement, the officers, employees and agents 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 First Supplemental Subordinate Trust Agreement.

Section 5. Approval of Wells Revolving Credit Agreement. The form, terms and provisions of the Wells Revolving Credit Agreement on file with the Board Clerk 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 Wells Revolving Credit Agreement, including counterparts thereof, as determined by a Designated Officer. The Wells Revolving Credit Agreement, as executed and delivered, shall be in substantially the form now on file with the Board Clerk 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 Wells Revolving Credit Agreement now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the Wells Revolving Credit Agreement, the officers, employees and agents 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 Wells Revolving Credit Agreement.

Section 6. Approval of PNC Revolving Credit Agreement. The form, terms and provisions of the PNC Revolving Credit Agreement on file with the Board Clerk 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 PNC Revolving Credit Agreement, including counterparts thereof, as determined by a Designated Officer. The PNC Revolving Credit Agreement, as executed and delivered, shall be in substantially the form now on file with the Board Clerk 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 PNC Revolving Credit Agreement now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the PNC Revolving Credit Agreement, the officers, employees and agents 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 PNC Revolving Credit Agreement.

Section 7. Findings Related to Revolving Credit Agreements. The LACMTA hereby determines that entering into one or more Revolving Credit Agreements with Wells, PNC and/or any other lender (an “Alternate Lender”) pursuant to Section 5922 of the Government Code of the State of California would be designed to reduce the LACMTA’s cost of borrowing. In addition to the provisions set forth in Sections 5 and 6, no Designated Officer shall enter into a Revolving Credit Agreement with Wells, PNC and/or an Alternate Lender unless (a) such Revolving Credit Agreement is designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, or (ii) to result in a lower cost of borrowing; and (b) the amounts payable by the LACMTA with respect to such Revolving Credit Agreement shall be payable solely and exclusively from Measure M Sales Tax Revenues. In accordance with Section 5922 of the Government Code of the State of California, the LACMTA hereby finds and determines that the Revolving Credit Agreements entered into in accordance with this Resolution and consistent with the requirements set forth herein are designed to reduce the amount or duration of payment, interest rate, spread or similar risk or result in a lower cost of borrowing.

Section 8. Approval of Alternate Revolving Credit Agreements. If a Designated Officer determines that it is in the LACMTA’s best interests to replace the Revolving Credit Agreement with Wells or with PNC with one or more revolving credit agreements with one or more Alternate Lenders, the Designated Officers are hereby authorized to enter into one or more revolving credit agreements with one or more other Alternate Lenders (each, an “Alternate Revolving Credit Agreement”). The Alternate Revolving Credit Agreements, as executed and delivered, may be substantially similar to the form of the Wells Revolving Credit Agreement or the PNC Revolving Credit Agreement now on file with the Board Clerk 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 forms of such documents now on file with the Board Clerk and made available to the Board. From and after the execution and delivery of the Alternate Revolving Credit Agreements, the officers, employees and agents 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 Alternate Revolving Credit Agreements.

Section 9. Additional Authorizations. All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the execution and delivery of the Senior Trust Agreement, the Subordinate Trust Agreement and the Revolving Credit Agreements 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 amendments to existing agreements relating to obligations payable from the Measure M Sales Tax or related 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 transactions contemplated by the Revolving Credit Agreements and otherwise to carry out, give effect to and comply with the terms and intent of the Ordinance, the Program Resolution, this Resolution 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, including, without limitation, any of the foregoing that may be necessary or desirable in connection with any investment of proceeds of borrowings under the Revolving Credit Agreements, or in connection with the addition, substitution or replacement of the Senior Trustee or the Subordinate Trustee, or any agreements with the Senior Trustee or the Subordinate 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 10. 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 Chair of the LACMTA, any Vice Chair of the LACMTA, the Chief Executive Officer of the LACMTA, the Chief Financial Officer of the LACMTA, the Treasurer of the LACMTA, any Executive Officer, Finance of the LACMTA, any Deputy Executive Officer, Finance of the LACMTA, 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 11. Further Actions. The Designated Officers and each of them are hereby authorized and directed to amend, supplement or otherwise modify the Senior Trust Agreement, the Subordinate Trust Agreement, the Revolving Credit Agreements and any Alternate Revolving Credit Agreements at any time and from time to time and in any manner determined to be necessary or desirable by the Designated Officer executing such amendment, supplement, or modification, upon consultation with the LACMTA's Municipal Advisor and Bond Counsel, the execution of such amendment, supplement or other modification being conclusive evidence of the LACMTA's approval thereof.

Section 12. Costs of Issuance. The LACMTA authorizes funds of the LACMTA, together with the proceeds of borrowings under the Revolving Credit Agreements, to be used to pay costs of execution and delivery of the Revolving Credit Agreements, 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 13. Effective Date. The effective date of this Resolution shall be the date of its adoption.

CERTIFICATION

The undersigned, duly qualified and acting as Board Clerk of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2026.

[SEAL]

By _____
Board Clerk, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2026

Bank Recommendation Summary

Proposer	Maximum Principal Commitment	Estimated First Year Cost*	Total Estimated Costs*
Commercial Paper Support – Measure M			
TD Bank, N.A.	\$200,000,000	\$3,891,000	\$11,573,000
Bank of America, N.A.	\$200,000,000	\$3,955,000	\$11,765,000
PNC Bank, N.A.	\$200,000,000	\$3,997,500	\$11,892,500
BMO Bank, N.A.	\$200,000,000	\$4,085,000	\$12,155,000
Sumitomo Mitsui Banking Corporation	\$200,000,000	\$4,245,000	\$12,625,000
Barclays Bank PLC	\$200,000,000	\$4,296,000	\$12,738,000
JP Morgan Chase Bank, N.A.	\$200,000,000	\$4,820,000	\$14,360,000
Revolving Line of Credit Support – Measure M			
Wells Fargo Bank, N.A.	\$200,000,000	\$3,725,000	\$11,075,000
PNC Bank, N.A.	\$200,000,000	\$3,810,000	\$11,330,000
Bank of America, N.A.	\$200,000,000	\$4,000,000	\$11,900,000
JP Morgan Chase Bank, N.A.	\$200,000,000	\$4,790,000	\$14,270,000

Targeted firms are shown in bold.

Alternative Products – Revolving Line of Credit

Morgan Stanley provided a proposal for a product that was less desirable to Metro and is therefore not included in the summary above.

*All Costs are based on a standardized assumption of a \$200,000,000 facility size with provided pricing for a three-year tenor Revolving Line of Credit and Commercial Paper.

Measure M Oversight Committee Finding of Benefit Resolution

ATTACHMENT A

RESOLUTION PURSUANT TO MEASURE M ORDINANCE FINDING THAT THE
BENEFITS OF ESTABLISHING MEASURE M SHORT-TERM BORROWING
PROGRAM EXCEED ISSUANCE AND INTEREST COSTS

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

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

WHEREAS, the proposed \$500,000,000 short-term borrowing program would provide financing to meet the cash flow necessary to pay for an accelerated construction program for Measure M transit capital projects; and

NOW, THEREFORE, the Measure M Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of establishing a \$500,000,000 short-term borrowing program, which would accelerate project delivery and avoid inflationary cost escalation, exceed issuance and interest costs.

Adopted this 3rd day of December, 2025.

Signed:



Board Clerk
Los Angeles County Metropolitan
Transportation Authority



File # 2025-0985

Measure M

Short-Term Borrowing Program

Finance, Budget and Audit Committee
January 15, 2026



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RECOMMENDATIONS

ADOPT:

- A. A resolution that authorizes the CEO or designees to establish the Measure M Short-Term Borrowing Program (Attachment A); and
- B. A resolution that authorizes the CEO or designees to execute and deliver all necessary documents related to the Measure M Short-Term Borrowing Program to enter into revolving credit agreements (Attachment B)

BACKGROUND & PURPOSE

Background

Metro is focused on ensuring delivery of the transit capital and highway projects set forth in the Measure M Expenditure Plan

The Long Range Transportation Plan assumes the use of short-term borrowing and long-term bonds to deliver Measure M capital projects

Purpose

Provide liquidity at lowest cost of borrowed capital, maintain prudent level of risk, and preserve financial flexibility in Metro's capital structure

Provide interim financing for Board-approved capital projects and programs

- Financing until grant reimbursement or other funding sources are received, or until permanent financing is arranged
- Short-term borrowing facilities utilized for quick access to funds when construction is imminent



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INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE

- The Measure M Independent Taxpayer Oversight Committee (“Committee”) was created to ensure accountability for Measure M sales tax expenditures
- Measure M Ordinance states: the Committee “shall review all proposed debt financing and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoid future cost escalation, and related factors exceed issuance and interest costs”
- The Committee made the finding of benefit of establishing the Measure M Short-Term Borrowing Program at its December 3, 2025 meeting (Attachment D)

NEXT STEPS

- Authorize Measure M short-term borrowing program
- Negotiate final terms and conditions with the recommended letter of credit (“LOC”) and revolving credit facility (“RCF”) providers
- Prepare agreements and documentation for LOCs and RCFs, including, among others, notices, reimbursement agreements, fee agreements, reimbursement notes, credit agreements, revolving obligation notes, supplemental trust agreements and offering memoranda
- Obtain credit ratings for the Commercial Paper (“CP”) notes based on the credit ratings of the selected providers
- Issue CP or drawdown on RCFs



File #: 2025-1044, **File Type:** Resolution

Agenda Number: 22.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 15, 2026

SUBJECT: I-105 EXPRESSLANES PROJECT - TOLL REVENUE BONDS AND TIFIA LOAN FINANCINGS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

ADOPT:

A. a Resolution (Attachment A) that authorizes the issuance and sale of a combined aggregate principal amount not to exceed \$1.7 billion for the I-105 ExpressLanes Project in the form of the Toll Revenue First Lien Bonds in one or more series, Toll Revenue Third Lien Bonds, and/or TIFIA Loan Agreement and the taking all other actions necessary in connection with the issuance of the bonds and/or loan; and

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE BOARD)

B. the revised Toll Policy (Attachment B).

ISSUE

Authorization of Metro's inaugural toll revenue backed financing is required to support completion of the I-105 ExpressLanes Project ("Project"). The Project is currently advancing construction on segment 1, which began in February 2025, and is fully-funded. The Board approved the funding plan for segments 2 and 3 in October 2025, which is comprised of the State Solutions for Congested Corridors ("SCCP") grant funding, and toll revenue backed debt obligations.

To complete construction and minimize borrowing costs, the Project needs financing through the issuance of long-term toll revenue bonds and obtaining federal credit assistance. Both debt obligations will be repaid from toll revenues once the ExpressLanes are completed and placed into operation.

The toll revenue backed financing plan consists of issuing toll revenue bonds and executing a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan agreement with the U.S. Department of Transportation ("DOT"). Specifically, an estimated total of \$525 million of the Toll Revenue First Lien Bonds, Series 2026-A ("Toll Bonds"), together with the Toll Revenue Third Lien

Bonds, TIFIA Series 2026-A Loan Agreement (“TIFIA Loan”) in an estimated total of \$850 million, will provide funding for a portion of the remaining Life-of-Project (“LOP”) budget of \$1.521 billion. The current schedule targets a February 2026 Toll Bonds issuance and TIFIA Loan closing to align with the construction funding needs.

BACKGROUND

The Project will convert the existing High Occupancy Vehicle (“HOV”) lane to one tolled ExpressLane and an addition of a second tolled ExpressLane to provide two tolled ExpressLanes in each direction. The traffic and toll revenue forecasts supporting the Project’s projected toll revenues were developed as part of the investment grade traffic and revenue study, which provides the analytical basis necessary to support the Project and its financing plan.

