

July 1, 1998



TO: BOARD OF DIRECTORS

**FROM: JAMES L. de la LOZA, EXECUTIVE OFFICER
REGIONAL TRANSPORTATION PLANNING &
DEVELOPMENT**

JAL
7/1/98

Metropolitan
Transportation
Authority

**SUBJECT: FY 1998-99 BENEFIT ASSESSMENT RATE
FOR METRO RAIL RED LINE DISTRICT A1**

ISSUE

One Gateway Plaza
Los Angeles, CA
90012-2932

(213) 922-2000

In July 1998, staff will forward the Benefit Assessment District A1 assessments for FY 1998-99 to the Los Angeles County Assessor Office for collection. The FY 1998-99 levy for the Metro Red Line District A1 ("the District") will be set at **\$0.215 per assessable square foot** instead of the previously projected \$0.260 per assessable square foot

BACKGROUND

The District generated \$123.7 million for Metro Rail Red Line Segment 1 construction costs through the issuance of Benefit Assessment District A1 bonds (the "Bonds") which were issued in 1992. The District includes 1,400 assessable properties of approximately 64 million square feet. Based upon certain assumptions about the District and the debt service requirements, levies were projected through maturity of the Bonds in 2009. For FY 1998-99, the levy was projected to increase to \$0.26 per assessable square foot.

For last year, FY 1997-98, the District assessment rate was \$0.17 per assessable square foot. The gross adjusted assessment was \$10,870,330. The total collected to date is \$10,545,880. Total obligations (debt service and administrative costs) were \$10,198,335.

Board Actions on Rate Adjustment

Last year, the newly created downtown Business Improvement District requested that the MTA Board consider lowering the assessment for a five-year period. The Board approved a resolution (Attachment 1) on February 26, 1997 authorizing MTA staff to set the assessment rates and directing staff to negotiate with the Bond's insurer (Ambac) to substitute a surety policy for the \$15 million cash-funded reserve and implement a bond repurchasing program to reduce the annual debt service on the Bonds.

At that time it was anticipated that the reserves could be used to purchase a portion of outstanding Bonds in the secondary market. However, a low interest rate existed during the majority of 1997. Therefore, a very high premium would have had to be offered to repurchase the Bonds. At those high prices, the cash in the reserve fund could not purchase enough Bonds to achieve the desired assessment rate reduction.

**FY 1998-99 Benefit Assessment Rate
for Metro Rail Red Line District A1
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Staff then explored other alternatives and in early November 1997, received verbal consent from Ambac to a plan that would reduce the assessments while maintaining the required debt coverage subject to certain conditions. On January 29, 1998, the Board authorized the Chief Executive Officer to execute documents required by Ambac and approved another resolution (Attachment 2) which permitted the substitution of the cash reserve fund with a surety policy. The freed up monies may be used contingent upon certain conditions being present in the prior year, primarily, stable or growing assessable square footage and low delinquency levels resulting in a minimum debt service coverage of 1.05x. Assuming this coverage is sufficient, up to \$3 million may be drawn down each year over a five-year period to reduce the assessment rate.

As required by Ambac, staff has reviewed the District's prior year performance and estimates the following sources and uses of funds for FY 1998-99:

Sources:

Net collection	\$13,081,646
Debt service offset	<u>\$ 3,000,000</u>
Total Sources of Funds	\$16,081,646

Uses:

Debt service	\$14,966,840
Administration	\$ 500,000
Transfers to surplus fund	<u>\$ 614,806</u>
Total Uses of Funds	\$16,081,646

FOLLOW-UP

The following are the next steps that the Benefit Assessment District Program (the "Program") will implement:

- July 1998 The Program staff prepares the direct assessments for the FY 1998-99 tax roll; completes the Agency Information Sheet; and signs the Billing Agreement with the Auditor Controller.
- The Program staff will submit a test tape to the Auditor Controller.
- August 1998 The Program staff will submit the final assessment tape. The Auditor-Controller will prepare a new Tax Roll with the direct assessments. The Auditor-Controller will return a signed copy of the Billing Agreement to the MTA.
- Sept. 1998 The Secured Tax Roll and bills are printed and mailed out to property owners for payments due in December 1998 and April 1999.

