



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

July 2, 2020

FRAMEWORK FOR GREEN BONDS

Background

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is the transportation planner and coordinator, designer, builder and operator for one of the country's largest, most populous counties. More than 9.6 million people – nearly one-third of California's residents – live, work, and play within our 1,433-square-mile service area. LACMTA operates the second largest bus system in the United States, operating a vehicle fleet of over 2,300 buses that serve approximately 14,000 bus stops, including two premium bus rapid transit dedicated busways. In addition, LACMTA has constructed and currently operates four light rail lines (A Line (Blue), C Line (Green), E Line (Expo), and L Line (Gold)) and two heavy rail lines (B Line (Red) and D Line (Purple)), covering 98 miles and serving 93 stations. LACMTA's operations are primarily funded by a total of 2% local sales taxes, which supplement fare box revenues to finance operations and, together with Federal and State funding, provide much of the funding used for capital expenditures, including the expansion of the rail system and the continued modernization of its bus fleet.

Along with its commitment to safety, service excellence, fiscal responsibility, workforce development, integrity, teamwork, innovation and technology, LACMTA is also committed to reducing greenhouse gas emissions in its facilities as well as its operations and construction activities within its service area, in addition to the impacts of any ancillary activities it may have on human health and the environment. LACMTA recognizes that the transportation sector in California contributes to over 40% of the State's overall Green House Gas emissions, and is the leader in the transit industry in maximizing sustainability efforts and its benefits to Los Angeles County's people, finances and environment. Transit systems by definition already form a sustainable air quality strategy, as any agency that reduces vehicle miles traveled and congestion, and promotes land use co-benefits as a result of transit investments lead to a reduction in criteria air pollutants and greenhouse gas emissions. These, in turn, create environmental, social, and economic benefits throughout the region it serves. In furtherance of these efforts, LACMTA has adopted several plans and policies to formalize its environmental sustainability goals and guide implementation of its programs.

LACMTA's Sustainability Implementation Plan (Attachment A) formally and specifically addresses Sustainability through Climate Change Management, Energy Management, and other Sustainability Development Efforts. It was adopted by LACMTA's Board on June 26, 2008. This Plan has been expanded through a number of implementation documents related to climate change, energy, water and resource management, and similar disciplines.

In April 2009, the LACMTA Board adopted the Environmental Policy (Attachment B), which provides guidance in carrying out the agency's ongoing commitment to multimodal public transit services that greatly improve the quality of the environment in the communities it serves. This Policy provides guidance in identifying potential environmental impacts generated by LACMTA's activities and developing mitigation measures to address those impacts; operating and maintaining LACMTA vehicles and facilities to minimize negative impacts on the environment; reducing consumption of natural resources and reducing or eliminating waste.

LACMTA's Countywide Sustainability Planning Policy & Implementation Plan (Attachment C) defines the agency's long-term, desired sustainability outcomes to facilitate greater coordination and collaboration across transportation modes, planning disciplines (land-use, housing, environment, economic development, health, utilities), and government agencies. This policy was adopted by LACMTA's Board in December 2012. Other policies that support sustainability, energy and green construction efforts include a Green Construction Policy, a Renewable Energy Policy, an Energy and Sustainability Policy, an Environmental Liabilities Reduction Policy, a Construction Demolition Debris Recycling and Reuse Policy, and a Water Use and Conservation Policy (all of which can be found at www.metro.net/ecsd). Implementation plans have been developed, executed and continually updated by staff to ensure that the goals of these policies are achieved. In July 2017, LACMTA's Board adopted a policy to transition its entire bus fleet to zero emission vehicles by 2030 and approved the purchase of 95 electric buses. A transition plan is currently being developed.

Since 2009, LACMTA has produced an annual sustainability report to summarize the agency's continual efforts in achieving higher sustainability performance through the implementation of planning, construction, operations, and maintenance activities. This report addresses environmental performance in five key areas: ridership, energy, emissions, water, and waste management. The goal of this report is twofold: to provide information that can be used to improve LACMTA's sustainability performance, and to inform the public of LACMTA's sustainability performance. The most recent annual Energy and Resource Report is available through the following web link: [Environmental Compliance & Sustainability Department](#).

The LACMTA Environmental Compliance & Sustainability Department (ECSD) is focused on minimizing the environmental, social, and financial impacts from the planning, design, construction, procurement, and operation and maintenance of the agency's facilities and operations. LACMTA's ECSD staff is working and coordinating with other departments throughout the agency on regional sustainability issues but is dedicated to the implementation of projects related to energy conservation, efficient water use, recycling, waste minimization, improved fueling operations, vehicle emissions reduction and more by considering the cost-effectiveness and life cycle of impacted products, activities, and projects within areas that our agency controls.