I-105 ExpressLanes Project:

The I-105 ExpressLanes Project is being delivered using the Construction Manager/General Contractor (“CM/GC”) method, with phased work packages. The CM/GC contractor was procured in 2022; construction contracts were awarded in 2024 for Segment 1 and in October 2025 for Segments 2 and 3. The Segment 1 Identified Work Package construction is underway; Segments 2 and 3 are proceeding per the October 2025 award. The Project converts the existing HOV lane to an ExpressLane and adds a second ExpressLane in each direction on I-105 from I-405 to Studebaker Road, delivered as Segment 1 (I-405 to Central Ave) and Segments 2 and 3 (Central Ave to Studebaker Rd.). The RTCS was procured in 2022 via a design-build-operate-maintain (“DBOM”) contract and is coordinated with the CM/GC heavy civil work. Funding sources include Metro Local Measure M funding, SCCP grant funding, and toll revenue backed loans, including the Toll Bonds and the TIFIA Loan.

In conjunction with the Project, the Toll Policy approved by the Metro Board in January 2016 is being updated to reflect changes to the ExpressLanes program and includes the Project, alongside the I-10 and I-110 ExpressLanes.

The updated Toll Policy (Attachment B) will allow the Project to maintain the necessary federal performance standards by changing the HOV requirement for travel on the I-105 ExpressLanes from the current HOV lane policy of HOV2+ to HOV3+ when segment 1 of the Project opens in fiscal year (“FY”) 2028. This occupancy change is the only modification to the toll policy that is required. The change to HOV3+ for toll-free travel on the I-105 aligns with occupancy requirements currently in place on I-10 during peak periods and also aligns with occupancy requirements for free travel on priced lanes in Orange, Riverside, and San Bernardino counties. Moving to toll free travel for HOV3+ will allow the lanes to remain open longer before they become degraded, as witnessed on the I-10 and I-110. Based on conversations with rating agencies, Caltrans, and the TIFIA office regarding lane performance, revenue, and degradation, this modification to toll policy on the I-105 is recommended and will ensure Metro gets favorable rates on toll revenue bonds, saving the agency money.

DISCUSSION

The proposed financing structure includes the issuance of Toll Bonds and the execution of a TIFIA Loan agreement, both secured by net toll revenues generated by the ExpressLanes. Both the Toll Bonds and/or the TIFIA Loan will finance a portion of the Project costs for segment 1 and segments 2 and 3, including construction capital, support services, utilities relocations, limited Right of Way (“ROW”), contingency, and Roadside Toll Collection System (“RTCS”) integration, and financing related costs.

Financing Need and Structure:

The funding plan for the \$1.521 LOP approved by the Board at the October 2025 meeting includes local, state, and toll backed debt obligations sources summarized below. Financing costs, including costs of issuance and initial reserves for the first lien Toll Bonds, will be funded from bond proceeds. Debt service for the first lien Toll Bonds and the third lien TIFIA Loan is secured by and paid from net toll revenues. No operating subsidies from sales taxes are anticipated for debt repayment.

Toll Bonds:

The first lien Toll Bonds in an estimated amount of \$525 million will be structured as fixed rate bonds and will be sold using a negotiated sale method. The financing may include tax-exempt and/or taxable series to optimize proceeds and investor demand; optional redemption features for future flexibility; capitalized interest through construction and early operations to align with toll revenue ramp-up; and a debt service reserve funded from bond proceeds. With an aggregate par amount of approximately \$525 million, \$348 million of the bond proceeds will be used for the Project construction and to pay the costs of issuance related to the transaction. Any use of capitalized interest and reserves will be sized at pricing to optimize total borrowing cost. If market conditions change, a negotiated sale provides Metro the flexibility to alter the sale date and/or bond structure, as needed. The underwriters will pre-market the bonds targeting as many institutional and retail investors as possible, assist with the credit rating process and advise on market conditions for optimal bond pricing.

TIFIA Loan:

A third lien TIFIA Loan with the Department of Transportation (“DOT”) in the amount up to \$850 million will be secured by a third lien pledge on net toll revenues of the I-105 ExpressLanes. The TIFIA Loan is anticipated to be executed in parallel with the Toll Bonds, with a coterminous close in February 2026. With an aggregate par amount of approximately \$850 million, \$844 million of the loan proceeds will be used for the Project construction related to the transaction. The combination of the TIFIA Loan, together with the Toll Bonds, is projected to reduce overall debt service and enhance debt service coverage (as compared with a financing plan with only Toll Bonds). The TIFIA Loan will not be sold in the capital markets, as it is a direct loan with the DOT; its interest rate and execution will be consistent with the statutory State and Local Government Series securities rate plus 1 basis point at financial close.

Shutdown Contingency:

Given the uncertainty of a potential federal government shutdown and the resulting need to preserve

the option of a sole issuance of a Toll Bonds financing, authority of not to exceed \$1.7 billion is being requested. The combined aggregate proposed principal amount of not to exceed \$1.7 billion of Toll Bonds and/or TIFIA Loan will ensure the Project LOP will be fully funded. The Toll Bonds and /or TIFIA Loan proceeds will be used for Project construction, Toll Bonds capitalized interest, Toll Bonds debt service reserve, and costs of issuance related to each of the transactions. Annual debt service will be paid from and secured by net toll revenues from the Project. This Toll Bonds issuance and TIFIA Loan support timely delivery, maintain state grant eligibility, and position the corridor for revenue service milestones prior to and following the 2028 Olympic and Paralympic Games.

Consistent with the Metro debt policy, underwriters for this transaction have been selected by Treasury and Congestion Reduction staff by a competitive Request for Proposal (“RFP”) process conducted by Sperry Capital Inc. (“Sperry”), Metro’s Transaction Municipal Advisor. Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP were selected by Treasury staff and County Counsel to serve as Bond Counsel and Disclosure Counsel, respectively.

Toll Policy:

The toll policy change will better protect against performance degradation and preserve free-flow speeds on I-105 ExpressLanes, as evidenced by existing traffic data from I-10 and I-110. Based on conversations with rating agencies and the TIFIA office regarding lane performance, revenue, and degradation, this modification to toll policy on the I-105 is recommended to ensure the project receives an investment grade rating and remains eligible for TIFIA financing. Achieving the highest possible rating will reduce borrowing costs and allow Metro considerable cost savings over the life of the loan.

The toll policy change continues Metro’s effort to encourage carpooling and additional mode shift away from lower occupancy vehicle travel to transit or vanpool. It has been presented as an alternative to the public during various outreach meetings, and additional outreach is planned over the next two years as the planned change gets closer to implementation.

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 Toll Bonds will be paid from proceeds of the financing and will be budget neutral. Toll Bonds principal and interest expense for this financing will be added to subsequent fiscal year budgets payable through net toll revenues subject to the final debt service schedule.

The costs of issuance for the TIFIA Loan will be paid from Measure M Highway 17% allocated to I-105 ExpressLanes project. The TIFIA Loan interest payments are projected to begin in FY 2034 and principal payments in FY 2039. TIFIA Loan principal and interest expense once such payments begin will be added to subsequent fiscal year budgets payable through net toll revenues.

The funding sources for debt service of this financing will be reflected in future budgets under principal account 51101 and the bond interest account 51121.

EQUITY PLATFORM

Approval of this item is intended to reduce financial risk and maintain planned funding and schedules for Metro capital projects funded by toll revenues. The Project is located in a low-income area that includes Equity Focus Communities (EFCs). Specifically, 61% of census tracts within a three-mile radius of the Project are EFCs. That includes 67% of census tracts within Segment 1 and 62% of census tracts within Segment 2 and 3.

Congestion Reduction Staff completed equity assessments for Segment 1, 2 and 3 that identified potential projects that could be funded with future net toll revenue to benefit communities within a three-mile radius of the corridor. The equity assessment incorporated extensive community engagement including three pop up events, a travel survey, and four community meetings to present the draft report. In addition, monthly roundtables and a mobility audit were held with 21 Community Based Organizations (CBOs) to present and gather feedback on the assessment. When completed, the project will provide significant mobility improvements particularly the ExpressLanes, safety enhancements, and noise mitigation through new/taller soundwalls.

The I-105 ExpressLanes connects residents in EFCs to job centers in downtown Los Angeles and in the LAX/EI Segundo/Hawthorne areas. Since the Project is expected to reduce travel times on the I-105, the Project will support increased access to opportunity. Furthermore, the Project is expected to shift vehicles from local arterials to I-105 ExpressLanes which will improve livability and reduce environmental impacts to corridor communities. Finally, Metro ExpressLanes has a Low-Income Assistance Plan (“LIAP”) that helps ensure low-income users have the ability to access and use the ExpressLanes.

VEHICLE MILES TRAVELED OUTCOME

Vehicle Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While the agency remains committed to reducing VMT through transit and multimodal investments, some projects may induce or increase personal vehicle travel. However, these individual projects aim to ensure the efficient and safe movement of people and goods.

This Board item is expected to increase VMT in LA County, as it includes an investment that may produce additional vehicle trips as a result of increasing the roadway capacity on currently congested portions of I-105 ExpressLanes project. Although this item may not directly contribute to the achievement of the Board adopted VMT Reduction Targets, the VMT Targets were developed to account for the cumulative effect of a suite of programs and projects within the Metro region, which

individually may induce or increase VMT. Additionally, Metro has a voter-approved mandate to deliver multimodal projects that enhance mobility while ensuring the efficient and safe movement of people and goods..

This Project is exempt from CEQA VMT mitigation requirements.

* Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports the following Metro Strategic Plan Goal:

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

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the Toll Bonds and TIFIA Loan to a later time or indefinitely. This is not recommended as it could delay the construction of the Project and federal credit assistance may not be available in the future. Current approval of the TIFIA Loan enables Metro to secure favorable interest rates under current market conditions, thereby reducing the Project's long-term borrowing costs. It also ensures access to federal credit assistance at a time when future federal budget actions or administrative delays could constrain TIFIA program availability. Further, the TIFIA Loan's flexible repayment structure lowers overall debt service requirements and enhances debt service coverage, thereby strengthening the Project's financing plan. All these benefits may be lost if TIFIA is delayed or unavailable.

The Board could choose not to approve the updated Toll Policy but that is not recommended because the policy change is necessary to actively manage congestion and is critical for obtaining an investment grade rating that will provide lower financing costs for Metro. This policy provides the requested guidance to enable staff to make adjustments as needed to improve the performance of the ExpressLanes, to obtain necessary funding to expand the system consistent with prior Board directives, and support repayment obligations to bond investors and the federal government.

NEXT STEPS

Upon Board approval, staff will proceed with achieving financial close on the Toll Bonds and the TIFIA Loan, continue construction activities, and return to the Board at a later date with construction updates and other project milestones.

ATTACHMENTS

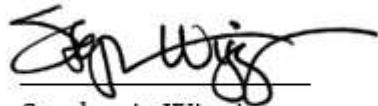
Attachment A - Authorizing Resolution

Attachment B -Toll Policy

Prepared by: Rodney Johnson, Treasurer, (213) 922-3417
Biljana Seki, Senior Director, (213) 922-2554

Mark Linsenmayer, Executive Officer, Shared Mobility,
(213) 922-5569

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



Stephanie Wiggins
Chief Executive Officer

Authorizing Resolution

RESOLUTION AUTHORIZING A TOLL REVENUE BOND FINANCING OF THE I-105 EXPRESSLANES PROJECT INCLUDING THE ISSUANCE OF LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY TOLL REVENUE BONDS IN ONE OR MORE SERIES AND IN A PAR AMOUNT NOT TO EXCEED \$1.7 BILLION (EXCLUDING CAPITALIZED INTEREST OR ACCRETED VALUE) AND CERTAIN REFUNDING TOLL BONDS OR BOND ANTICIPATION NOTES, THE EXECUTION AND DELIVERY OF A MASTER INDENTURE, ONE OR MORE SUPPLEMENTAL INDENTURES, ONE OR MORE PURCHASE CONTRACTS, ONE OR MORE OFFICIAL STATEMENTS, ONE OR MORE CONTINUING DISCLOSURE CERTIFICATES, AND A LOAN AGREEMENT RELATING TO TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT PROGRAM CREDIT ASSISTANCE, AND THE TAKING OF ALL OTHER ACTIONS NECESSARY OR ADVISABLE IN CONNECTION THEREWITH

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “Authority”) is a county transportation commission duly organized and existing pursuant to Section 130050.2 of the California Public Utilities Code (the “Act”) and a regional transportation agency under Section 149.7 of the California Streets and Highways Code (the “Toll Act”);

