



Board Report

File #: 2021-0122, File Type: Policy

Agenda Number: 5.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 14, 2021

SUBJECT: DEBT POLICY

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

ADOPT the Debt Policy (included as Attachment A).

ISSUE

The Debt Policy recommends that it be reviewed periodically and presented to the Board for approval of changes. State law requires California issuers submit a report of proposed debt issuance to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue. Effective 2017, California legislation requires the report of proposed debt issuance include a certification by the issuer that it has adopted a debt policy.

BACKGROUND

The Debt Policy provides guidelines for the issuance and management of debt issued by the Los Angeles County Metropolitan Transportation Authority ("LACMTA"). The policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, achieving the lowest possible cost of capital within prudent risk parameters and encouraging the use of small business enterprises ("SBE"), service disabled veteran business enterprises ("DVBE"), local and disadvantaged business enterprises ("DBE") advisors and underwriters when appropriate and in accordance with the LACMTA procurement policy.

DISCUSSION

The purpose of the Debt Policy is to establish guidelines for the issuance and management of our debt. The proposed changes to the Debt Policy reflect changes in debt issuance and disclosure standards and practices. Other changes include edits to reflect appropriate titles and edits made to clarify language and improve readability.

POLICY IMPLICATIONS

The Debt Policy governs the management of our overall debt program. The policy sets the guidelines to be used when considering the use of debt, as well as in the on-going management of existing obligations. Guidance is provided specifying appropriate uses, selection of acceptable debt and lease products and debt issuance limits. The processes for selection of professional services and financial products are also specified.

As of March 1, 2021, we had \$5.1 billion of bonds outstanding in 27 transactions and three short-term borrowing programs for Proposition A, Proposition C and Measure R with \$311.0 million outstanding, all subject to the Debt Policy.

DETERMINATION OF SAFETY IMPACT

The adoption of the updated policy will have no safety impact.

FINANCIAL IMPACT

There is no direct financial impact on the FY21 budget associated with implementing or not implementing the updates to this policy.

ALTERNATIVES CONSIDERED

The California Government Code requires an issuer certify that it has adopted a Debt Policy prior to issuing debt. The Government Finance Officers Association ("GFOA") recommends the adoption of a comprehensive Debt Policy as a Debt Management Best Practice. Properly updated policies governing the management of debt is essential to sound financial and debt management while providing guidance to effectively obtain the lowest cost of capital.

The Board may elect not to approve the proposed revisions to the Debt Policy. The existing Debt Policy shall remain in effect until a revised Debt Policy is adopted.

NEXT STEPS

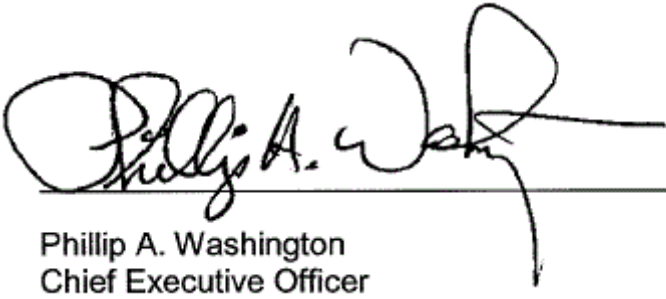
Following adoption of the Debt Policy we will make it available on the Investor Relations section of our website and distribute it to rating agencies and other interested parties as part of our investor relations outreach.

ATTACHMENTS

Attachment A - Debt Policy (Redlined)

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