

**Board Report**

File #: 2020-0298, **File Type:** Resolution**Agenda Number:** 2.

Crenshaw Project CorporationOne Gateway Plaza
Los Angeles, CA 90012**CRENSHAW PROJECT CORPORATION BOARD MEETING
MAY 28, 2020****SUBJECT: TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) LOAN****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

ADOPT a Resolution, Attachment A, that authorizes the prepayment of the TIFIA Loan between the Crenshaw Project Corporation and the United States Department of Transportation and the termination of the TIFIA Loan Agreement and related documents (the "TIFIA Loan Documents").

ISSUE

Long-term interest rates provide the opportunity to refinance the \$545.9 million TIFIA Loan borrowed from the USDOT to partially finance the Crenshaw/LAX Transit Corridor Project (the "Project"). The TIFIA loan is secured by Measure R sales tax revenues allocated to the Project. Issuing tax-exempt bonds secured by Measure R sales tax revenue to refinance the Project's TIFIA loan is estimated to lower debt expense by \$10 million. The TIFIA Loan Agreement includes the option to repay the TIFIA loan without penalty or premium.

BACKGROUND

The CPC was formed in March 2012 to act as the TIFIA Loan conduit borrower and the Transportation Investment Generating Economic Recovery (TIGER) II TIFIA Payment grant sub-recipient for the Project. USDOT has disbursed the total \$545.9 million TIFIA loan amount. All loan disbursements were advanced to Metro for the purpose of reimbursing the agency for eligible Project expenses.

DISCUSSION

The Project realized the primary benefits of the TIFIA Loan during the early construction phase. The early phase benefits included:

- Loan draws based on our actual cash flow needs over time

- Interest did not accrue until the initial draw on the loan
- No prepayment penalty

The low interest rates available in the current market environment present the opportunity to replace the Project's TIFIA Loan, and three other TIFIA Loans secured for Metro transit projects, with lower cost debt. On a combined basis, the tax-exempt bonds that will replace the loans are estimated to provide net present value savings of \$77 million, and exceed the minimum 3% of refunded par amount set forth in the LACMTA Debt Policy criteria for evaluating refunding opportunities.

The Resolution (Attachment A) authorizes the prepayment of the Project TIFIA Loan, the termination of the TIFIA Loan Agreement, the termination of agreements ancillary to the TIFIA Loan Agreement and the amendment, modification, waiver or termination of any agreements relating to the prepayment of other TIFIA loans of the LACMTA (collectively, the "Transaction").

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.

NEXT STEPS

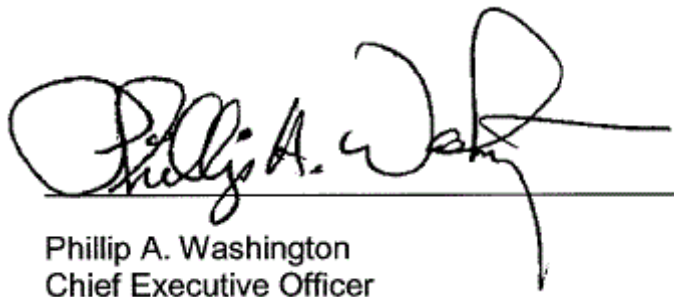
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
- Negotiate the sale of the bonds with the underwriters

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by: Michael Kim, Debt Manager, Treasury (213) 922-4026
Rodney Johnson, Senior Director, Treasury (213) 922-3417
Donna Mills, Treasurer (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer (213) 922-3088



Phillip A. Washington
Chief Executive Officer