WHEREAS, the Toll Act authorizes the Authority to develop and operate high-occupancy toll (“HOT”) lanes and other toll facilities, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit or freight (as further defined herein, the “ExpressLanes System”) following approval of an application for the development and operation of such facilities by the California Transportation Commission (the “CTC”), established pursuant to Section 14500 of the California Government Code;

WHEREAS, pursuant to the Toll Act, the Authority submitted an application to the CTC for the development and operation of HOT lanes and other toll facilities on the portion of Interstate 105 (the “I-105”) beginning at Imperial Highway and Sepulveda Boulevard and terminating just east of Interstate 605 at Studebaker Road (as further defined herein, the “Toll Road”), and the CTC has reviewed and approved such Application;

WHEREAS, pursuant to the Toll Act, the Authority has determined to establish, collect, and administer tolls on the Toll Road;

WHEREAS, pursuant to the Toll Act, the Authority has demonstrated that the Toll Road will result in expanded efficiency of the corridor in terms of travel time reliability, passenger throughput and other efficiency benefits;

WHEREAS, on October 23, 2025, the Board approved negotiation and execution of the Phase 2 Supplement of the Construction Manager/General Contractor Contract for the construction of the Toll Road and establishment of its Life-of-Project Budget;

WHEREAS, pursuant to the Toll Act, the Authority is authorized to issue one or more series of bonds, refunding bonds, or bond anticipation notes, all payable from the revenues generated from the Toll Road (the “Toll Revenues”), at any time, to finance the construction of, and construction-related expenditures for, the Toll Road, and any other construction-related expenditures included in the Funding and Expenditure Plan to be developed by the Authority in consultation with the California Department of Transportation (“Caltrans”), established pursuant to Section 14001 of the California Government Code, and the same costs for additional ExpressLanes System projects, if any, approved in the future;

WHEREAS, in order to provide funds to finance eligible expenditures relating to the Toll Road, the Authority hereby determines to authorize the issuance of one or more series of Toll Revenue Bonds (as defined below) in an aggregate principal amount not to exceed one billion seven hundred million dollars (\$1,700,000,000) (excluding capitalized interest or accreted value);

WHEREAS, the Authority has submitted an application to the United States Department of Transportation (the “Department of Transportation”) for Federal project credit assistance under the Transportation Infrastructure Finance and Innovation Act, codified under Sections 601-609 of title 23 of the United States Code and, subject to approval by the Department of Transportation, acting through its Build America Bureau, the Authority anticipates receiving project credit assistance in an original aggregate principal amount (excluding capitalized interest) currently estimated to be approximately eight hundred forty-four million dollars (\$844,000,000) (the “TIFIA Loan”) to fund a portion of the I-105 ExpressLanes Project;

WHEREAS, the Authority proposes to enter into a Master Toll Indenture (the “Master Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Toll Trustee”), which will secure the Authority’s obligation to repay the Toll Revenue Bonds, including the TIFIA Loan, from Toll Revenues;

WHEREAS, the Authority hereby determines to issue its Los Angeles County Metropolitan Transportation Authority Toll Revenue Third Lien Bond, TIFIA Series 2026-A (the “TIFIA Toll Bond”) under the Master Indenture, as supplemented by a supplemental indenture (a “Supplemental Indenture” and hereinafter referred to as the “First Supplemental Indenture”) between the Authority and the Toll Trustee, and a loan agreement (the “TIFIA Loan Agreement”) by and between the Authority and the Department of Transportation, acting by and through the Executive Director of the Build America Bureau (the “TIFIA Lender”), all to evidence the principal and interest obligations payable on the TIFIA Loan from Toll Revenues;

WHEREAS, the Authority hereby further determines to issue its Los Angeles County Metropolitan Transportation Authority Toll Revenue Bonds (the “Senior Toll Bonds” and, together with the TIFIA Toll Bond, the “Toll Revenue Bonds”), in one or more series, under the Master Indenture, as supplemented by one or more supplemental indentures (each a “Supplemental Indenture” and hereinafter referred to collectively as the “Second Supplemental Indenture” and, together with the Master Indenture and the First Supplemental Indenture, the “Toll Revenue Bond Indenture”) between the Authority and the Toll Trustee, with such additional designations as may be provided for therein;

WHEREAS, the Authority has determined that it may be in its best interest from time to time to issue bond anticipation notes to pay for costs of the Project in advance of making draws under the TIFIA Loan (the “Bond Anticipation Notes”), such Bond Anticipation Notes to be refunded by one or more draws under the TIFIA Loan;

WHEREAS, the Authority has determined that it may be in its best interest from time to time to issue additional refunding bonds or bond anticipation notes in one or more series, in the form of Senior Toll Bonds (the “Refunding Toll Bonds” and, together with the Bond Anticipation Notes, the “Supplemental Toll Bonds”) or the TIFIA Toll Bond (the “Refunding TIFIA Toll Bond”), with such changes as may be necessary to effect the refunding issuance;

WHEREAS, the Authority has determined that it is in its best interest to sell the Senior Toll Bonds and the Supplemental Toll Bonds, if any, to the public through one or more negotiated sales to one or more underwriters to be selected by an Authorized Representative (as defined herein) through a competitive process by the Authority (the “Underwriters”); and

WHEREAS, the sale of the Senior Toll Bonds and the Supplemental Toll Bonds, if any, shall be in accordance with the Debt Policy of the Authority; and

WHEREAS, the Underwriters have caused to be prepared a proposed form of Bond Purchase Agreement (the “Purchase Contract”) which proposed form is on file with the Clerk or Acting Clerk (the “Clerk”) of the Board and made available to the members of the Board;

WHEREAS, a proposed form of official statement in preliminary form to be distributed in connection with the offering and sale of the Senior Toll Bonds and the Supplemental Toll Bonds, if any, from time to time (the “Official Statement”) is on file with the Clerk of the Board and made available to the members of the Board;

WHEREAS, a proposed form of Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to be executed and delivered by the Authority to assist the Underwriters in satisfying their obligations under Rule 15c2-12 promulgated by the Securities and Exchange Commission is on file with the Clerk of the Board and made available to the members of the Board;

WHEREAS, the Authority has retained Sperry Capital Inc., as municipal advisor under Section 15B of the Securities Exchange Act of 1934 (the “Municipal Advisor”), to advise the Authority in connection with the Toll Revenue Bonds, the Supplemental Toll Bonds and Refunding TIFIA Toll Bond, if any, and related costs, the amounts of which are estimated and set forth on Exhibit A attached hereto in compliance with Government Code Section 5852.1;

WHEREAS, Orrick, Herrington & Sutcliffe, LLP is acting as bond counsel to the Authority in connection with the issuance of the Toll Revenue Bonds, the Supplemental Toll Bonds and Refunding TIFIA Toll Bond, if any, and is hereby authorized, on behalf of the Authority, to file required notices with respect to such financing with the California Debt and Investment Advisory Commission;

WHEREAS, the forms of the following documents are on file with the Clerk of the Board and have been made available to the members of the Board (collectively, the “I-105 Project Financing Documents”):

- (1) proposed forms of Master Indenture and Supplemental Indentures, each by and between the Authority and the Toll Trustee;
- (2) a proposed form of TIFIA Loan Agreement, by and between the Authority and the TIFIA Lender;
- (3) a proposed form of Purchase Contract, by and among the Authority and the Underwriters;
- (4) a proposed form of preliminary Official Statement, one or more of which will provide information about the Senior Toll Bonds, the Supplemental Toll Bonds, if any, the Authority, the ExpressLanes System, the I-105 ExpressLanes Project, the Toll Revenues and certain other related matters, and will be used, from time to time, in connection with the offer and sale of the Senior Toll Bonds and the Supplemental Toll Bonds, if any; and
- (5) a proposed form of Continuing Disclosure Certificate, by the Authority; and

WHEREAS, the Authority has examined and approved each of the proposed forms of the I-105 Project Financing Documents relating to the financing described herein (the “I-105 Project Financing”) and desires to authorize and direct the execution of such documents as are specified herein and such other documents as are necessary in connection with the I-105 Project Financing and to authorize and direct the consummation of such financings;

NOW THEREFORE, THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY RESOLVES:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct and makes them an effective part of this Resolution by incorporating them herein by reference.

Section 2. The Authority finds and determines that the Toll Road will result in expanded efficiency of the corridor in terms of travel time reliability, passenger throughput, and other efficiency benefits.

Section 3. The issuance by the Authority of not to exceed one billion seven hundred million dollars (\$1,700,000,000) (excluding capitalized interest or accredited value) of Toll Revenue Bonds in accordance with the Toll Revenue Bond Indenture, in one or more series, payable and secured on a lien level as shall be provided in the Toll Revenue Bond Indenture, with such additional or changed series and subseries designations as may be necessary or desirable under the Toll Revenue Bond Indenture, from time to time on the same or different dates, is hereby authorized and approved.

Section 4. The Master Indenture, in substantially the form on file with the Clerk of the Board and made available to the Board, and the terms and conditions thereof, as supplemented by the Supplemental Indentures further authorized herein, is hereby approved.

The Authority hereby designates the Chair of the Board, any Vice Chair of the Board, the Chief Executive Officer of LACMTA, the Chief Financial Officer of LACMTA, the Treasurer of LACMTA, any Assistant Treasurer of LACMTA, any Executive Officer, Finance of LACMTA,

any Senior Executive Officer, Finance of LACMTA, and any Deputy Executive Officer, Finance of LACMTA, any Senior Director, Finance of LACMTA, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each an “Authorized Representative”), and the Authorized Representatives, acting in accordance with this Section 4, are each hereby severally authorized, for and in the name and on behalf of the Authority, to execute and deliver the Master Indenture, in substantially said form, with such additional changes therein as the official executing the same may require or approve and to assign, pledge or mortgage the Authority’s right, title and interest, to the extent permitted by law, in and to any agreements relating to the Toll Road, including, without limitation, the design, construction, operation and maintenance thereof, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The First Supplemental Indenture, including the form of the TIFIA Toll Bond, and the TIFIA Loan Agreement, in substantially the forms on file with the Clerk of the Board and made available to the Board, and the terms and conditions thereof are hereby approved. The structure, date, series designation, maturity date or dates (no later than June 30, 2066), fixed, variable or compounded interest rate or rates (such rates not to exceed 5.75% per annum), or methods of determining the same, interest payment dates, forms, denomination of the TIFIA Toll Bond, registration privileges, place or places of payment, terms of redemption, tender, mandatory purchase, defaults and remedies, additional series designation and number thereof, other terms of the TIFIA Toll Bond, and the title of the First Supplemental Indenture shall be as provided in the Toll Revenue Bond Indenture, including as supplemented by the First Supplemental Indenture, TIFIA Toll Bond and TIFIA Loan Agreement, each as finally executed and delivered.

Each Authorized Representative, acting singly, is hereby authorized and directed, for and in the name of the Authority, to execute and deliver the First Supplemental Indenture, TIFIA Toll Bond and TIFIA Loan Agreement, each in substantially said forms, with such additional changes therein as the official executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Second Supplemental Indenture, including the form of the Senior Toll Bonds, in substantially the form on file with the Clerk of the Board and made available to the Board, and the terms and conditions thereof are hereby approved. The structure, date, series designation, lien structure, maturity date or dates (not to exceed 41 years from the date of issuance), fixed or variable interest rate or rates or accretion rate or rates (such rates not to exceed the maximum allowable by law of 12% per annum), accreted value at maturity, or methods of determining the same, interest payment dates, designation as taxable, tax-exempt, current interest, capital appreciation or convertible capital appreciation bonds, forms, denomination of the Senior Toll Bonds (which shall not be less than \$5,000), registration privileges, place or places of payment, terms of redemption, tender, mandatory purchase, defaults and remedies, additional series designation and number thereof, other terms of the Senior Toll Bonds and the title of the Second Supplemental Indenture, shall be as provided in the Toll Revenue Bond Indenture, including as supplemented by the Second Supplemental Indenture, and the Senior Toll Bonds, each as finally executed and delivered; provided, however, that the all-in true interest cost (as defined below, the “True Interest Cost”) of each series of the Senior Toll Bonds shall not exceed 7.0%, as such shall be calculated by the Municipal Advisor as of the date of delivery of each series of the Senior Toll Bonds.

