



Board Report

File #: 2021-0128, **File Type:** Resolution

Agenda Number: 5.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE APRIL 19, 2021

SUBJECT: MEASURE R BONDS

**ACTION: MAKE A FINDING THAT THE BENEFITS OF A DEBT FINANCING EXCEED
ISSUANCE AND INTEREST COSTS**

RECOMMENDATION

Adopt a resolution (Attachment A) which finds, in accordance with Section 8(i)(4) of the Measure R Ordinance, that the benefits from acceleration of projects exceed the issuance and interest costs of the proposed debt financing.

ISSUE

The Measure R Ordinance requires that the Measure R Independent Taxpayers Oversight Committee of LACMTA ("Measure R Oversight Committee") "review all proposed debt financings 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 the issuance and interest costs".

DISCUSSION

The Measure R Ordinance anticipated and in Section 12 authorized the use of debt (bonds, notes, or other obligations) to finance projects in the Measure R expenditure plan. The proposed issue of approximately \$850 million of tax-exempt fixed rate bonds (see Attachment B) is needed to bridge the gap between revenues coming in and funds required to pay expenditures for Measure R capital projects. LACMTA's Board approved Debt Policy (Attachment C) provides guidelines for the issuance and management of debt. New debt issues are permitted for financing capital projects and certain capital equipment where financing over time, with interest, allows us to meet certain public policy goals such as accelerating the completion of projects or improvements.

\$744 million of the bond proceeds will be used for Measure R project construction and to pay the costs of issuance related to the transaction. The \$106 million balance will refinance existing short-term debt that was used to pay for Measure R capital projects. Absent the finding of benefit for the bond issuance we will need to delay capital projects until Measure R cash funds are available and/or accumulate.

NEXT STEPS

- LACMTA Board authorizes the issuance of Bonds
- Obtain credit ratings on the Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the

pre-marketing effort

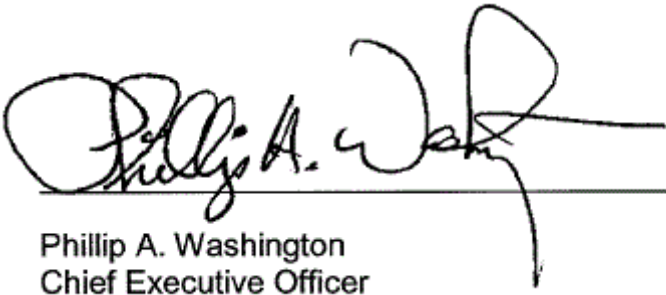
- Negotiate the sale of the Bonds with the underwriters
- Price and deliver the Bonds in the Summer of 2021

ATTACHMENT

- A. Finding of Benefit Resolution
- B. Proposed Use of Measure R Bond Proceeds
- C. LACMTA Debt Policy

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