



**Metro**

Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
NOVEMBER 20, 2013**

**SUBJECT: REGIONAL CONNECTOR PROJECT**

**ACTION: ADOPT A RESOLUTION AUTHORIZING EXECUTION OF  
AGREEMENT RELATED TO A TIFIA LOAN**

**RECOMMENDATION**

Adopt a resolution, Attachment B, authorizing the Chief Executive Officer ("CEO") and other Authorized Officers to negotiate and execute the loan agreement and related documents between LACMTA and the U. S. Department of Transportation ("USDOT") related to a \$160 million Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan for the Regional Connector Transit Corridor Project ("Regional Connector").

**(Requires separate, simple majority Board vote.)**

**ISSUE**

The TIFIA loan documents could be ready for execution as early as December 2013 allowing us to potentially lock in a currently attractive loan rate at that time.

**DISCUSSION**

Locking-in the loan's fixed rate as soon as the documents are finalized with USDOT will provide a hedge against any rise in interest rates during the subsequent several years we would have to draw on the loan. The loan rate will be based on the yield on U.S. Treasury securities of comparable maturity to the final maturity of our TIFIA loan on the date of execution of the credit agreement. Under current market conditions, U.S. Treasury rates are lower than comparable maturities for tax-exempt debt, making the TIFIA loan more attractive than our own cost of borrowing. Preliminary terms for the Regional Connector TIFIA loan are provided in Attachment A. Executing the loan agreement will not commit us to draw on the loan in the event that capital market interest rates are favorable in the future. The Board approved the submission of a TIFIA Loan Master Credit Agreement Letter of Interest for the Regional Connector at its September 2012 meeting.

The TIFIA loan will be repaid from Measure R 35% Transit Capital receipts. In accordance with Section 8(i)(4) of the Measure R Ordinance, the Proposition R Independent Taxpayers Oversight Committee of MTA ("Measure R Oversight Committee") is required to 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. The Measure R Oversight Committee made the finding of benefit at its October 9, 2013, meeting, Attachment C.

### **DETERMINATION OF SAFETY IMPACT**

There is no safety impact from this action.

### **FINANCIAL IMPACT**

The costs associated with entering into the TIFIA loan will be paid by LACMTA. Funding to pay fees and expenses to USDOT for the TIFIA loan application, credit and documentation process is included in LACMTA's FY14 budget in cost center 0521, account 50316, project 660301.

### **ALTERNATIVES**

The Board could decide not to adopt the Resolution authorizing the loan at this time. This is not recommended as it would delay locking in the interest rate on the loan, which could be higher given the rise in interest rates over the last several months.

The Board could decide not to enter into the TIFIA loan at all, which is not recommended because it would necessitate securing alternative sources of funding in order to complete the project.

### **NEXT STEPS**

- Negotiate TIFIA loan documents
- Obtain investment grade ratings
- Execute loan agreement and related documents to enter into TIFIA loan with USDOT

## **ATTACHMENTS**

- A) Regional Connector TIFIA Loan Preliminary Terms
- B) Resolution authorizing execution of loan agreement and related documents for the TIFIA Loan
- C) Measure R Oversight Committee Finding of Benefit Resolution

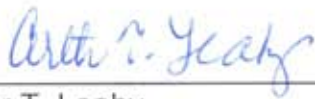
Prepared by: Donna Mills, Treasurer, 213-922-4047

LuAnne Edwards Schurtz, Assistant Treasurer, 213-922-2554



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Terry Matsumoto  
Chief Financial Services Officer



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Arthur T. Leahy  
Chief Executive Officer