The Authorized Representatives, acting in accordance with this Section 6, are each hereby severally authorized, for and in the name and on behalf of the Authority, to execute and deliver the Second Supplemental Indenture and the Senior Toll Bonds, each in substantially said form, with such additional changes therein as the official executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

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 Senior Toll Bonds and to the principal amount and original issue premium, if any, less underwriters' discount and original issue discount, if any, and costs of issuance of the applicable series of Senior Toll Bonds. For the purpose of calculating the True Interest Cost, the principal amount of the applicable series of Senior Toll 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 Municipal Advisor.

Section 7. The proposed form of the Purchase Contract on file with the Clerk of the Board and made available to the Board and the terms and conditions thereof are hereby approved. Each Authorized Representative, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to sell the Senior Toll Bonds to the Underwriters pursuant to a Purchase Contract, with the Underwriters' discount not to exceed 0.7% of the principal amount of the Senior Toll Bonds, and to execute and deliver a Purchase Contract, in substantially said form, with such changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The proposed form of Official Statement on file with the Clerk of the Board and made available to the Board is hereby approved. Each Authorized Representative, acting singly, is hereby authorized to execute one or more certificates confirming that the Official Statement in preliminary form in substantially said form with such changes, insertions and deletions as may be approved by the Authorized Representative is "deemed final" by the Authority for purposes of Securities and Exchange Commission Rule 15c2-12 (the execution of such certificate being conclusive evidence of such approval). Each Authorized Representative, acting singly, is hereby authorized and directed to execute and deliver one or more Official Statements in substantially the form on file with the Clerk of the Board and made available to the Board with such changes, insertions and deletions as may be approved by the Authorized Representative, said execution being conclusive evidence of such approval. One or more supplements to the preliminary Official Statement or final Official Statement may be prepared and delivered reflecting updated and revised information as an Authorized Representative deems appropriate or necessary. The distribution by the Underwriters of copies of the Official Statement in final form and any supplements thereto to all actual purchasers of the Senior Toll Bonds and the Supplemental Toll Bonds, if any, and the distribution by the Underwriters of the Official Statement in preliminary form and any supplements thereto to potential purchasers of the Senior Toll Bonds and the Supplemental Toll Bonds, if any, are hereby authorized and approved.

Section 9. The proposed form of Continuing Disclosure Certificate on file with the Clerk of the Board and made available to the Board is hereby approved. Each Authorized Representative, acting singly, is hereby authorized and directed, for and in the name and on behalf

of the Authority, to execute and deliver one or more Continuing Disclosure Certificates in substantially said form, with such changes therein as such officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. Subsequent to the issuance of any Senior Toll Bonds or the TIFIA Toll Bond, the Authority is hereby further authorized to issue the Refunding TIFIA Toll Bond or additional Refunding Toll Bonds on or prior to June 30, 2027, in one or more series, in the form of the TIFIA Toll Bond or refunding Senior Toll Bonds, as applicable, each under the Master Indenture as supplemented by one or more additional supplemental indentures, in substantially the form of the First Supplemental Indenture or the Second Supplemental Indenture, as applicable (collectively, the “Refunding Supplemental Indenture”) between the Authority and the Toll Trustee, and to defease or redeem any portion of the Toll Revenue Bonds (the “Refunding”) issued pursuant to this Resolution, including from one or more draws under the TIFIA Loan.

The Authorized Representatives, acting in accordance with this Section 10, are each hereby severally authorized, for and in the name and on behalf of the Authority, to execute and deliver one or more such Refunding Supplemental Indentures, each in substantially said forms, with such additional changes therein as the official executing the same may require, including such terms and conditions as may be necessary to effect the payment, redemption or defeasance of the previously issued Toll Revenue Bonds, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that any Refunding TIFIA Toll Bond authorized hereunder shall be subject to the requirements set forth in Section 4 herein and any Refunding Toll Bonds authorized hereunder shall be subject to the requirements set forth in Section 6 and Section 7 herein; provided, further, that each series of Refunding Toll Bonds or Refunding TIFIA Toll Bond shall be issued in a principal amount not to exceed the amount necessary and sufficient to accomplish such refunding, including providing amounts for costs incidental to or connected therewith, and the making of any deposits into a reserve fund and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such series of Refunding TIFIA Toll Bond or Refunding Toll Bonds.

In connection with any such Refunding, the Authorized Representatives are each hereby severally authorized, for and in the name and on behalf of the Authority, to engage an escrow agent, verification agent or a bidding agent, and execute and deliver one or more Purchase Contracts, Continuing Disclosure Certificates, Official Statements or other offering documents, escrow agreements, investment agreements, notices of defeasance or redemption, and any other documents which such Authorized Representative may deem necessary or desirable to effect the Refunding.

Section 11. Subsequent to the issuance of the TIFIA Toll Bond, the Authority is hereby further authorized to issue Bond Anticipation Notes, on or prior to June 30, 2027, to pay for costs of the Project in advance of draws under the TIFIA Loan, in one or more series, in the form of the Senior Toll Bonds, under the Master Indenture as supplemented by one or more additional supplemental indentures, in substantially the form of the Second Supplemental Indenture (the “BAN Supplemental Indenture”) between the Authority and the Toll Trustee, provided that such Bond Anticipation Notes shall be issued in a maximum par amount not to exceed the amount projected to be refunded from proceeds of one or more draws under the TIFIA Loan.

The Authorized Representatives, acting in accordance with this Section 11, are each hereby severally authorized, for and in the name and on behalf of the Authority, to execute and deliver such BAN Supplemental Indentures, each in substantially said forms, with such additional changes therein as the official executing the same may require, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that any Bond Anticipation Notes in the form of the Senior Toll Bonds authorized hereunder shall be subject to the requirements set forth in Section 6 and Section 7 herein.

Section 12. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, including, without limitation, any amendment of any of the documents authorized by this Resolution, or other agreements related thereto, including the Toll Revenue Bond Indenture, the Senior Toll Bonds, the TIFIA Toll Bond, the Supplemental Toll Bonds or Refunding TIFIA Toll Bond, if any, the TIFIA Loan Agreement, the Refunding Supplemental Indenture or the BAN Supplemental Indenture, if any, or any agreements with consultants, paying agents, the removal or replacement of the Toll Trustee or any similar action may be given or taken by each Authorized Representative, acting singly, without further authorization or direction by the Authority, and each Authorized Representative, acting singly, 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 Authorized Representative may deem necessary or desirable to further the purposes of this Resolution, including the execution of any term sheet in connection with the TIFIA Loan Agreement.

Section 13. All actions heretofore taken by the officers, employees and agents of the Authority with respect to the I-105 Project Financing and the issuance of the Toll Revenue Bonds and the Supplemental Toll Bonds or Refunding TIFIA Toll Bond, if any, and sale of the Senior Toll Bonds and the Supplemental Toll Bonds, if any, are hereby ratified, confirmed and approved. Each Authorized Representative is hereby authorized to execute by his or her manual or facsimile signature, and deliver, the TIFIA Toll Bond, including the TIFIA Loan Agreement, the Senior Toll Bonds and the Supplemental Toll Bonds or Refunding TIFIA Toll Bond, if any. The Clerk of the Board is hereby authorized to attest to the execution by an Authorized Representative of any of such documents as said official deems appropriate.

In connection with the sale of all or a portion of the Toll Revenue Bonds or the Supplemental Toll Bonds, any Authorized Representative is hereby authorized on behalf of the Authority to purchase or otherwise arrange for the provision of (including the payment of such premiums, fees and other costs and expenses as such Authorized Representative 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 Toll Revenue Bonds or the Supplemental Toll Bonds, said municipal bond insurance to contain such terms and conditions as such Authorized Representative shall determine is appropriate or necessary for the issuance of the Toll Revenue Bonds or the Supplemental Toll Bonds.

The officers, employees and agents of the Authority are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to adopt or amend written procedures relating to its bonds and to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates, notices and documents, including, without

limitation, signature certificates, certificates concerning the contents of the I-105 Project Financing Documents, certificates concerning the contents of the Official Statement and the representations and warranties in the Purchase Contract, any other agreements or certificates which they, or any of them, may deem necessary or advisable in order to consummate the I-105 Project Financing and the execution and delivery of the I-105 Project Financing Documents and to otherwise carry out, give effect to and comply with the terms and intent of this Resolution, the Act, the Toll Act, the TIFIA Toll Bond including the TIFIA Loan, the Senior Toll Bonds, the Supplemental Toll Bonds and Refunding TIFIA Toll Bond, if any, the Toll Revenue Bond Indenture, any Refunding Supplemental Indenture or BAN Supplemental Indenture, and the other documents approved hereby, including, as applicable, to make changes therein that may be necessary to issue solely the Senior Toll Bonds, solely the TIFIA Toll Bond, or to issue the Senior Toll Bonds or the TIFIA Toll Bond and the Supplemental Toll Bonds or Refunding TIFIA Toll Bond from time to time on different dates.

Section 14. The Board hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the California Uniform Electronic Transactions Act and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

Section 15. This Resolution shall take effect immediately upon its adoption and approval.

CERTIFICATION

The undersigned, duly qualified and acting as Board Clerk of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____, 2026.

By _____

Board Clerk, Los Angeles County
Metropolitan Transportation Authority

Dated: _____, 2026

EXHIBIT A

GOOD FAITH ESTIMATES (BASE CASE SCENARIO)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY TOLL REVENUE FIRST LIEN BONDS, SERIES 2026-A (“SENIOR TOLL BONDS”)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY TOLL REVENUE THIRD LIEN BOND, TIFIA SERIES 2026-A (“TIFIA TOLL BOND”)

The good faith estimates set forth herein are provided with respect to the above-referenced bonds (collectively, the “Toll Revenue Bonds”) in compliance with Section 5852.1 of the California Government Code. Sperry Capital Inc. has advised the Authority in connection with the Toll Revenue Bonds for consideration prior to the authorization in the foregoing Resolution.

1. *True Interest Cost of the Toll Revenue Bonds.* Assuming the anticipated aggregate principal amount of the Toll Revenue Bonds, including the TIFIA Toll Bond, and based on conservative estimates of U.S. Treasury bond rates and capital market rates prevailing at the time of preparation of this information plus 100 basis points, a good faith estimate of the all-in true interest cost of the Toll Revenue Bonds is 5.871%.

2. *Finance Charge of the Toll Revenue Bonds.* Assuming the anticipated aggregate principal amount of the proposed Toll Revenue Bonds and based on prevailing U.S. Treasury bond rates and capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the finance charge of the Toll Revenue Bonds (the “Finance Charge”), which means the sum of all fees and charges paid to third parties (or costs associated with the issuance of the Toll Revenue Bonds), is approximately \$5,163,550.00.

3. *Amount of Proceeds To Be Received.* Assuming the anticipated aggregate principal amount of the proposed Toll Revenue Bonds and based on prevailing U.S. Treasury bond rates and capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the amount of proceeds expected to be received by the Authority for the Toll Revenue Bonds is \$1,381,846,163.45.

4. *Total Payment Amount.* Assuming the anticipated aggregate principal amount of the proposed Toll Revenue Bonds and based on prevailing U.S. Treasury bond rates and capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the total payment amount (the “Total Payment Amount”), which means the sum total of all payments of principal and compounded and accrued interest the issuer will make to pay debt service on the Toll Revenue Bonds, calculated to the final maturity of the Toll Revenue Bonds, is \$4,053,107,858.75. The Total Payment Amount does not include the Finance Charge.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest rate, 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 the Toll Revenue Bond sales, the principal amount of the Toll Revenue Bonds, the amortization of the Toll Revenue Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Toll Revenue Bonds sold will be determined by the Authority based on need to provided funds for the I-105 Project Financing and other factors. The actual interest rates at which the Toll Revenue Bonds will be sold will depend on the bond market at the time of each sale including, with respect to the TIFIA Toll Bond, U.S. Treasury bond rates. The actual amortization of the Toll Revenue 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 Authority's control.

