



**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 16, 2012**

SUBJECT: FEDERAL LOAN FOR CRENSHAW/LAX PROJECT

**ACTION: ADOPT A RESOLUTION AUTHORIZING EXECUTION OF
AGREEMENTS RELATED TO TIFIA LOAN AND TIGER II GRANT**

RECOMMENDATION

A. Adopt a resolution, Attachment A, authorizing:

- 1) The Chief Executive Officer ("CEO") and other Authorized Officers to negotiate and execute the agreements between the Crenshaw Project Corporation ("CPC") and the U.S. Department of Transportation ("USDOT"), related to the CPC entering into the \$546 million Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan for the Crenshaw/LAX Transit Corridor Project
- 2) Execution of a Memorandum of Understanding ("MOU") with the USDOT for a TIGER II Discretionary Grant that will fund the \$20 million credit charge on the loan

ISSUE

Loan documents could be ready for execution as early as June, allowing us to potentially lock in a currently attractive loan rate. Prior to CPC entering into the loan agreement, MTA must have first entered into certain agreements with the CPC pledging to fund repayment of the loan and specifying the responsibilities of MTA and CPC in administering the loan.

Additionally, in order to have access to a grant that is intended to pay the \$20 million credit charge on the loan, CPC and MTA need to execute a related MOU with the USDOT.

DISCUSSION

Authorizing the loan and entering into the related agreements will not commit MTA to draw on the loan and will not commit us to any project acceleration. Locking-in the loan's fixed rate in June will provide a hedge against any rise in interest rates during the subsequent several years we would have to draw on the loan. Locking in a currently low rate will provide us the alternative of choosing each month between drawing on the TIFIA loan or using Measure R bond proceeds. We would typically use

which ever is less expensive, but could decide based on which provides the better strategic alternative. The loan rate will be based on the rate for the 30-year U.S. Treasury Bond on the date the loan agreement is entered into by the CPC and USDOT. Treasury rates have recently been volatile, but remain attractive as of mid-April.

Federal assistance in an amount not to exceed \$20 million from funds appropriated for the National Infrastructure Investments Program (referred to by USDOT as TIGER II Discretionary Grants), pursuant to Title I – Department of Transportation of the FY 2010 Appropriations Act (Pub. L. 111-117, Dec. 16, 2009) was awarded to MTA for the Crenshaw/LAX Project in Fall 2010. The grant is for the purpose of paying a \$20 million credit charge related to a \$546 million loan under the TIFIA program for the Crenshaw/LAX Project. In order to receive the grant, the MTA and the CPC must execute a memorandum of understanding with the USDOT.

In accordance with Section 8(i)(4) of the Measure R Ordinance, the Measure R oversight committee, formally known as “The Proposition R Independent Taxpayers Oversight Committee of MTA,” made the finding of benefit at its April 4, 2012 meeting. The Ordinance requires that the Committee find that the economic, environmental and transportation benefits of any Measure R debt financing exceed issuance and interest costs prior to the MTA Board authorizing the debt issuance.

DETERMINATION OF SAFETY IMPACT

There is no safety impact from this action.

FINANCIAL IMPACT

Funding of \$250,000 to pay fees and expenses to USDOT for the TIFIA loan application is included in the FY13 budget in cost center #0521, account 50999, Treasury Non-Departmental under project #660301, task 01, Measure R Debt Service. Loan debt service will not be budgeted until draws on the loan are anticipated, beginning in FY16.

NEXT STEPS

- Board of CPC adopt by-laws, appoint directors, then authorize execution of TIFIA loan and TIGER II MOU
- Execute MOU
- Obtain investment grade credit rating for loan
- MTA execute agreements with CPC and USDOT
- CPC execute loan documents with USDOT

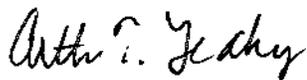
ATTACHMENT

- A) Resolution authorizing consummation of the TIFIA loan and MTA to execute the Funding Agreement with CPC and other agreements with the CPC and USDOT, and authorizing MTA to execute the related MOU for the USDOT TIGER II Grant