## ATTACHMENT A

### Regional Connector TIFIA Loan Preliminary Terms

Lender:	U.S. Department of Transportation
Borrower:	Los Angeles County Metropolitan Transportation Authority
Loan Amount:	Proposed initial principal amount up to \$160,000,000.00
Interest Rate:	Tied to U.S. Treasury Rate for final maturity of the loan, plus one basis point. The actual interest rate on our loan is a fixed rate and is set on the day we sign the loan with TIFIA.
Final Maturity:	The proposed final maturity of the loan is June 1, 2037.
Drawdown:	The loan can be drawn down over time and interest does not accrue until the proceeds are drawn. We are not required to draw down any of the loan proceeds.
Debt Service Reserve Fund:	We are required to set aside a reserve fund equal to 5% of the outstanding principal.
Source of Repayment:	Measure R Sales Tax Revenues after payment of all senior obligations
Expected Ratings:	"A" Category

## RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A TIFIA LOAN AGREEMENT FOR THE REGIONAL CONNECTOR TRANSIT CORRIDOR PROJECT IN A PRINCIPAL AMOUNT NOT TO EXCEED \$160,000,000, A SECOND SUPPLEMENTAL TRUST AGREEMENT AND A THIRD SUPPLEMENTAL TRUST AGREEMENT, EACH SUPPLEMENTING AND AMENDING THE TRUST AGREEMENT RELATING TO THE MEASURE R SALES TAX, 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 Transportation Infrastructure Finance and Innovation Act (TIFIA) Secured (Direct) Loan (the "TIFIA Loan") in the initial principal amount of not to exceed \$160,000,000 in connection with the Regional Connector Transit Corridor Project (the "Project"); and

**WHEREAS**, the basic terms of the TIFIA Loan include the following: (i) the LACMTA shall be the Borrower under the TIFIA Loan; (ii) the initial principal amount of the TIFIA Loan shall not exceed \$160,000,000; (iii) the interest rate on the TIFIA Loan shall be not greater than 6.5% per annum; (iv) the Default Rate shall be an interest rate of 200 basis points (2.00%) above the regular TIFIA Loan interest rate; (v) the obligation to pay the TIFIA Loan shall be secured by a subordinate pledge of Measure R Sales Tax revenues; and (vi) the final maturity of the TIFIA Loan shall be on or about June 1, 2037; and

**WHEREAS**, in order to document the terms of the TIFIA Loan, the LACMTA wishes to negotiate and enter into a loan agreement relating to the TIFIA Loan substantially on the terms set forth above (the "TIFIA Loan Agreement"); and

**WHEREAS**, in order to secure its obligation to make payments under the TIFIA Loan to USDOT, the LACMTA will pledge, on a subordinate basis, monthly Measure R Sales Tax revenues, 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 Measure R 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**, in order to provide for the issuance of bonds secured by the Measure R Sales Tax, the LACMTA has heretofore executed and delivered the Trust Agreement, dated as of November 1, 2010, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended by the First Supplemental Trust Agreement, dated as of

November 1, 2010, by and between the Authority and the Trustee (collectively, the “Measure R Trust Agreement”); and

**WHEREAS**, as contemplated by the TIFIA Loan Agreement, the LACMTA and the Trustee desire to enter into a Second Supplemental Trust Agreement (the “Second Supplemental Trust Agreement”) providing for, among other things, a TIFIA Obligations Fund to be established as a subordinate fund within the Measure R Sales Tax flow of funds in the Measure R Trust Agreement, and a Third Supplemental Trust Agreement (the “Third Supplemental Trust Agreement”) providing for the issuance of a subordinate sales tax revenue bond evidencing the obligation to repay the TIFIA Loan, each supplementing and amending the Measure R Trust Agreement; and

**WHEREAS**, the Board desires to authorize and direct the negotiation, execution and delivery of the TIFIA Loan Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, and such other agreements, instruments and documents as are necessary or desirable in connection with the TIFIA Loan and to authorize and direct the consummation of the TIFIA Loan Agreement; and

**WHEREAS**, the Measure R Independent Taxpayers Oversight Committee has made a finding, pursuant to the Measure R Ordinance, that the economic, environmental and transit benefits of the TIFIA Loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed the issuance and interest costs; and

