

**Board Report**

File #: 2016-0504, **File Type:** Resolution**Agenda Number:** 8.

**FINANCE, BUDGET AND AUDIT COMMITTEE
AUGUST 17, 2016****SUBJECT: WESTSIDE PURPLE LINE EXTENSION PROJECT SECTION 2****ACTION: ADOPT A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT RELATED TO A TIFIA LOAN****RECOMMENDATION**

ADOPT a resolution, Attachment A, authorizing the Chief Executive Officer and other Authorized Officers to negotiate and execute the **loan agreement and related documents between LACMTA and the U.S. Department of Transportation related to a \$307.0 million Transportation Infrastructure Finance and Innovation Act loan** for the Westside Purple Line Extension Project Section 2.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)

ISSUE

The TIFIA loan documents are expected to be ready for execution as early as September, allowing LACMTA to potentially secure attractive loan rates at that time.

DISCUSSION

Securing the loan's fixed interest rate as soon as the documents are finalized with U.S. Department of Transportation (USDOT) will provide a hedge against any rise in interest rates during the subsequent several years we would have to draw on the loan. The Transportation Infrastructure Finance and Innovation Act (TIFIA) loan will bear interest at a fixed rate that is set on the day the loan is executed. The interest rate is based on the yield of the U.S. Treasury security of comparable final maturity as our loan, plus one basis point (0.01%). Under current market conditions, U.S. Treasury rates are at or near historical lows making it an excellent time to lock in a long-term fixed rate. Preliminary terms for the Westside Purple Line Extension Project Section 2 (Westside 2) loan are provided in Attachment B. Executing the loan agreement will not commit us to draw on the loan in the event that capital market interest rates are favorable in the future. The Board approved the submission of a TIFIA loan Letter of Interest (LOI) for Westside 2 at its September 2014 meeting, the LOI was submitted in December 2014 and staff made an initial credit presentation to TIFIA in April 2016.

The TIFIA loan is also a key portion of the matching funds necessary to secure a \$1.18 billion Full Funding Grant Agreement (FFGA) from the Federal Transit Administration (FTA) for the project. FTA approval for the FFGA is expected in October 2016.

The TIFIA loan will be repaid from Measure R 35% Transit Capital receipts. In accordance with Section 8(i)(4) of the Measure R Ordinance, the Proposition R Independent Taxpayers Oversight Committee of LACMTA (“Measure R Oversight Committee”) is required to find that the benefits of any proposed Measure R debt financing for accelerating project delivery, avoiding cost escalation and related factors exceed issuance and interest costs prior to the MTA Board authorizing the debt issuance. The Measure R Oversight Committee made the finding of benefit at its July 19, 2016 meeting, Attachment C.

DETERMINATION OF SAFETY IMPACT

There is no safety impact from this action.

FINANCIAL IMPACT

The costs associated with entering into the TIFIA loan will be paid by LACMTA. Funding to pay fees and expenses in the range of \$300 - \$500 thousand to USDOT for the TIFIA loan application, credit and documentation process is included in LACMTA’s FY17 budget cost center 0521, account 50316, project 660304.

ALTERNATIVES CONSIDERED

The Board could decide not to adopt the Resolution authorizing the loan at this time. This is not recommended as it would delay locking in the interest rate on the loan, which could be higher if interest rates start to rise.

The Board could decide not to enter into the TIFIA loan at all, which is not recommended because it would necessitate securing alternative sources of funding in order to complete the project.

NEXT STEPS

- Negotiate TIFIA loan documents
- Obtain investment grade ratings
- Execute loan agreement and related documents to enter into TIFIA loan with USDOT

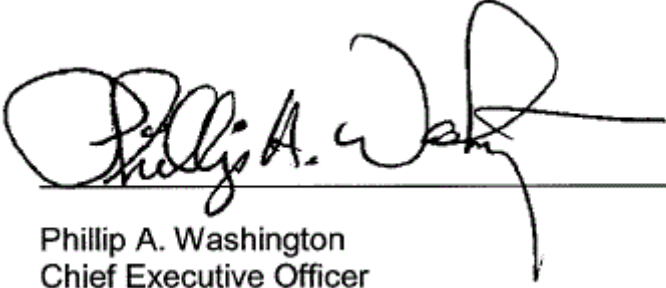
ATTACHMENTS

Attachment A - Authorizing Resolution
Attachment B - Preliminary Loan Terms
Attachment C - Finding of Benefit Resolution

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Phillip A. Washington
Chief Executive Officer