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for Metro Rail Red Line District A1
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Nov. 1998 The MTA will receive the LS09 Report “Agency Lien List,” which provides the direct assessments billed for the current tax year.

Collections received in FY 1998-99 and combined with the debt service offset will be used for bond payments in March and September 1999.

Prepared by: David Sikes, Manager
Benefit Assessment Districts Program

Mike Smith, Senior Financial Analyst
Treasury

February 5, 1997



Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

TO: BOARD OF DIRECTORS
FROM: LINDA BOHLINGER, INTERIM
CHIEF EXECUTIVE OFFICER

SUBJECT: REVISION OF RECOMMENDED RATE SCHEDULE FOR
ASSESSMENT DISTRICT A1

RECOMMENDATION

Adopt a resolution (Attachment 1):

- A. Amending the Assessment District A1 **recommended** rate schedule to a revised **recommended** rate schedule, and
- B. Securing a surety policy to implement a bond repurchase program (tender offers, open market purchases and redemptions) using the released Reserve Fund and Excess Collection moneys to reduce annual debt service on the bonds.

ORGANIZATIONAL IMPACT

The Property Based Business Improvement District (PBID) composed of major property owners in downtown Los Angeles has requested that the MTA Board consider revising its recommended schedule of assessments in the MTA A1 Assessment District to ease the burden on property owners paying additional PBID assessments. There is no internal MTA organizational impact.

BUDGET IMPACT

There is no budget impact to the MTA. Bond repayments are generated through the annual levy of assessments.

ALTERNATIVES CONSIDERED

The Board may adopt the revised recommended rate schedule or maintain the current schedule. Other alternatives considered are included in Attachment 2. The recommended schedule will respond to community concerns and will not negatively impact the MTA.

BACKGROUND

Under Public Utilities Code (PUC) 33000 et seq., the State of California provided the Board with the authority to form assessment districts. The Board used this authority in forming the Assessment District A1. Bonds were issued in 1992 and the proceeds were used to pay a portion of the construction costs of the Metro Red Line Segment 1. The assessment collections were expected to retire the bonds maturing through 2008-2009.

When the Board approved the issuance of bonds in 1992, the Board also assumed the responsibility as required by Section 5.03 (a) (Attachment 3) of the A1 Bond Indenture to levy or cause to be levied assessments at least in an amount equal to:

- 1.05 times the annual debt service on the bonds due and payable in that year,
- Any amounts required to maintain the Reserve Account at the reserve requirement, and
- Any amounts anticipated to be paid during the year to property owners within the Assessment District as a result of a successful appeal.

Currently, the cumulative amount collected above that required to pay the debt service is approximately \$2.0 million and the cumulative interest earned on the Reserve Account is \$2.1 million for a total of approximately \$4.1 million.

In the Indenture, the MTA is allowed to use a portion or all of the amount in the Reserve Account to purchase bonds in the secondary market (Attachment 4). MTA staff anticipates securing a surety policy for the Reserve Account of about \$15 million. The premium cost on the surety policy should be approximately 2-3% (\$300,000 to \$450,000).

The \$4.1 million excess collection plus \$15 million surety policy equals \$19.1 million which has the purchasing power of approximately \$18 million (assuming an average 5% premium). The MTA staff will use the \$18 million to redeem bonds maturing in 1999 through 2009. By purchasing these bonds, the MTA will attempt to implement the Revised Recommended Rate schedule as indicated in the Table of Estimated Assessment Rates in Attachment A to the Resolution. This rate schedule is based upon current projections, but is attached by way of example only. If certain conditions change, the MTA is obligated to set actual assessment rates at a level sufficient to meet the debt service requirements of the Indenture regardless of the previous recommended rate or schedule.

Staff met and discussed several alternatives with the PBID Committee within Assessment District A1 who voted in favor of the alternative recommended in this report.