**WHEREAS**, the TIFIA Loan is in compliance with the Debt Policy of the LACMTA; and

**WHEREAS**, the LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the TIFIA Loan, to authorize the execution and delivery of the TIFIA Loan Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement, and such other agreements, instruments and documents as are necessary or desirable in connection with the TIFIA Loan, in the manner and upon the terms provided;

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

**Section 1.** The Chief Executive Officer, the Chief Financial Services Officer, the 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 TIFIA Loan Agreement with such terms as the Authorized Officer executing the same may deem necessary or desirable. The initial principal amount of the TIFIA Loan shall not exceed \$160,000,000, and the interest rate on the TIFIA Loan shall not exceed 6.5% per annum.

**Section 2.** Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the LACMTA, to execute and deliver the Second Supplemental Trust Agreement with such terms as the Authorized Officer executing the same may deem necessary or desirable.

**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 Third Supplemental Trust 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 of and on behalf of the LACMTA, to negotiate such agreements with and payments to the Trustee as may be necessary or desirable in order to cause the Trustee to execute and deliver the Second Supplemental Trust Agreement and Third Supplemental Trust Agreement and to perform its duties as Trustee thereunder.

**Section 5.** 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, and such other agreements, instruments and documents as any Authorized Officer deems necessary or desirable in connection with the TIFIA Loan, with such terms as the Authorized Officer executing the same may approve.

**Section 6.** The LACMTA authorizes funds of the LACMTA to be used to pay costs of preparation, negotiation, execution and delivery of the TIFIA Loan Agreement, the Second Supplemental Trust Agreement, the Third Supplemental Trust Agreement and any related documents and agreements, including but not limited to costs of attorneys, accountants and financial advisors, the costs associated with rating agencies, filing fees and any related expenses.

**Section 7.** 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 and request, and take any such action, and to execute such agreements, instruments and documents, that such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

**Section 8.** All actions heretofore taken by the officers, employees and agents of the LACMTA with respect to the TIFIA Loan Agreement, the Second Supplemental Trust Agreement or the Third Supplemental Trust Agreement 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, instruments, certificates and documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions contemplated by the TIFIA Loan Agreement, the Second Supplemental Trust Agreement and the Third Supplemental Trust Agreement, to manage and administer 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 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 legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on December 5, 2013.

\_\_\_\_\_  
LACMTA Board Secretary

Dated: \_\_\_\_\_

ATTACHMENT C

RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF  
A TIFIA LOAN UP TO \$160 MILLION EXCEED ISSUANCE AND INTEREST COSTS

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over the next 30 years; and

WHEREAS, the America Fast Forward Initiative adopted by the MTA Board of Directors in April 2010 proposes to complete construction of the 12 transit capital projects in 10 rather than 30 years; and

WHEREAS, accelerated construction would take advantage of any continuation of the current soft construction market to reduce costs potentially; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, MTA was invited to apply for a \$160 million TIFIA loan for the Regional Connector Project; and

WHEREAS, MTA retains the right to use traditional tax-exempt borrowing for the Regional Connector Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the proposed TIFIA loan for the Regional Connector Project would free up Measure R funds to meet the cash flow necessary to pay for a potential future accelerated construction program for other Measure R transit capital projects; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

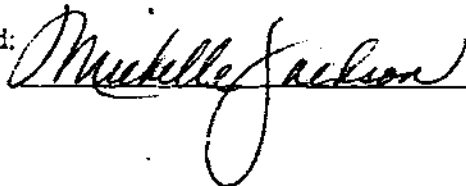
WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program will generate 165,990 annual full-time equivalent jobs.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$160 million TIFIA loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed issuance and interest costs.

Prepared by: Ron Stamm, Principle Deputy County Counsel

Adopted this 9th day of October 2013.

Signed:



Michelle Jackson, Metro Board Secretary