**GOOD FAITH ESTIMATES
(SENIOR TOLL BONDS-ONLY SCENARIO)**

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
TOLL REVENUE FIRST LIEN BONDS, SERIES 2026-A (“SENIOR TOLL BONDS”)**

The good faith estimates set forth herein are provided with respect to the above-referenced Senior Toll Bonds in compliance with Section 5852.1 of the California Government Code. Sperry Capital Inc. has advised the Authority in connection with the Senior Toll Bonds for consideration prior to the authorization in the foregoing Resolution.

1. *True Interest Cost of the Senior Toll Bonds.* Assuming the anticipated aggregate principal amount of the Senior Toll Bonds, and based on conservative estimates of capital market rates prevailing at the time of preparation of this information plus 100 basis points, a good faith estimate of the all-in true interest cost of the Senior Toll Bonds is 6.366%.

2. *Finance Charge of the Senior Toll Bonds.* Assuming the anticipated aggregate principal amount of the proposed Senior Toll Bonds and based on prevailing capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the finance charge of the Senior Toll Bonds (the “Finance Charge”), which means the sum of all fees and charges paid to third parties (or costs associated with the issuance of the Senior Toll Bonds), is approximately \$16,822,497.92.

3. *Amount of Proceeds To Be Received.* Assuming the anticipated aggregate principal amount of the proposed Senior Toll Bonds and based on prevailing capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the amount of proceeds expected to be received by the Authority for the Senior Toll Bonds is \$1,665,427,294.53.

4. *Total Payment Amount.* Assuming the anticipated aggregate principal amount of the proposed Senior Toll Bonds and based on prevailing capital markets rates at the time of preparation of this information plus 100 basis points, a good faith estimate of the total payment amount (the “Total Payment Amount”), which means the sum total of all payments of principal and compounded and accrued interest the issuer will make to pay debt service on the Senior Toll Bonds, calculated to the final maturity of the Senior Toll Bonds, is \$6,358,611,598.81. The Total Payment Amount does not include the Finance Charge.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest rate, 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 the Senior Toll Bond sales, the principal amount of the Senior Toll Bonds, the amortization of the Senior Toll Bonds sold and market interest rates at the time of each sale. The date of sale and the amount of Senior Toll Bonds sold will be determined by the Authority based on need to provided funds for the I-105 Project Financing and other factors. The actual interest rates at which the Senior Toll Bonds will be sold will depend on the bond market at the time of each sale. The actual

amortization of the Senior Toll 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 Authority's control.

Los Angeles County Metropolitan Transportation Authority ExpressLanes Toll Policy

Purpose

The framework detailed herein establishes policies to operate, maintain, and administer the ExpressLanes to ensure program goals are met. The policies will be used to operate the current Metro ExpressLanes program and any future ExpressLanes facilities in compliance with the program goals and Board direction. This policy framework will be expanded or modified as the ExpressLanes system grows and technology changes.

Program Goals

The following goals are established for the ExpressLanes program. The specific policies that follow derive their authority from these goals, and any future policy decisions should be measured against these goals to ensure compliance with the goals.

- Provide a safe, reliable, predictable commute for customers of the ExpressLanes
- Reinforce LACMTA's ongoing efforts to increase vehicle occupancy rates and transit ridership
- Use dynamic pricing to manage traffic and optimize -people throughput in the corridor
- Provide excellent customer service
- Operate and maintain a self-sustaining ExpressLanes program
- Utilize any surplus toll revenue for corridor improvements and system expansion

Chapter 1: OPERATIONS

Performance Requirements 100.005

In accordance with Section 166 of Title 23, Code of Federal Regulations, the ExpressLanes performance will be monitored to ensure a minimum average operating speed of 45 miles per hour, 90 percent of the time during weekday peak periods.

Mitigation strategies to be deployed, should performance degrade, are as follows:

- (a) Increase the maximum toll charged to vehicles to reduce demand as described in 100.005, up to four times, then implement strategy (b), or (c), as appropriate;
- (b) Extend the peak period hours, as described in 200.015, then implement strategy (a) or (c), as appropriate;
- (c) Discontinue non-HOV vehicle use of ExpressLanes, and implement strategy (a) as appropriate.

Peak period performance will be monitored against ExpressLanes performance requirements. Staff will adjust the peak period to maintain performance standards.

For tolling operations, after four occurrences, within a quarter, of meeting the HOV threshold in a non-peak hour, staff may increase the duration of the peak-period to include the hour. For example,

if HOV Only has occurred four times during the 9:00 am and 10:00 am hour within the past 3 months then the peak period would now be extended to 10:00 AM from 9:00 AM

HOV threshold is defined as:

- (a) System in HOV Only mode;
- (b) Lasting more than 35 minutes; and
- (c) Excludes incidents.

Chapter 2: Toll Rates, Exemptions and Discounts

Toll Rate Setting 200.005

When the ExpressLanes are in operation, the toll rate schedule will be a minimum of \$0.10 per mile during off-peak hours and \$0.35 per mile during peak hours, as defined in policy 200.015. Toll rates will vary based on, traffic density (traffic volumes/travel speeds) and will automatically adjust using a dynamic pricing system. The trip price is determined by multiplying the miles travelled by the rate per mile in each tolling segment at the time of the trip. Staff will monitor toll rates against ExpressLanes performance and adjust the maximum rate per mile to maintain performance standards and ensure the following ExpressLane toll rate goals are met:

- Provide a safe, reliable, predictable commute for customers of the ExpressLanes
- Optimize people throughput in the corridor.

After four occurrences, within a quarter, of meeting the density threshold, staff may increase the maximum price per mile per segment by \$0.10 and up to four times a year.

Density threshold is defined as:

- Density exceeding 48 (calculated as traffic volume/average travel speed);
- Lasting more than 35 minutes; and
- Excludes incidents.

Toll Exemptions 200.010

Except as provided herein, all vehicles using the ExpressLanes must pay the required toll. Only qualified vehicles may be exempt from paying tolls. The registered owner and operator of the qualified vehicle must comply with the requirements of the agency in order to obtain the exemption. The following vehicles qualify for exemption:

- (a) Mass transit and paratransit as defined in Vehicle Code Section 21655.5;
- (b) Carpools and vanpools, as established for each tolled facility;
- (c) Motorcycles;
- (d) California Highway Patrol;

- (e) Authorized marked emergency vehicles on bona fide emergencies as defined in Vehicle Code Section 23301.5;
- (f) Maintenance vehicles directly involved in maintenance on the ExpressLanes and adjoining bus stations or responding to bus related incidents; and
- (g) Tow trucks authorized by Freeway Service Patrol responding to incidents on the ExpressLanes.

Toll Discounts 200.015

The following classes of vehicles may qualify for a toll discount. The registered owner of the qualified vehicle must comply with the following requirements to obtain the discount:

- (a) HOV 2 discount during off-peak hours on Interstate 10 or during all times on Interstate 110, where applicable and indicated by roadway signage.
- (b) HOV 3 discount during peak hours on Interstate 10, and during all times on Interstate 105, where applicable and indicated by roadway signage.



File # 2025-1044

I-105 ExpressLanes Project

Finance, Budget and Audit Committee
January 15, 2026



I-105 ExpressLanes Project

Purpose

- Adopt a resolution that authorizes the issuance and sale of a combined aggregate principal amount not to exceed \$1.7 billion for the I-105 ExpressLanes Project in the form of Toll Revenue First Lien Bonds in one or more series, Toll Revenue Third Lien Bonds, and/or TIFIA Loan Agreement and taking all other actions necessary in connection with the issuance of the bonds and/or loan.
- Adopt the revised Toll Policy

Issue

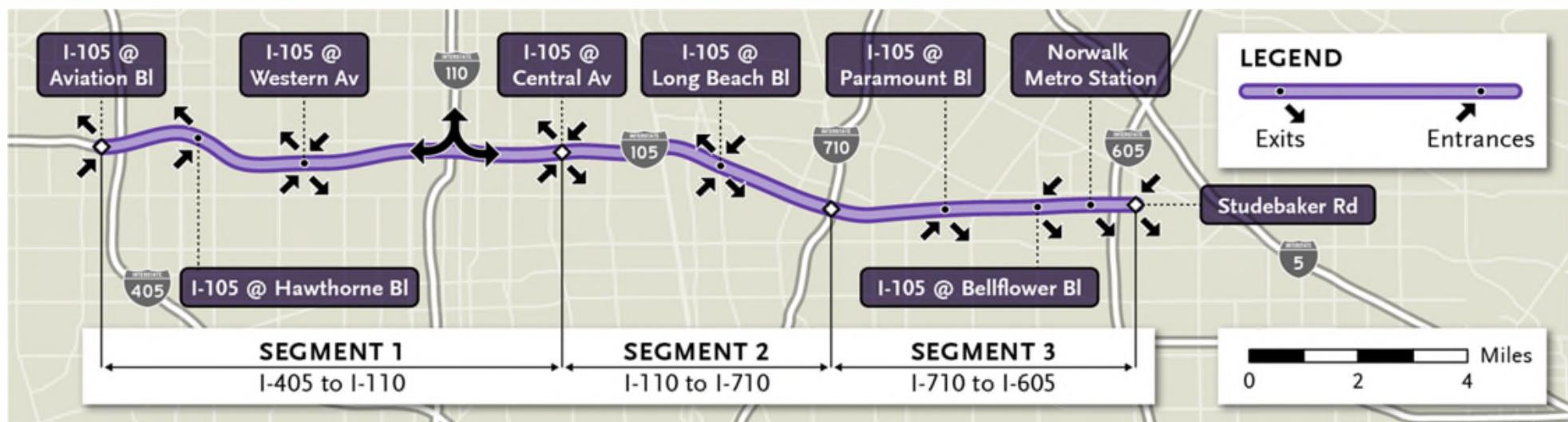
- The Project needs long-term toll revenue bonds and federal credit assistance to complete construction at the lowest borrowing cost.

Federal Government Shutdown Risk

- A federal shutdown may impact the timing of TIFIA approval; staff would assess potential adjustments to the financing plan, as needed.
- A federal shutdown could delay the Toll Revenue Third Lien TIFIA Loan processing and closing.
- The Third Lien TIFIA Loan provides a lower overall cost of borrowing.
- Current market rates make issuing all First Lien Toll Revenue Bonds more expensive by comparison.

Project Overview

- The Project is comprised of three segments: Segment 1, Segment 2, and Segment 3.
- Converts existing HOV lane to an ExpressLane and adds a second ExpressLane in each direction.
- Provide additional travel options to corridor users.
- Relieve existing congestion on the corridor.



Financing Needs and Structure

Capital Markets: Toll Bonds (estimated amount up to \$525 million)

- Toll Revenue First Lien Bonds will be sold to investors on a negotiated basis.
- Toll Revenue First Lien Bonds will be issued at a fixed rate with maturities ranging from 2031 to 2056.

Federal Credit Assistance: TIFIA Loan (estimated amount up to \$850 million)

- TIFIA is a direct loan with the Department of Transportation (DOT) (not sold in the capital markets) with an interest rate set at the State and Local Government Series (SLGS) rate plus 1 bp at closing.
- Toll Revenue Third Lien TIFIA Loan will be issued at a fixed rate with maturities ranging from 2039 to 2064.
- Expected to close in parallel with the Toll Bonds in February 2026.

In case of a Federal Government Shutdown, the financing would be Toll Bonds only.