Based on a lower than anticipated delinquency rate and the implementation of a repurchase program for the A1 bonds, a revised A1 District rate schedule may be accommodated. The recommended revised rate schedule (Attachment A) is subject to adjustment depending on the delinquency rate and other factors. However, this lowered recommended rate schedule will reduce the rates to the property owners in the early years while ensuring that the MTA still meets the debt service requirements of the Assessment District A1 Indenture.

Prepared by: David Sikes, Manager, Benefit Assessment Districts Program
Juan Pittman, Senior Financial Analyst, Treasury


JAMES L. de la LOZA

Executive Officer

Regional Transportation Planning and Development

**A RESOLUTION OF THE LOS ANGELES COUNTY
TRANSPORTATION AUTHORITY RELATING TO THE BENEFIT
ASSESSMENT DISTRICT A1**

WHEREAS, in accordance with Chapter 12, Part 3, Division 10 (Commencing with Section 33000) of the California Public Utilities Code (the "Act"), the Board of Directors (the "Board") of the Southern California Rapid Transit District (the "District") formed Benefit District No. A1 of the Southern California Rapid Transit District ("Assessment District A1") on July 11, 1985; and

WHEREAS, pursuant to Sections 33003 of the Act, the Board adopted a Resolution of Necessity and Intent on April 1, 1987 to issue not to exceed \$187,000,000 of Special Benefit Assessment District A1 Revenue Bonds (the "A1 Revenue Bonds" in one or more series for Assessment District A1; and

WHEREAS, on September 10, 1992 the District authorized and directed the officers of the District to execute the Indenture relating to the issuance of the first series of bonds for the Assessment District A1; and

WHEREAS, on April 1, 1993 the Los Angeles County Metropolitan Transportation Authority (the "Authority") assumed all responsibilities and authority previously allowed the District; and

WHEREAS, the Indenture requires the Board to cause to be levied assessments equal to (1) 1.05 times the annual debt service due that year, (2) any amounts required to maintain the Reserve Account, and (3) any amounts due property owners as a result of a successful appeal; and

WHEREAS, the Indenture allows the Authority to substitute at any time letters of credit, bond insurance policies or other form of guarantee for all or any portion of the Reserve Requirement; and

WHEREAS, the Indenture allows the Trustee to withdraw from the Reserve Account and transfer to the Authority an amount equal to the maximum limits of such line of credit, bond insurance policies or other form of guarantee for deposit to a Reserve Excess Fund to be established and held by the Authority; and

WHEREAS, the Indenture allows the Authority to use the amounts on deposit in the Reserve Excess Fund to purchase bonds in the secondary market; and

WHEREAS, collections and interest on the Reserve Account have exceeded the amounts necessary to pay the annual debt service.

NOW THEREFORE BE IT RESOLVED THAT,

The Chief Executive Officer, Chief Financial Officer, Treasurer of the Authority (or their designated representatives) are, and each of them acting alone is hereby authorized, empowered and directed to:

1. Secure a surety policy or other form of financial guarantee as allowed in Section 4.03 of the Indenture sufficient to comply with the reserve requirements of the Indenture;
2. Subject to full compliance with the reserve requirements of the Indenture, repurchase or redeem Assessment District A1 bonds on the secondary market prior to their maturity; and
3. Perform all such acts and things, including the execution of documents and agreements, as may be necessary to carry out the bond repurchase program, including but not limited to securing services and executing agreements with bond counsel, underwriters, bondholders and/or brokers.

BE IT FURTHER RESOLVED THAT,

The Chief Executive Officer, Chief Financial Officer, Deputy Executive Officer of Capital Planning of the Authority (or their designated representatives) are, and each of them acting alone is hereby authorized to set the assessment rates on each square foot of assessable property in Assessment District A1 as follows:

1. At a level sufficient to collect amounts at least equal to those required to comply with Section 5.03 (a) of the Indenture, (by way of example only, the assessment levy per square foot is anticipated to be in accordance with the attached proposed rate schedule in Attachment A); and
2. From time to time, as necessary to fully comply with the reserve requirements of the Indenture, vary the assessment rate; and
3. At \$0.17 for FY 1997-98.

