



Board Report

File #: 2021-0039, File Type: Resolution

Agenda Number: 8.

FINANCE, BUDGET & AUDIT COMMITTEE
MARCH 17, 2021

SUBJECT: PROPOSITION C BONDS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

A. ADOPTING a Resolution, Attachment A, that:

1. AUTHORIZES the competitive sale and issuance of up to \$450 million in aggregate principal amount of Proposition C Senior Sales Tax Revenue Bonds in one or more series, to finance capital projects; and refinance outstanding revolving credit notes;
2. APPROVES the forms of the Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Continuing Disclosure Certificate, Preliminary Official Statement and such other documents as required for the issuance of the bonds, and approves related documents on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the Resolution; and
3. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of the bond purchase contract and bond documentation associated with the issuance of the Proposition C Senior Sales Tax Revenue Bonds (the "Bonds").

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)

ISSUE

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

BACKGROUND

Approval of the above recommendations will authorize the issuance of the Bonds, with a par amount

not to exceed \$450 million of fixed rate bonds, will fund or reimburse LACMTA for Proposition C eligible capital projects and expenditures and refinance revolving credit notes, the proceeds of which financed such costs.

DISCUSSION

Based on current market conditions, the LACMTA expects to issue the 2021 Prop C Bonds in an aggregate par amount of approximately \$450 million. A portion of the proceeds from the issuance of the Bonds will be used to redeem \$105 million of outstanding revolving credit notes and to pay the costs of issuance related to the transaction.

The Bonds will be issued using a competitive sale process whereby prospective underwriters bid for the bonds on a selected sale date. The 2021 Prop C Bonds will be sold to the underwriter offering the lowest true interest cost. In the event that bids do not meet our criteria, all bids will be rejected. The Bonds will be sold with a final maturity not to exceed 30 years.

The Bond proceeds will be used to fund capital projects totaling approximately \$345 million and refinance approximately \$105 million in revolving credit notes that were spent to purchase buses. The issuance of the Bonds enables the LACMTA to allocate the long-term debt service cost of the Projects over the estimated useful life of the capital assets.

KNN Public Finance was selected by LACMTA as the Municipal Advisor for this transaction. Orrick Herrington & Sutcliffe LLP and Kutak Rock LLP were selected by Treasury staff and County Counsel to serve as Bond Counsel and Disclosure Counsel, respectively.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The costs of issuance for the Bonds will be paid from proceeds of the financing and will be budget neutral. Funding for bond principal and interest expense for this Proposition C financing will be added to FY22 and subsequent fiscal year budgets depending on the actual debt service schedule. The funding sources for debt service of this financing are eligible for bus and rail operating and capital expenditures.

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 2021 Prop C Bonds to a later time or indefinitely. This is

not recommended because the bond proceeds are needed to pay or reimburse Project expenses.

NEXT STEPS

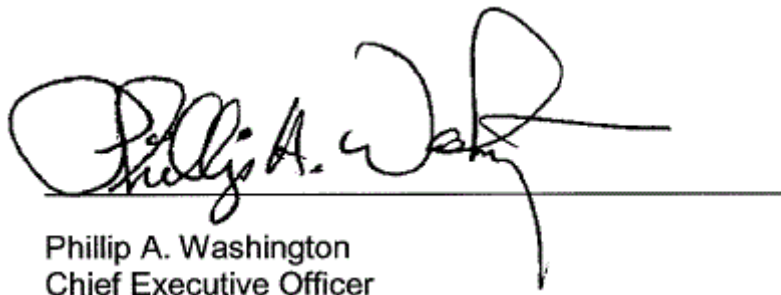
- Obtain ratings on the bonds
- Distribute the preliminary official statement and Notice Inviting Bids to prospective underwriters and potential investors and publish the Notice of Intention to Sell Bonds
- Receive electronic bids from underwriters

ATTACHMENTS

Attachment A - Authorizing Resolution

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