Capital Markets: Toll Bonds only (estimated amount up to \$1.7 billion)

- Toll Revenue First Lien Bonds will be sold to investors on a negotiated basis.
- Toll Revenue First Lien Bonds will be issued at a fixed rate with maturities ranging from 2037 to 2066

Toll Policy

- The Toll policy is set by the LACMTA board
- The Toll Policy is designed to encourage carpooling and further support Metro's shift towards increased transit and vanpool use on the corridor
- The Revised Toll Policy incorporates the I-105 ExpressLanes
- Occupancy requirements, including HOV3+, were explored as part of the environmental process
- No other changes to the Toll Policy are recommended
- Policy revision is necessary to ensure travel time reliability and achieve investment grade rating, lowering borrowing costs for the project

Toll Policy

- Dynamic pricing to manage traffic and optimize people throughput in the corridor with caps
- Toll rates vary based on traffic density (calculated as traffic volume / average travel speed)
- Toll free travel for vehicles HOV-3+, motorcycles, and buses
- Vehicles can use the ExpressLanes without a transponder, also known as "Pay As You Go"; when using Pay As You Go, a \$9 fee per trip is added to the cost of the toll and no carpool discounts are provided
- Trucks are not allowed (other than 2-axle light duty trucks)
- Toll credits are available to frequent transit riders who use certain transit routes that support and/or utilize the ExpressLanes
- Emergency vehicles may use the ExpressLanes toll free when responding to incidents
- A Low-Income Assistance Plan is available to persons earning less than twice the Federal poverty level



Metro

I-105 ExpressLanes Project

Recommendation

- A. Adopt a resolution that authorizes the issuance and sale of a combined aggregate principal amount not to exceed \$1.7 billion for the I-105 ExpressLanes Project in the form of Toll Revenue First Lien Bonds in one or more series, Toll Revenue Third Lien Bonds, and/or TIFIA Loan Agreement and taking all other actions necessary in connection with the issuance of the bonds and/or loan.
- B. Adopt the revised Toll Policy

Next Steps

- Upon Board approval, staff will proceed with achieving financial close on the Toll Bonds and the TIFIA Loan, continue construction activities, and return to the Board at a later date, with construction updates and other project milestones.



File #: 2025-0941, **File Type:** Informational Report

Agenda Number: 23.

FINANCE, BUDGET, AND AUDIT COMMITTEE JANUARY 15, 2026

SUBJECT: FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2027 (FY27) Budget Development Process.

ISSUE

This report establishes the foundation for the development of the FY27 Equitable Zero-Based Budget (EZBB) by providing the updated Near-Term Financial Outlook and outlining the budget development schedule, with final adoption planned for May 2026.

On June 18, 2025, staff identified key internal and external financial pressures, outlined a strategic workplan, and adopted Guidelines for Addressing the Fiscal Cliff.

Since then, Metro staff has advanced the cross-departmental strategic workplan through:

- Deep Dive on Revenue Generating Opportunities: presented to the Board on September 18, 2025
- Deep Dive on General Fund: presented to the Board on September 18, 2025
- Near-Term Financial Outlook Update

As the FY27 Budget is developed amid fiscal uncertainty, Metro remains committed to disciplined, results-driven financial management aligned with the Board adopted guidelines, prioritizing the preservation of essential transit services and investments that improve the rider experience.

BACKGROUND

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board at the fund level except for capital expenditures,

which are authorized on a life of project basis.

In alignment with these governance standards, this report is the beginning of a series of status updates on the FY27 Budget development process to the Finance, Budget, and Audit Committee. These updates will provide ongoing transparency into financial assumptions, strategic priorities, and emerging fiscal considerations as Metro progresses toward final budget adoption.

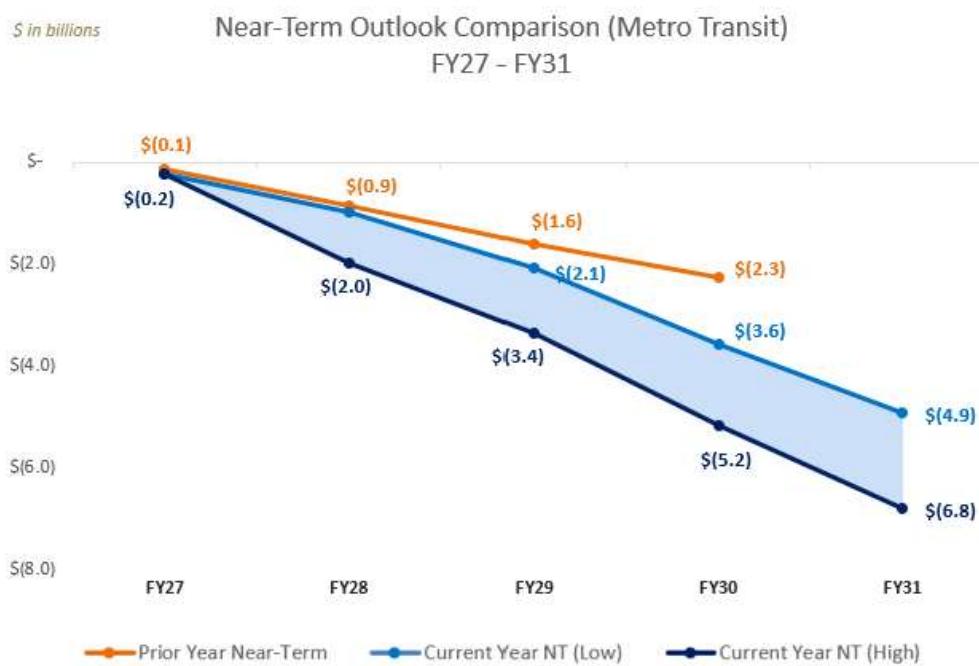
DISCUSSION

Near-Term Outlook Update and Challenges Ahead

Metro continues to emphasize disciplined financial planning in executing its transit investments and sustaining operational excellence. The EZBB cycle commences with the Near-Term Outlook, which presents a five-year financial forecast grounded in a comprehensive assessment of macroeconomic conditions, revenue trends, cost inflation, Board-approved priorities, and major capital investment planning.

The Agency's Near-Term Outlook is in line with FY27. However, starting in FY28, the deficit widens from \$0.9 billion to as much as \$2.0 billion. Looking ahead, Metro projects a cumulative financial gap in the range of \$3.6 to \$5.2 billion by FY30 (Figure 1). The gap is comprised of \$4.3 billion for Metro Transit Operations & Maintenance (O&M) and \$0.9 billion for Metro Transit Capital Improvement Program (CIP).

Figure 1:



Note: These figures do not include cost assumptions for the 2028 Games.

This decline reflects mounting financial pressures primarily driven by the following factors:

- Downward revisions of sales tax revenues based on less favorable trends and indicators. Sales tax revenue is projected to decline by 7% relative to the prior forecast of 2.3%, establishing a lower base for the current planning horizon
- Projected grant reductions of up to 12%, reflecting adjustments in federal and state funding assumptions
- Continued cost growth, including labor, fuel and energy costs, and capital investments

While this projection highlights ongoing fiscal pressures, it also reinforces the importance of proactive financial stewardship and strategic planning. Metro views this outlook as an opportunity to strengthen its long-term fiscal framework through targeted mitigation and continuous improvement initiatives. Metro is actively advancing a comprehensive response that emphasizes:

- Enhanced cost management through data-driven budgeting and operational efficiencies;
- Strategic prioritization of capital investments to ensure alignment with the Board's policy goals and the region's mobility needs;
- Continuous efforts in evaluating revenue generating opportunities

Through these concerted efforts, Metro remains confident in its ability to reduce the financial gap, sustain service delivery, and continue investing in a more connected, sustainable, and equitable transit system for the region.

Revenue Update

One of the first steps in updating the near-term outlook is revising the revenue estimates and projections based on the most recent information available.

Sales Tax Projections

Sales taxes make up over two-thirds of Metro's resources. To provide a realistic near-term forecast, actual FY25 sales tax receipts are used as the base for projections, the FY26 Budget is reassessed based on the available economic data and reforecast as necessary.

The FY25 actual receipts were 6.6% or \$304 million below budget, resulting in a lower base for the current near-term outlook. As a result, this year's five year forecast projects a 7.0% or \$2.4 billion reduction in overall sales tax revenues compared to the prior forecast, primarily due to the lower starting level and lower projected growth rates of 2.3% vs. 2.9% average.

Economic developments such as slower job growth, increasing consumer debt and loan delinquencies, and continued spending shifts to non-taxable categories such as services, health care and housing costs are major drivers eroding consumer confidence and taxable goods sales. Forecasting agencies including UCLA Anderson Forecast, Beacon Economics and Muni Services expect the region's sluggish economic growth to continue into FY27 but gradually improve in the

following years.

Grant Resources

Overall grant resources are decreasing up to 12.2% (\$1.5B) over a five-year period relative to the prior forecast based on the latest grants projections. Federal grant funds savings for Operations is being accelerated in usage due to depletion of one-time stimulus funding by FY27. In addition, reauthorization negotiations at the Federal level have just begun and are difficult to predict.

At the state level, growing budget deficit projections have led to a freeze on the ZETCP program that could impact cash flow or total funding for the program depending on future state budgets. Formula funding from the state fluctuates based on diesel fuel prices and sales but is relatively steady year-over-year.

Grants included in the near-term comprise only those known and highly likely to be received. Given the economic and political uncertainties involved and associated changes in national policies and priorities, additional state and federal funding is difficult to predict at this time.

Metro staff will continue to pursue federal, state and local grant opportunities and present to the Board as additional information becomes available. While a forecast decline of grant funding will place added pressure on local funding resources, staff will also work closely with the region's elected political delegations at both the state and federal levels -along with APTA and the broader transit community-to educate about the needs for and benefits of public transit and advocate for continued and enhanced transportation funding from our external funding partners.

Major Cost Growth Drivers

As Metro moves forward with developing the FY27 Budget, recent trends and changes have been evaluated and projected in the current expense outlook. This report outlines the key developments since the Board Report on Addressing the Fiscal Cliff in June 2025, where staff provided the Board with Metro's workplan, guiding principles, and timeline of managing the projected deficit in the upcoming years.

The following cost drivers constitute the majority of metro transit costs, and their anticipated growth rate continue to outpace projected sales tax revenue growth of 2.3%:

- **Zero-Emissions Bus (ZEB) & infrastructure** costs due to achieving a zero-emission fleet by 2035
- **Cleaning Costs** are driven by Station Innovation Experience initiatives and cleaning frequency, with continued investments in expanding rail system
- **System Expansion** due to at least one major rail opening per year through FY28
- **Labor Cost growth** is expected to continue with the latest collective bargaining agreements starting in the current fiscal year and for the next five years
- **Insurance/WC/PLPD** premiums due to higher loss payment projections and set up of

Department of Public Safety (DPS)

- **Public Safety** Resources: scaling internal Department of Public Safety (DPS) capabilities while maintaining overlapping contractor obligations through the transition period
- **Parts, Fuel & Outside Services** growth driven by inflation, utilities, other parts & supplies and professional services

Additional Risks and Challenges

As Metro continues to implement strategies to mitigate cost growth drivers, it is important to acknowledge that several unquantified risks remain in the current financial forecast. These risks-both external and internal-pose potential implications for Metro's near-term fiscal stability and long-term strategic objectives.

External Risks

Metro operates within a complex and evolving global environment. Several external factors may adversely affect cost structures, funding availability, and financial planning:

- **Geopolitical Instability:** Global tensions and supply chain disruptions may lead to increased procurement costs and material shortages.
- **Potential Tariff Escalations:** Tariff adjustments and import cost fluctuations could elevate Metro's purchase prices for key materials and equipment.
- **Changes in Tax-Exempt Status:** Any revision to Metro's current tax exemption privileges could directly increase operating and capital costs.
- **Federal Funding Uncertainty:** The availability and timing of Federal transit grants and infrastructure program allocations remain uncertain.
- **Persistent Inflationary Pressures:** Sustained inflation continues to weaken purchasing power, elevate contract costs, and strain budget forecasts.

Internal Risks

In addition to external dynamics, Metro faces internal financial pressures stemming from operational, capital, and strategic program commitments:

- **Operational Cost Growth:** The expansion of system operations is projected to outpace available operation-eligible funding, with an estimated 40% funding gap emerging by FY27 and increasing through FY31.
- **Rail Operations Funding Constraints:** Limited eligible funding for rail operations is anticipated to intensify after FY27, following depletion of existing rail balances.
- **Games Readiness:** Preparation and operations for the 2028 Olympic and Paralympic Games without secured supplemental funding presents substantial fiscal and operational risks.
- **Restricted Funding for Underground Construction:** Funding eligibility limitations for underground projects constrain Metro's flexibility in capital deployment.
- **Capital Cost Risks:** Continued cost increases from project scope changes and delays may divert funds from bus and rail operations. Unfunded projects for system expansion integration

also compete for operating funding.