ATTACHMENT A to the Resolution

TABLE OF ESTIMATED ASSESSMENT RATES
EXISTING VS. REVISED ASSESSMENT SCHEDULE

FISCAL YEAR	EXISTING RECOMMENDED ASSESSMENT*	REVISED RECOMMENDED ASSESSMENT(1)
1997-98	\$0.17	\$0.17
1998-99	\$0.26	\$0.21
1999-00	\$0.26	\$0.21
2000-01	\$0.26	\$0.21
2001-02	\$0.26	\$0.21
2002-03	\$0.26	\$0.21
2003-04	\$0.37	\$0.28
2004-05	\$0.37	\$0.28
2005-06	\$0.37	\$0.35
2006-07	\$0.37	\$0.35
2007-08	\$0.37	\$0.35
2008-09		\$0.35

* Pursuant to Original plan developed by Senior Underwriter (Bear Stearns)

(1) ESTIMATES: Actual rates could fluctuate depending on actual delinquencies, assessable square footage, and premium costs. Also, schedule assumes that surety policy will be available and targeted bonds are available to be purchased.

ATTACHMENT 1

**A RESOLUTION OF THE LOS ANGELES COUNTY TRANSPORTATION
AUTHORITY RELATING TO THE BENEFIT ASSESSMENT DISTRICT A1**

WHEREAS, in accordance with Chapter 12, Part 3, Division 10 (Commencing with Section 33000) of the California Public Utilities Code (the "Act"), the Board of Directors (the "Board") of the Southern California Rapid Transit District (the "District") formed Benefit District No. A1 of the Southern California Rapid Transit District ("Assessment District A1") on July 11, 1985; and

WHEREAS, pursuant to Sections 33003 of the Act, the Board adopted a Resolution of Necessity and Intent on April 1, 1987 to issue not to exceed \$187,000,000 of Special Benefit Assessment District A1 Revenue Bonds (the "A1 Revenue Bonds" in one or more series for Assessment District A1; and

WHEREAS, on September 10, 1992 the District authorized and directed the officers of the District to execute the Indenture relating to the issuance of the first series of bonds for the Assessment District A1; and

WHEREAS, on April 1, 1993 the Los Angeles County Metropolitan Transportation Authority (the "Authority") assumed all responsibilities and authority previously allowed the District; and

WHEREAS, the Indenture requires the Board to cause to be levied assessments equal to (1) 1.05 times the annual debt service due that year, (2) any amounts required to maintain the Reserve Account, and (3) any amounts due property owners as a result of a successful appeal; and

WHEREAS, the Indenture allows the Authority to substitute at any time letters of credit, bond insurance policies or other form of guarantee for all or any portion of the Reserve Requirement; and

WHEREAS, the Indenture allows the Trustee to withdraw from the Reserve Account and transfer to the Authority an amount equal to the maximum limits of such line of credit, bond insurance policies or other form of guarantee for deposit to a Reserve Excess Fund to be established and held by the Authority; and

WHEREAS, the Indenture allows the Authority to use the amounts on deposit in the Reserve Excess Fund to purchase bonds in the secondary market; and

WHEREAS, collections and interest on the Reserve Account have exceeded the amounts necessary to pay the annual debt service.

NOW THEREFORE BE IT RESOLVED THAT,

The Chief Executive Officer, Chief Financial Officer, Treasurer of the Authority (or their designated representatives) are, and each of them acting alone is hereby authorized to:

1. Secure a surety policy or other form of financial guarantee as allowed in Section 4.03 of the Indenture sufficient to comply with the reserve requirements of the Indenture; and
2. Subject to full compliance with the reserve requirements of the Indenture, repurchase Assessment District A1 bonds on the secondary market prior to their maturity; and