Prepared by: Michael J. Smith, Assistant Treasurer
LuAnne Edwards Schurtz, Debt Manager



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Arthur T. Leahy
Chief Executive Officer

Attachment A

F&J DRAFT, 04/20/12

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY APPROVING A FUNDING ARRANGEMENT WITH THE CRENSHAW PROJECT CORPORATION RELATING TO A TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) SECURED (DIRECT) LOAN FOR THE CRENSHAW/LOS ANGELES INTERNATIONAL AIRPORT (LAX) TRANSIT CORRIDOR PROJECT IN A PRINCIPAL AMOUNT NOT TO EXCEED \$545,900,000, AUTHORIZING THE NEGOTIATION, EXECUTION AND DELIVERY OF A FUNDING AGREEMENT AND A MEMORANDUM OF UNDERSTANDING IN CONNECTION WITH A U.S. DEPARTMENT OF TRANSPORTATION TIGER II DISCRETIONARY GRANT AND AUTHORIZING ALL ACTIONS NECESSARY OR DESIRABLE IN CONNECTION THEREWITH

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "LACMTA") has applied to the U.S. Department of Transportation (acting on its own behalf or acting by and through the Federal Transit Administration or the Federal Highway Administration, "USDOT") for a TIGER II Discretionary Grant of up to \$20,000,000 (the "TIGER Subsidy") to pay a loan subsidy in connection with the TIFIA Loan (as defined below); and

WHEREAS, in that regard, USDOT has requested that the LACMTA execute and deliver a Memorandum of Understanding – Conditional and Preliminary Term Sheet (the "MOU") with USDOT and the Crenshaw Project Corporation (the "Corporation") expressing the parties' intent regarding the description of the Crenshaw/Los Angeles International Airport (LAX) Transit Corridor Project (the "Project") to be funded in part by the TIFIA Loan, the sources of and use of funds for the Project and a schedule for the Project, as conditions to funding the TIGER Subsidy; and

WHEREAS, the LACMTA as Project Sponsor has further applied to USDOT for a Transportation Infrastructure Finance and Innovation Act (TIFIA) Secured (Direct) Loan (the "TIFIA Loan") for the Crenshaw/Los Angeles International Airport (LAX) Transit Corridor Project in the principal amount of \$545,900,000; and

WHEREAS, the basic terms of the TIFIA Loan include the following: (i) the Corporation shall be the Borrower under the TIFIA Loan; (ii) the principal amount of the TIFIA Loan shall not exceed \$545,900,000; (iii) the TIFIA Loan shall bear interest at a fixed rate calculated by adding one basis point (.01%) to the rate of securities of a similar maturity as published on the execution date of the TIFIA Loan Agreement in the United States Treasury Bureau of Public Debt's daily rate table for State and Local Government Series (SLGS) securities; (iv) the default rate shall be an interest rate of 200 basis points (2.00%) above the regular TIFIA Loan interest rate, or such other interest rate as the parties may establish by mutual agreement; (v) the dedicated source of repayment of the TIFIA Loan will be amounts received by the Corporation from the LACMTA under the Funding Agreement (as defined below), with the

LACMTA's obligations under the Funding Agreement secured by a subordinate pledge of Measure R sales tax revenues; (vi) the final maturity of the TIFIA Loan shall be not later than the earlier of 35 years after the date of substantial completion of the Project or date the Measure R Sales Tax is no longer collected; and (vii) payments on the TIFIA Loan include a period of deferred interest and principal from the effective date of the Loan Agreement to a date following substantial completion of the Project, a period of mandatory interest payments thereafter, during which period repayment of principal may be deferred, and a mandatory period of fixed level payments of principal of and interest on the outstanding balance of the TIFIA Loan from the end of the interest only period to final maturity; and

WHEREAS, the LACMTA will agree to pay to the Corporation all amounts due in connection with the TIFIA Loan, and the Corporation will agree to apply for reimbursement of eligible project costs as needed, remit to the LACMTA all TIFIA Loan disbursements and repay the TIFIA Loan with amounts received from the LACMTA, pursuant to a Funding Agreement between the Corporation and the LACMTA (the "Funding Agreement"); and