FY27 Equitable Zero-Based Budget (EZBB) Process and Schedule

Metro continues to employ its EZBB process as a year-round strategic framework guiding the development of the FY27 Budget. The process begins with a comprehensive five-year financial outlook, followed by Capital Budgeting to anticipate project and funding needs, ensuring a disciplined approach to cost management and long-term fiscal sustainability.

As Metro navigates an economic slowdown projected to persist into FY27, Metro remains focused on mitigating and deferring near-term deficits through proactive financial management. Efforts will center on preserving core service delivery, advancing key capital priorities, and aligning resource allocation with Metro's strategic and operational objectives.

The FY27 Budget will reflect Metro's enduring commitment to its mission-enhancing transit services, maintaining critical infrastructure, and advancing regional mobility initiatives-while adhering to Board-approved policies, fiscal regulations, and sound financial governance principles.

Metro will continue to collaborate closely with the Board of Directors to ensure alignment on funding priorities and financial strategies. This partnership will be reinforced through monthly program reviews, enabling Metro staff to continuously reassess needs, optimize spending, and uphold budgetary balance.

The table below outlines the monthly schedule of budget development milestones and discussion topics, culminating in the Board's final adoption of the FY27 Budget in May.

Month	Topic
January	Budget Development Process: <ul style="list-style-type: none"> • Updated Near-Term Financial Outlook • FY27 EZBB Development Process and Schedule • Public Outreach and Engagement
February	Budget Development Parameters: <ul style="list-style-type: none"> • Sales Tax Forecast, Resources Assumption • Cost Inflation Estimate
March	Infrastructure Planning and Construction: <ul style="list-style-type: none"> • Transit Infrastructure Expansion • Multimodal Highway Investments • Regional Rail • Regional Allocations and Pass- Throughs
April	<ul style="list-style-type: none"> • Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP) • Congestion Management • Planning and Administration
May	Public Hearing and Board Adoption: <ul style="list-style-type: none"> • Consolidated Agency-wide Expenses and FTEs Budget Proposal • Proposed Budget Book published on May 6, 2026 • Public Hearing on May 21, 2026 • Summary of Public Comment and Stakeholder Review • Final Board Adoption on May 28, 2026

FY27 Budget Outreach and Engagement

Metro maintains a commitment to fiscal transparency, utilizing a multi-platform approach including web tools, social media, stakeholder meetings, and on-system rider interactions. The initial phase of Budget outreach and engagement activities has recently commenced. The outreach is strategically focused on engaging riders through diversity, such as targeting perspectives from youth under 18, female riders, the Spanish-speaking community, and riders living in Equity Focus Communities.

The multi-award-winning *My Metro Budget Activity* (<https://mybudget.metro.net/online>) was relaunched in November to deepen public understanding of Metro's budget. The new *My Metro Priorities* tool for riders under 18 (<https://mybudget.metro.net/prioritize>) debuted at the Youth Council Summit in September 2025. Feedback from both tools will inform the FY27 budget beginning in January. Progress and updates on all engagement activities will be reported in forthcoming monthly Budget Board Reports.

EQUITY PLATFORM

As Metro advances the development of the FY27 Budget, the Agency's steadfast commitment to equity continues to guide its financial strategies, investment decisions, and policy implementation. Guided by Metro's Equity Platform Framework, the FY27 Budget process prioritizes equitable

outcomes for everyone while addressing key organizational priorities such as public safety, system cleanliness, system expansion, labor equity, and environmental sustainability. The overarching goal is to deliver a transit system that is efficient, safe, inclusive, and equitable for all Los Angeles County residents and riders.

Metro's EZBB process has been further refined to integrate budget equity tools that strengthen data-driven decision-making. Through the Agencywide Budget Equity Assessment (ABEA) Project, Metro has improved both the procedural and distributional equity aspects of its budgeting framework, expanding analysis beyond geographic proximity or direct impacts to Equity Focus Communities (EFCs).

Historically, Metro utilized two distinct quantitative tools: the Metro Budget Equity Assessment Tool (MBEAT) and the EFC Assessment. While MBEAT provided a more detailed analysis, it was administratively burdensome and did not result in regular data reporting. In contrast, the EFC Assessment offered a more streamlined approach with annual reporting to the Board. Starting with the FY28 Budget, Metro will integrate the strengths of both tools into a single Equity Budget Assessment (EBA). Staff are currently working with departments to refine the data collection and analysis mechanisms, ensuring this unified approach enables continued quantitative tracking, year-over-year analysis, performance monitoring, and transparent reporting. Metro will continue to conduct EFC Budget Assessments for FY25 and FY26 Actuals and report on the outcomes as we transition to the new EBA.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through investment activities that will improve/benefit and further encourage transit ridership, ridesharing, and active transportation. Although projects and programs in this budget have mixed outcomes, taken as a whole, most of the investments described in this report will likely decrease VMT in LA County. Within the suite of projects funded in this budget, Metro seeks to reduce single-occupancy vehicle trips, provide a safe transportation system, and increase accessibility to destinations via transit, cycling, walking, and carpooling. Some of the projects funded include items that will ease congestion for cars and trucks, or expand vehicle capacity, resulting in the possibility of increased VMT. However, the investments Metro is making into programs such as rail, bus, active transportation and shared mobility will result in an overall decrease in VMT. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following Metro Strategic Plan Goal:

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

NEXT STEPS

Metro staff will begin providing regular Budget briefings to Board Members and their staff starting this month. In addition, Metro will submit monthly receive-and-file reports, consistent with the established reporting schedule, and will hold a Budget Workshop for Board members.

Prepared by:

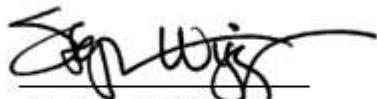
Jeffrey Lopez, Senior Manager, Budget (213) 418-3183

Tina Panek, Deputy Executive Officer, Finance (213) 922-4530

Tim Mengle, Executive Officer, Finance (213) 922-7665

Irene Fine, Deputy Chief Financial Officer (Interim), (213) 922-4420

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



Stephanie Wiggins
Chief Executive Officer



FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS

January 2026 | Finance, Budget and Audit Committee



Metro



- FY27 Near-Term Financial Outlook
 - Near Term Outlook
 - Sales Tax Revenues
 - Grant Resources
 - Cost Growth Drivers
 - Additional Risks and Challenges
- FY27 Mitigation Strategy
- Budget Outreach & Engagement
- Next Steps

Near-Term Financial Outlook

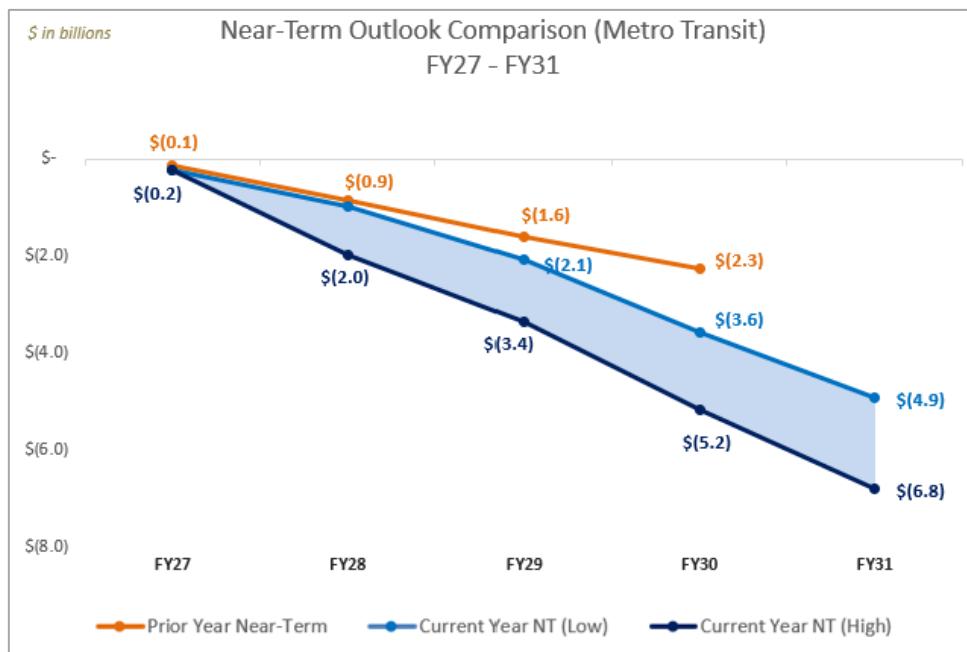
FY
27

M Metro



FOR INTERNAL USE ONLY

- The projected deficit shows a less favorable trajectory compared to prior year's forecast resulting in:
 - FY28 the deficit widens from \$0.9 billion to as much as \$2.0 billion
 - Looking ahead, Metro projects a cumulative financial gap in the range of \$3.6 to \$5.2 billion by FY30
- However, targeted budgeting efforts are continuously pursued per the Equitable Zero-Based Budgeting (EZBB) process to mitigate its effects



Financial challenges driven by:

01

Sales tax revenue projection **drops 7%** compared to prior year's forecast

02

Overall grant resources are projected to **decrease by up to 12%** relative to the prior year's forecast

03

Continued cost growth, including labor, fuel and energy costs, and capital investments

04

Fund balances continue to be depleted amid a growing transit system and rising operational demands

Sales Tax Revenues



Accounts for about two-thirds of the overall resources



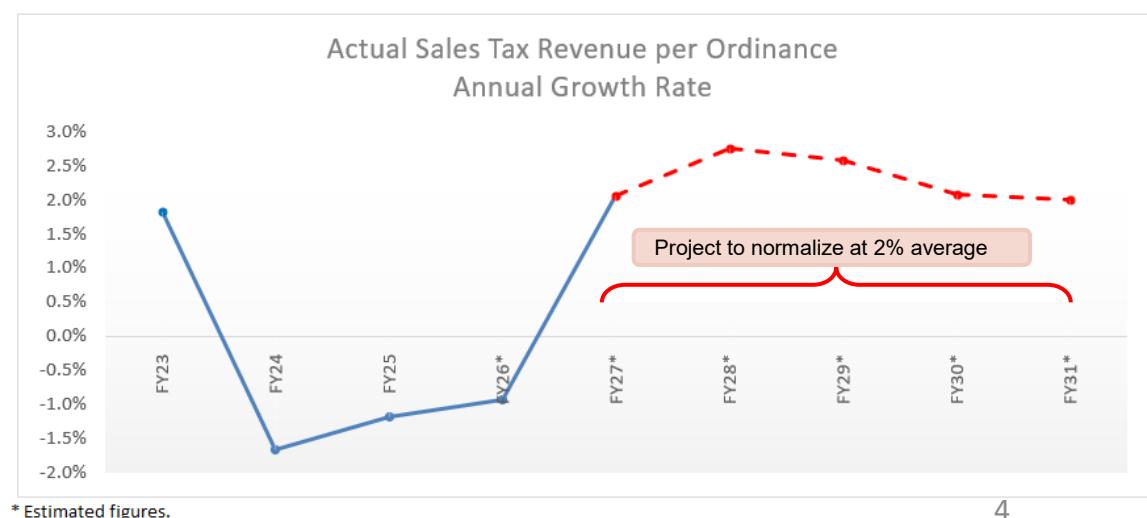
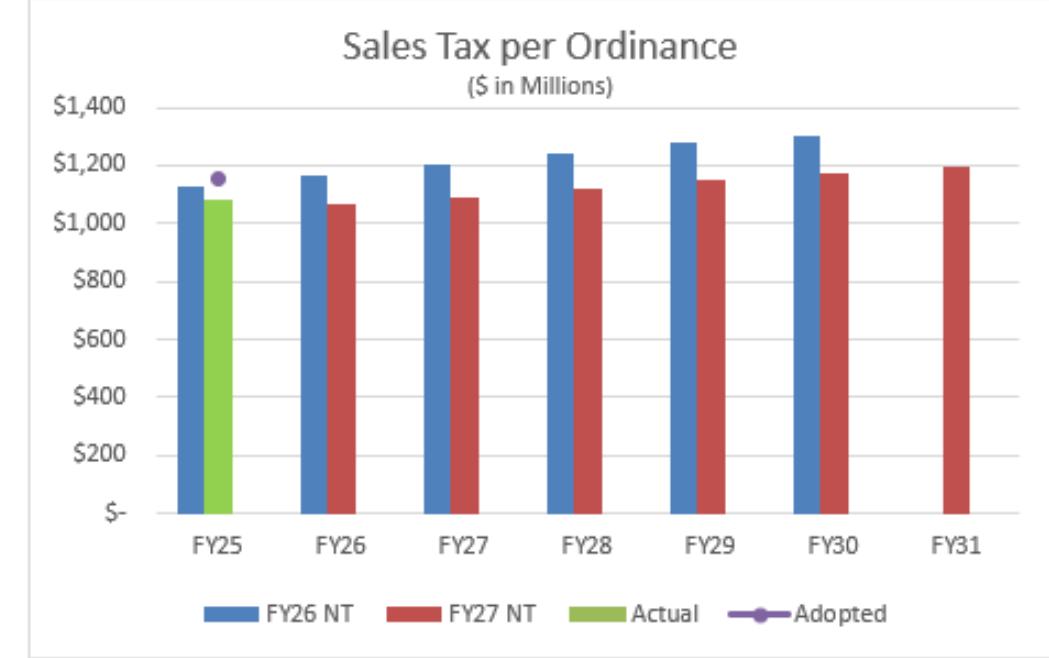
Total projection drops 7% (\$2.4B) compared to prior year's forecast