LACMTA has developed an Environmental Management System (EMS) to track short and long-term environmental performance in all of its operations and construction activities. LACMTA's EMS, which has been certified by the International Organization for Standardization under the applicable ISO 14001:2015 standard, captures all of the agency's environmental stewardship and sustainability best practices and consolidates and tracks them under a continual improvement framework. A Sustainability Plan is required prior to the execution of a capital project. All new buildings 10,000 square feet or larger are required to be built to achieve at a minimum, the Leadership in Energy and Environmental Design (LEED)-Silver certification. While the Envision certification of a project is not policy, our agency has trained and certified over 100 Envision Sustainability Professionals (ENV SP) to guide and ensure that all of the agency's project execution activities undergo a systematic process of execution rooted in environmental, social, and economic sustainability.

Green Bonds Overview

In general, Green Bonds are financial instruments used by an issuer where the proceeds will be applied towards climate change impact reduction and/or environmental sustainability purposes. The issuer is expected to report on the actual use of proceeds to assure investors that these purposes have been met. To help support growth in the Green Bonds market, the Climate Bonds Initiative was created to increase transparency in this market and provide a form of

calibration for securities labeled as “green bonds”. LACMTA has implemented a program to issue Green Bonds, to help support the development of a municipal Green Bonds capital marketplace, where investors who share in valuing sustainability can reward such efforts with their investment, eventually resulting in a reduced cost of capital for such projects

Framework Overview

This Green Bonds framework sets out how LACMTA proposes to use the proceeds of Green Bonds for the construction, rehabilitation, and/or replacement of eligible green projects in a manner consistent with its Sustainability practices. This framework also details how LACMTA will provide transparency and accountability to investors making investment decisions. LACMTA’s Green Bonds framework was established in October 2017 and updated in July 2020 in accordance with the Climate Bonds Standard version 3.0.

LACMTA has issued two series of Green Bonds, 2017 and 2019. The \$471.4 million of Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2017-A (2017 Green Bonds) and the \$418.6 million of Proposition C Sales Tax Revenue Bonds, Senior Bonds Series 2019-A (Green Bonds) financed the development and construction of certain projects of LACMTA’s electrified light and heavy rail public transport systems and the purchase of electric rail vehicles and thus met Criterion 3 the Climate Bonds Initiative’s Low Carbon Land Transport Eligibility Criteria.

In the future, Green Bonds are expected to be issued for other components of LACMTA’s capital program. This Framework will apply to future issuances of Green Bonds and may be revised or updated, as necessary.

Selection and Evaluation of Eligible Green Projects

Overall, LACMTA’s capital program is built on two major planning documents, the 2009 Long Range Transportation Plan (LRTP, currently being updated), which has 30-year vision and which may be amended from time to time, and the Short-Range Transportation Plan (SRTP), a ten-year plan last updated in 2014 and guiding capital investment through 2024. These plans incorporate the mix of projects approved by voters in concert with the four sales tax measures that fund a large share of LACMTA’s operations and capital programs.

State law requires that various land use and transportation activities must be integrated into a Sustainable Communities Strategy (SCS) to reduce greenhouse gas emissions from passenger vehicles. In 2012, the LACMTA Board adopted a resolution and Joint Work Program committing to work together with the Southern California Association of Governments (SCAG) to implement the 2012 Regional Transportation Plan/Sustainable Communities Strategy (RTP/SCS). All programs and projects included in both the SRTP and the LRTP have been included in the SCAG 2012 RTP/SCS. As such, the projects in the SRTP have helped the six-county SCAG region in meeting regional and state-mandated greenhouse gas reduction goals.

Annually, LACMTA’s Office of Management and Budget (OMB) reviews the projects called for in the LRTP and the SRTP and prepares a proposed budget recommending project appropriations as part of the annual Capital Program, which is incorporated within the overall annual agency budget. After the Board approves the budget, OMB and LACMTA’s Planning Department create an Annual Funding Matrix. This Annual Funding Matrix lists all operating and

capital projects with the appropriate funding sources. All of the Green Bonds projects have been programmed and appropriated in the annual budget.

LACMTA's Treasury Department reviews the projects approved in the annual budget and, with assistance from ECSD, determines the projects that complied with various City, County, State and FTA sustainability and environmental requirements and qualify for Green Bonds issuance.