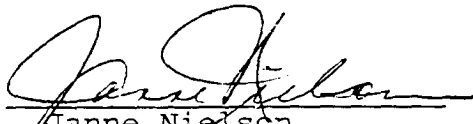
BE IT FURTHER RESOLVED THAT,

The Chief Executive Officer, Chief Financial Officer, Deputy Executive Officer of Capital Planning of the Authority (or their designated representatives) are, and each of them acting alone is hereby authorized to set the assessment rates on each square foot of assessable property in Assessment District A1 as follows:

1. At a level sufficient to collect amounts at least equal to those required to comply with Section 5.03 (a) of the Indenture, (by way of example only, the assessment levy per square foot is anticipated to be in accordance with the attached proposed rate schedule in Attachment A); and
2. From time to time, as necessary to fully comply with the reserve requirements of the Indenture, vary the assessment rate; and
3. At \$0.17 for FY 1997-98.

CERTIFICATION

The undersigned, duly qualified and acting as Interim MTA Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the attached is a true and correct copy of a Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on February 26, 1997.


Janne Nielson
Interim MTA Secretary

DATED: March 3, 1997

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FINANCE & BUDGET COMMITTEE
JANUARY 22, 1998

SUBJECT: REDUCTION OF LEVIES FOR THE BENEFIT ASSESSMENT DISTRICT (A-1)

Los Angeles County
Metropolitan
Transportation
Authority

ACTION: ADOPT A RESOLUTION THAT PERMITS THE IMPLEMENTATION OF A RATE REDUCTION PROGRAM FOR THE BENEFIT ASSESSMENT DISTRICT (BAD) and AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE REQUIRED PROGRAM DOCUMENTS, and SET BAD ASSESSMENT RATES AND PROVIDE AN ANNUAL REPORT TO THE BOARD

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

RECOMMENDATION

- A. Adopt a resolution (Attachment A) that permits the substitution of the cash reserve fund with surety bond.
- B. Authorize the Chief Executive Officer or his designated representatives to:
 - 1. Execute any documents required to comply with indenture requirements or required by the insurer or the trustee;
 - 2. Set the assessment rates annually on each foot of assessable property in the BAD (A-1) so that sufficient levies are collected to comply with the indenture requirements, as may be modified to implement this program; and
 - 3. Provide an annual report to the Board with respect to the continuation or cessation of the proposed assessment rate reduction program.

ALTERNATIVES CONSIDERED

- 1. Consideration was given to refunding the BAD bonds. This option would not have reduced debt service in sufficient amounts to lower assessment rates.
- 2. Another consideration was to purchase BAD bonds in the secondary market. This option was also rejected. Cash in the reserve fund could not purchase enough bonds to achieve the desired assessment rate reduction.

BUDGET IMPACT

There is no budget impact in FY98. The fees for the surety bond and legal services would be paid from the existing surplus fund held under the indenture.

This program has been structured so that BAD conditions are monitored to minimize MTA's financial exposure. However, there is a risk that under certain unpredictable conditions the MTA would be required to replenish the BAD cash reserves up to \$15.4 million from legally available (unpledged) revenues. Examples of these unpredictable events would include an earthquake or any other catastrophic event, such as a fire, that would result in a decline in assessable square footage below 60 million assessable square feet.

BACKGROUND

In February 1997, the MTA Board was asked by a newly formed downtown Business Improvement District (BID) to lower BAD assessments by \$.05 per assessable square foot for a period of five years. The BID is composed of major property owners in downtown Los Angeles who have voluntarily organized a special district to address goals and priorities for the area, including public safety, marketing, and an improved maintenance program. In support of this request, the MTA Board adopted a resolution that amended the assessment rate schedule and authorized a bond repurchase program.

At the time it was anticipated that the reserves could be used to purchase a portion of outstanding BAD bonds in the secondary market. Doing so would have resulted in a lower levy to the BAD. However, a low interest rate environment existed during the majority of 1997. Therefore, a very high premium would have had to be offered to repurchase the bonds. At those high prices, the cash in the reserve fund could not purchase enough bonds to achieved the desired assessment rate reduction.

