



Board Report

File #: 2016-0797, **File Type:** Resolution

Agenda Number: 9.

REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 16, 2016

SUBJECT: PROPOSITION C BONDS

ACTION: AUTHORIZE COMPETITIVE SALE OF BONDS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the **competitive sale of Prop C Senior Lien Bonds (the “2017 Prop C Bonds”)** to finance capital projects in one or more transactions through June 30, 2017;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Continuing Disclosure Agreement and Preliminary Official Statement, on file with the Board Secretary all subject to modification as set forth in the resolution;
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the 2017 Prop C Bonds; and
- D. REAFFIRMS AND UPDATES the Reimbursement Resolution approved by the Board on April 26, 2016 to reflect that the amount of the 2017 Prop C Bonds may be up to \$500 million and reaffirms the intention that a portion of the proceeds of the 2017 Prop C Bonds will be used to reimburse expenditures made prior to the issuance of the 2017 Prop C Bonds.

(REQUIRES SIMPLE, SEPARATE MAJORITY VOTE)

ISSUE

The 2017 Prop C Bonds, with a par amount not to exceed \$500 million of fixed rate bonds, will fund or reimburse LACMTA for Prop C eligible capital projects and expenditures and refinance commercial paper, the proceeds of which financed such costs. We want to obtain the funds needed for ongoing, planned and completed transportation projects before interest rates move higher.

DISCUSSION

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

The 2017 Prop C Bonds will be issued using a competitive sale process whereby prospective underwriters bid for the bonds on a selected sale date. The 2017 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 2017 Prop C Bonds shall not be outstanding for more than 31 years. The 2017 Prop C Bond issue will utilize a cash funded debt service reserve fund (“DSRF”) and will not have any capitalized interest. Under the Supplemental Trust Agreement associated with the recent Proposition C Series 2016-A Bonds (the “2016-A Bonds”), the Trust Agreement was amended to eliminate the DSRF requirement for the 2016-A Bonds and any future Prop C Senior Lien Bonds (including the 2017 Prop C Bonds) once 60% of all of the outstanding Prop C Senior Lien bonds are issued under the Amended Trust Agreement. When the amendment becomes effective, LACMTA can elect to eliminate the DSRF for the Prop C Senior Lien Bonds starting with the 2016-A Bonds. As the DSRF requirement decreases, the cash released from the DSRF will become available to pay for Prop C projects or to pay Prop C debt service as approved in writing by nationally recognized bond counsel. Following issuance of the 2017 Prop C Bonds, an estimated 35% of the outstanding par amount of Prop C Bonds will have been issued under the Amended Trust Agreement.

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 2017 Prop C Bonds will be paid from proceeds of the financing and will be budget neutral. Funding for the new money bond principal and interest expense for this financing will be included in future budgets as follows: bond principal, account 51101 and bond interest, account 51121.

ALTERNATIVES CONSIDERED

The Board could defer the issuance of the 2017 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. Additionally, Federal Reserve Bank actions and other market and economic conditions may push interest rates higher thus making it more expensive to complete projects or refinance commercial paper, the proceeds of which were used to pay Project expenses.

NEXT STEPS

- Develop bond issuance documentation
- Obtain credit ratings
- Distribute the preliminary official statement and Notice Inviting Bids to prospective

underwriters and potential investors and publish Notice of Intention to Sell Bonds

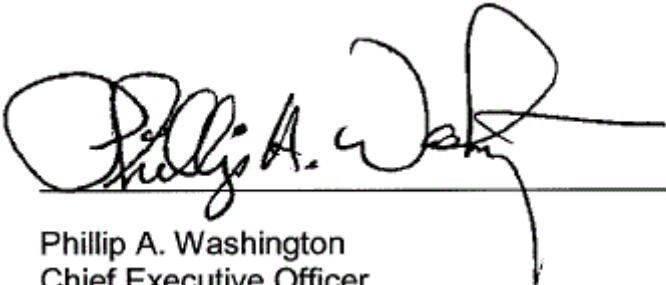
- Receive electronic bids from underwriters
- Finalize bond documentation and deliver the 2017 Prop C Bonds

ATTACHMENTS

Attachment A - Authorizing Resolution

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