- FY25 Actuals came in 6.6% below budget, resulting in a lower base for the current near-term
- Economic uncertainties
- Stagnant elevated interest rates
- Shift from taxable goods to non-taxable services
- Volatile energy prices with growing ZEV sales



Assume gradual economic recovery to begin in FY27

- Sales tax growth to normalize at 2% average from FY27 to FY31
- Consistent with leading regional forecasts



Grant Resources

FY
27

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Overall grant resources decreased in a range of 8% to 12% compared to prior year's forecast

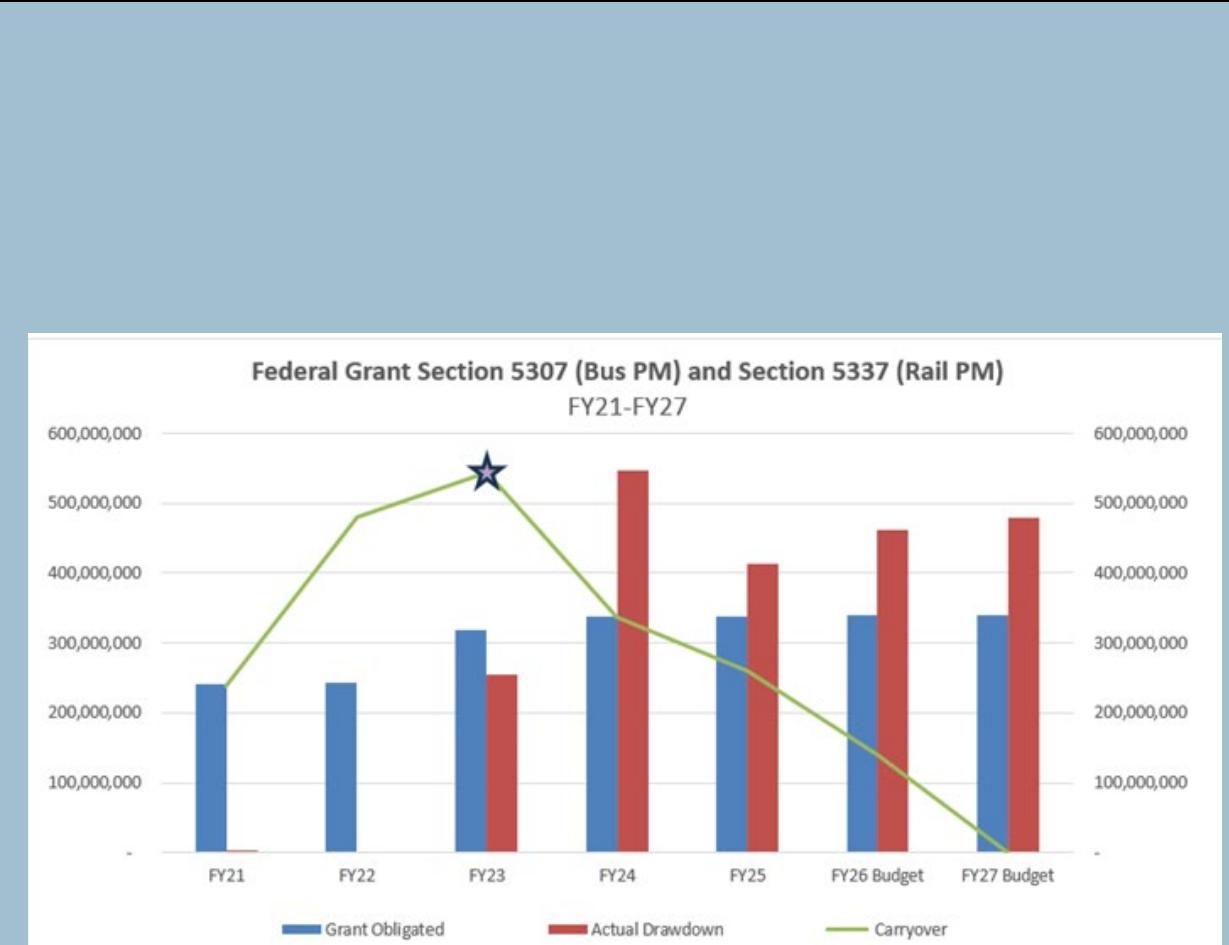
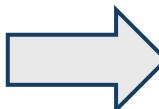
Federal grant funds savings for Operations is being accelerated in usage due to depletion of one-time stimulus funding by FY27

Administrative changes in allocation of federal transportation programs

Federal funding uncertainties

- Reauthorization
- Guidance and eligibility changes

State SB125 -ZETCP funding freeze or delay

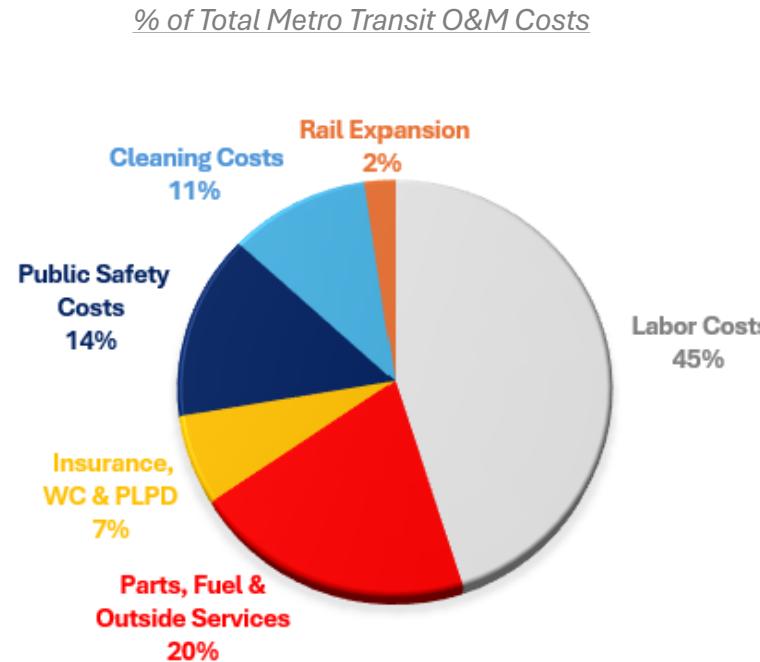


Carryover (savings) accumulated due to draw down of one-time COVID relief fund in FY21 and FY22.



The Agency's Near-Term Outlook through FY31 includes continued cost growth in:

- Metro Transit Operations & Maintenance (O&M) AND
- Capital Improvement Program (CIP)



Major cost growth drivers as a percentage of total Metro Transit O&M costs

Average Annual Growth Over the Next 5 Years

ZEB & Infrastructure –

17.5%

Metro's accelerated Board goal of achieving a zero-emission fleet by 2035 puts further strain on funding needs, for maintaining existing assets in a state of good repair.



Insurance, WC, PL/PD –

7.6%

Incremental growth in insurance premiums, workers' compensation (WC) and property liability and property damage (PLPD) costs due to higher loss payment projections and set up of Department of Public Safety (DPS).



Public Safety – 6.2%

Public safety resource deployment costs projected to grow at an average annual rate of 6.2% due to establishment of DPS



System Expansion – 9.0%

At least one major rail opening per year for next few years leading up to the 2028 Games.



Cleaning – 9.9%

Station Innovation Experience & cleaning frequency with continued investments in expanding rail system.



Labor Costs – 8.3%

Union labor costs have had a historical growth of 5% per year, that is expected to continue over the next 5 years given the recent union contract negotiations.



Parts, Fuel and Outside Services – 2.5%

Metro preliminary cost inflation projection and contract services.



Sales Tax – 2.3 %

Economy is volatile and sales tax revenues are trending down





**Internal
and
Structural
Risk Factors**

- **Operational Cost Growth from System Expansion**
 - ❖ *Depletion of Ops Eligible Funding: ~40% gap in FY27 and growing through FY31*
- **Limited Rail Operations Funding with Expansion**
 - ❖ *Depletion of rail balances after FY27*
- **Olympic Readiness without Assured Supplemental Funding**
 - ❖ *Substantial fiscal and operational risks*

- **Limited Eligible Funding for Underground Construction**
 - ❖ *Closing out and operationalize PLE1, 2, and 3*
- **Capital Cost Risks**
 - ❖ *Continued cost increases from project scope changes and delays may divert funds from bus and rail operations*
 - ❖ *Unfunded projects for system expansion integration also compete for operating funding*

**Geopolitical
Instability**

Volatile geopolitical conflicts can strain financial planning and long-term capital budgets

**Tariff
Escalations
and
Import Costs**

May materially escalate costs and project budgets

**Volatility in
Federal
Funding
Streams**

Uncertainty around Federal transit grants and infrastructure programs

**Persistent
Inflationary
Pressures**

Cost escalation across labor, construction, and operations

Public Outreach & Stakeholder Engagement

Calendar

FY
27

M Metro



September



- Launched My Metro Priorities @ September 13th Youth Council Summit
 - **NEW** youth-focused outreach tool

October



- Distribution of Info Cards
 - GoPass
 - Other Metro outreach events
- My Metro Priorities eblast to Transportation Career Academy Program (TCAP), ELT/MIP (Metro entry level and intern staff program)

November



- Launched My Metro Budget Activity
 - Multiple eblasts
- Present to Youth Council & SEED School

December



- Begin Social Media Campaign for My Metro Budget Activity
 - Facebook, Instagram, LinkedIn, Nextdoor
- Distribution of Info Cards
- Regional Service Councils - Meet & Confer
 - All five regions

January



- Distribution of Info Cards
 - LIFE
 - Blue Shirts (Station Staff)
 - Other Metro groups (ongoing)
- Content Creator video
- Multiple eblasts

- Continued My Metro Budget activity promotion via eblast
- Promotion to new Youth Council cohort
- Departments receive internal dashboard

- Community Advisory Committee
- Distribution of Info Cards to Girls Empowerment Summit (WGGC)

- Regional Service Council Meetings
 - In all five regions
- Council of Government (COG) Meetings

- Technical Advisory Committee
- Valley Industry & Commerce Association
- Local Transit Systems Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**

- Launch public facing dashboard results



February

March

April

May

June

Note: This is a draft. Updated as additional meetings are scheduled.



Budget Development Parameters:

- Sales Tax Forecast, Resources Assumption
- Cost Inflation Estimate

Feb



Infrastructure Planning and Construction:

- Transit Infrastructure Expansion
- Multimodal Highway Investments, Regional Rail
- Regional Allocations and Pass-Throughs

Mar



- Metro Transit – Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestion Management
- Planning and Administration

Apr



FY27 Budget: Public Hearing and Board Adoption

May