WHEREAS, in order to secure its obligation to make such payments to the Corporation, the LACMTA will pledge, on a subordinate basis monthly Measure R Sales Tax, less any refunds and the administrative fee paid to the California State Board of Equalization in connection with the collection and disbursement of the Measure R Sales Tax, less 15% thereof which constitutes the Local Return allocated to local jurisdictions pursuant to the Ordinance, less payment of principal and interest and other amounts payable under the existing Measure R Trust Agreement, as amended from time to time, and less any amounts payable under any future subordinate trust agreement; and

WHEREAS, it is in the LACMTA's best interest to take such action as necessary for the Corporation to enter into a loan agreement relating to the TIFIA Loan substantially on the terms set forth above (the "TIFIA Loan Agreement"); and

WHEREAS, the Board desires to authorize and direct the negotiation, execution and delivery of the MOU and the Funding Agreement and such other documents as are necessary or desirable in connection with the TIGER Subsidy and the TIFIA Loan and to authorize and direct the consummation of the TIGER Subsidy and the TIFIA Loan; and

WHEREAS, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the TIGER Subsidy and the TIFIA Loan, to approve the TIFIA Loan Agreement and to authorize the execution and delivery of the MOU and the Funding Agreement and such other documents as are necessary or desirable in connection with the TIGER Subsidy and the TIFIA Loan, in the manner and upon the terms provided;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the LACMTA (the "Board") as follows:

Section 1. The Chief Executive Officer, the Chief Financial Services Officer and Treasurer and the Assistant Treasurer of the LACMTA, and each of their respective designees (each, an "Authorized Officer"), are each authorized and directed, for and in the name of and on behalf of the LACMTA, to execute and deliver the MOU, with such terms as the Authorized Officer executing the same may deem necessary or desirable.

Section 2. Each Authorized Officer is hereby authorized and directed to take all actions necessary or desirable to permit the Corporation to execute and deliver the TIFIA Loan Agreement. The principal amount of the TIFIA Loan shall not exceed \$545,900,000, and the interest rate on the TIFIA Loan shall not exceed 5.00% per annum.

Section 3. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the LACMTA, to execute and deliver the Funding Agreement, with such terms as the Authorized Officer executing the same may deem necessary or desirable.

Section 4. Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the LACMTA, to execute and deliver a compliance agreement or similar agreement that includes such provisions as may be required by USDOT under the TIFIA Loan Agreement, with such terms as the Authorized Officer executing the same may deem necessary or desirable.

Section 5. Each Authorized Officer is hereby authorized, for and in the name and on behalf of the LACMTA to enter into one or more interest rate swap agreements or other hedging products (hereinafter collectively referred to as the "Swap Agreement"), on such terms as the Authorized Officer shall deem appropriate. Pursuant to Section 5922 of the California Government Code, the LACMTA hereby finds and determines that the Swap Agreement will reduce the amount and duration of interest rate risk with respect to amounts borrowed or invested pursuant to the TIFIA Loan Agreement and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the TIFIA Loan or enhance the relationship between risk and return with respect to investments.

Section 6. All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution may be given or taken by any Authorized Officer without further authorization or direction by the Board, and each Authorized Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, request, or other action and to execute such documents and take any such action which such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 7. All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the TIGER Subsidy and the TIFIA Loan are hereby ratified, confirmed and approved. The officers, employees and agents of the LACMTA are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions relating to the TIGER Subsidy and the TIFIA Loan, to manage and administer the TIGER Subsidy and the TIFIA Loan and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution and the documents approved hereby.

Section 8. The LACMTA hereby confirms, ratifies and approves the appointment of Fulbright & Jaworski L.L.P. as special counsel to the LACMTA and Public Financial Management, Inc. as financial advisor to the LACMTA in connection with the TIGER Subsidy and the TIFIA Loan.

Section 9. The provisions of this Resolution are hereby declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 10. The effective date of this Resolution shall be the date of its adoption.

The foregoing resolution was introduced and adopted at a regular meeting of the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY held on May 24, 2012, by the following vote, to wit:

AYES: _____

NOES: _____

ABSENT: _____