Management of Proceeds

Upon issuance of the bonds, the Green Bonds proceeds will be deposited in the Construction Fund Account established by the Trustee under the Supplemental Trust Agreement for that particular bond issue. LACMTA will provide instructions to the Trustee, as needed, to invest all the unallocated bond proceeds in the Construction Fund Account in securities permitted by the California Government Code. LACMTA's Debt Policy also provides guidelines on investment of bond proceeds.

LACMTA has a number of systems and protocols in place to ensure that its resources are used for its intended purposes, which will be employed to ensure usage of Green Bonds proceeds for its intended green projects. LACMTA utilizes Oracle's Financial Information System (FIS), a system that handles the majority of the Accounting Department's financial requirements. The FIS Project Accounting Module is used as a repository for project information. It is a tool used in managing projects, analyzing expenditures and billing transactions to the proper funding source, i.e. federal and state grants, bonds, and others. The system provides management and staff with an understanding of project status and funding, compliance with FTA and other requirements, and helps in management decisions regarding projects and funding. It generates reports by project, including project expenditures, and a billing and receivables log that tracks spending of funds by project.

The controls associated with bond-funded projects are even more stringent. Bonds funds are held by a third-party trustee and expenditures from those funds are made on a reimbursement basis after they have first been advanced out of existing cash resources. LACMTA's Treasury Department maintains an electronic workbook that tracks proceeds usage by project, drawdown date, amount, and expense category. Among other purposes, this system has been used to ensure that tax-exempt bond proceeds are used in a manner that is consistent with the Federal Tax Code. This same system will be used to track the use of the proceeds of the Green Bonds.

In addition, all projects, including those funded with Green Bond proceeds, are monitored and audited under LACMTA's EMS system. ECSD and LACMTA's Treasury Department coordinate the tracking of proceeds through regular communications as dictated by the EMS process.

In addition to the controls over the expenditure of bond funds, independent audits are conducted annually of Proposition A and Proposition C Special Revenue Funds in compliance with LACMTA's Authority Reform and Accountability Act, approved by Los Angeles County voters in 1998. The purpose of the Act was to provide accountability in the expenditure of Proposition A and Proposition C sales tax revenues through annual independent audits of transportation sales tax expenditures, the creation of an Independent Citizen's Advisory and Oversight Committee, and public hearings on the independent audit reports. The Act requires an annual independent audit of the Propositions A and C Sales Taxes Revenues and Expenditures. Public hearings are held in conformance with federal public hearing requirements outlined in Section 9(e)(3)(H) of the Surface Transportation Assistance Act of 1982, as amended, and public hearing guidelines

adopted by the LACMTA's Board of Directors in 1993, as amended. The Committee meets at least twice each year to carry out its purpose.

Additional Assurance and Reporting

In addition, LACMTA will prepare an annual post-issuance report which will include the use of proceeds for each series of Green Bonds issued, the current allocated and outstanding amounts, and confirmation that the use of proceeds of the Green Bonds are in alignment with this Green Bonds Framework. LACMTA intends to complete these reports within 195 days of the fiscal year-end in which the Green Bonds are issued, and will continue to report annually until all bond proceeds have been used. LACMTA intends to post these reports as a voluntary disclosure on the Electronic Municipal Market Access website.

Approximately one year after the issuance of the bonds, the Green Bonds Approved Verifier will be engaged to provide an assurance that LACMTA is conforming to all of the post-issuance requirements of the Climate Bonds Standard and that the nominated projects continue to be in alignment with the Green Bonds Framework. LACMTA may secure additional third-party assurances in connection with this program in future years.

Contact

Rodney Johnson
Senior Director, Finance
LACMTA Treasury Department
One Gateway Plaza, MS #99-21-2
Los Angeles, CA 90012
JohnsonR5@metro.net
Tel. (213) 922-3417
Fax (213) 922-4027

ATTACHMENT A
SUSTAINABILITY IMPLEMENTATION PLAN

http://media.metro.net/about_us/sustainability/images/Sustainability.pdf

ATTACHMENT B
ENVIRONMENTAL POLICY

http://media.metro.net/about_us/sustainability/images/Environmental.pdf

ATTACHMENT C

**COUNTYWIDE SUSTAINABILITY
PLANNING POLICY**

http://media.metro.net/projects_studies/sustainability/images/countywide_sustainability_planning_policy.pdf

ATTACHMENT D
ANNUAL ENERGY AND RESOURCE REPORT

<https://www.metro.net/projects/ecsd/>