Measure M Sales Tax: Short-Term Borrowing Program

Measure M Independent Taxpayers
Oversight Committee Meeting
December 3, 2025

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Measure M Ordinance Authorized & Anticipated Debt Financing

Measure M Ordinance

Section 8. Oversight | 1. General Responsibilities

C. 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, avoiding future cost escalation and related factors exceed issuance and interest costs.

Section 12. Establishment of Bonding Authority

a. Metro is authorized to issue limited tax bonds and incur other obligations, from time to time, payable from secured by all or any portion of the Sales Tax Revenues to finance any program or projected in the Expenditure Plan, pursuant to Sections 130500 et seq of the Public Utilities Code, and any successor act…

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Source: Proposed Ordinance #16-01, and Page 18 and 22

Measure M Short-Term Borrowing Program

Funding Challenges

- State and Federal grants require that Metro pay project expenses and request reimbursement of the payments.
- Without short-term liquidity, Metro may be faced with delaying or stopping projects until funds can be accumulated to construct projects on a “pay go” basis.
- Project delays can lead to escalating project costs.

Short-Term Borrowing Program

- We are seeking a Finding of Benefit for a $500 million short-term borrowing program to finance capital expenditures and keep Measure M projects moving forward.
- Short-term debt accelerates project delivery and avoids future cost escalation.
- Borrowing Program will use the following tools:

  1. Commercial Paper
  2. Revolving Credit Facilities

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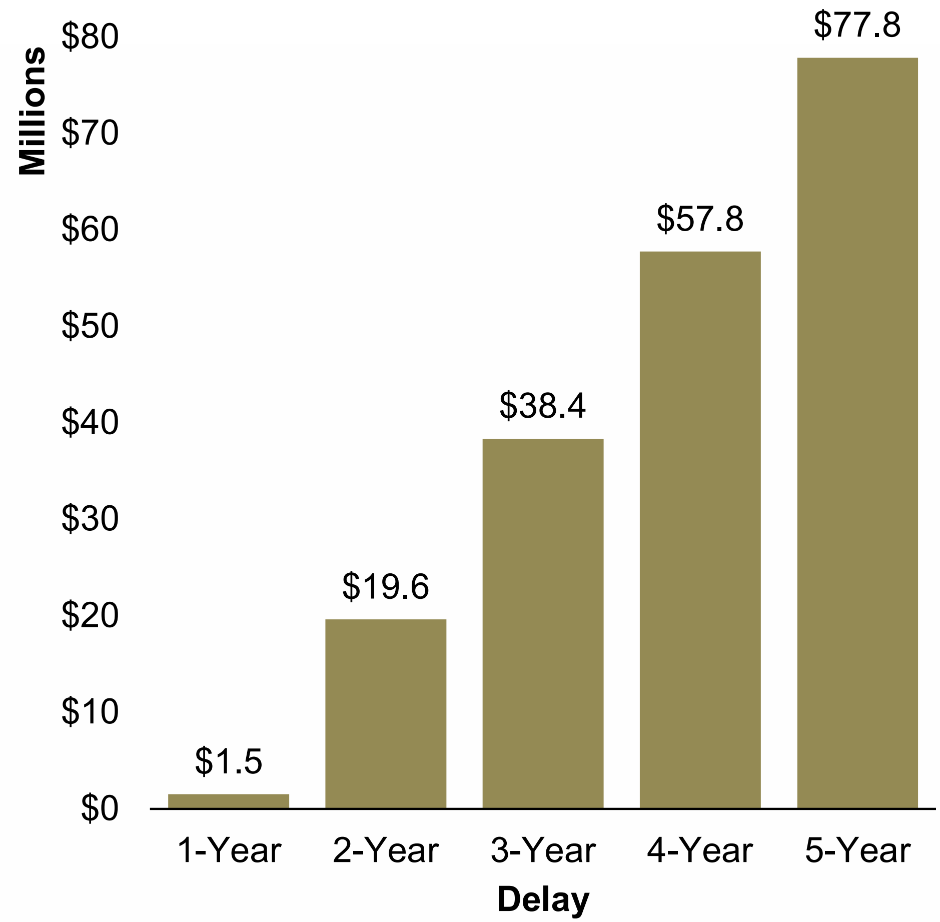
Measure M Short-Term Borrowing Program

Benefits of Short-Term Borrowing

- Bridges the gap between when expenditures are required and when programmed funding is received.
- No obligation to borrow the full amount of the program and has the flexibility to draw down funds only as needed.
- Mitigates potential increasing costs associated with project delays.
- More efficient borrowing since issuing a large amount in advance would require Metro to make interest payments on unspent bond proceeds.

Potential Savings



[1] Assumes $500 million in project costs.
[2] Financing costs are based on a 3.20% estimated commercial paper rate and fees.
[3] Cost delay analysis is based on assumptions that all specified project expenditures would be delayed and increased at a compounded annual rate of inflation of 3.50%.

Recommendation & Next Steps

- Adopt a Resolution finding that the benefits of a Measure M bond financing accelerating project delivery and avoiding future cost escalation exceeds issuance and interest costs.
- Next Steps:
  - Request authorization from LACMTA Board for the short-term borrowing program.
  - Negotiate final terms and conditions with bank letter of credit and revolving credit facilities providers.
  - Send documents to rating agencies and obtain ratings for commercial paper.
  - Complete commercial paper offering memorandum to investors
  - Issue Measure M commercial paper notes.

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