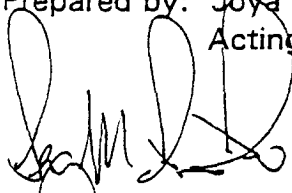
Staff then explored other alternatives and in early November received verbal consent from the insurer to a plan that would reduce the actual levies assessed while maintaining the required debt coverage. In late November the insurer committed to issuance of the surety bond subject to a number of conditions (See Attachment B). In early December, Bank of New York (trustee) gave its consent to the surety replacement. Subsequently staff worked with O'Melveny & Myers (counsel) and Public Resources Advisory Group (financial advisors) to modify to the existing indenture and develop a resolution that will permit the implementation of this program.

The rate reduction program will reduce the BAD (A-1) assessment rates on a year-to-year basis for a maximum of five years (FY99-FY03) as long as the BAD's financial and operating conditions remain stable. While it is the goal of the program to reduce the assessments by a full \$.05 (five cents), this will depend on a yearly evaluation of the BAD's assessable square footage, collection rates, and delinquencies. The cash reserve will be replenished beginning in FY04 and continuing through FY08.

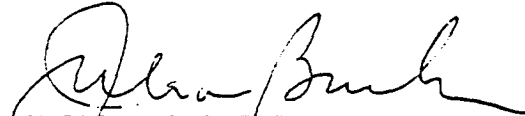
ATTACHMENT

- A. Resolution
- B. Surety Bond Replacement Program

Prepared by: Joya C. De Foor
Acting Treasurer



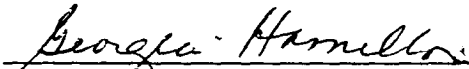
Terry Matsumoto
Executive Officer, Finance



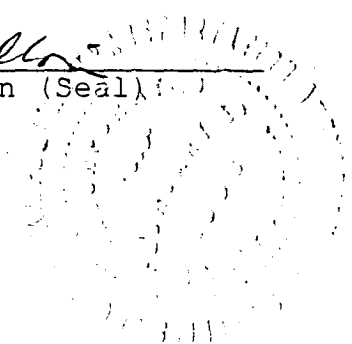
Julian Burke
Chief Executive Officer

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Transit Community Development Corporation, certifies that the following is a true and correct copy of a resolution adopted at a legally-convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on January 29, 1998.



Georgia Hamilton (Seal)
MTA Secretary



DATED: June 3, 1998

**RESOLUTION OF THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
AUTHORIZING THE SUBSTITUTION OF THE
RESERVE ACCOUNT WITH A SURETY BOND
AND THE AMENDMENT OF THE INDENTURE
DATED AS OF OCTOBER 1, 1992
AND CERTAIN MATTERS RELATED THERETO,
EACH RELATING TO \$154,055,000 SOUTHERN
CALIFORNIA RAPID TRANSIT DISTRICT SPECIAL
BENEFIT ASSESSMENT DISTRICT A1 REVENUE BONDS,
SERIES 1992-A**

WHEREAS, in accordance with Chapter 12, Part 3, Division 10 (commencing with Section 33000) of the California Public Utilities Code (the "Act"), the Board of Directors of the Southern California Rapid Transit District (the "RTD") formed Benefit District No. A1 ("Assessment District A1") on July 11, 1985;

WHEREAS, pursuant to Section 33003 of the Act, the RTD authorized the issuance of \$154,055,000 Special Benefit Assessment District A1 Revenue Bonds, Series 1992-A (the "Bonds"), payable from special benefit assessments levied and to be levied within Assessment District A1, to pay for the costs of construction of one or more rail transit stations located within Assessment District A1;

WHEREAS, in order to provide for the authentication and delivery of the Bonds and to establish the terms and conditions upon which the Bonds were issued and secured, the RTD and Meridian Trust Company of California, as trustee, entered into an Indenture dated as of October 1, 1992 (the "Indenture");

WHEREAS, under the leadership of the Central City Association of Los Angeles the Downtown Center Business Improvement District (the "BID") was formed for the purpose of improving and revitalizing downtown Los Angeles and the BID will assess major downtown property owners annually in order to finance such improvements;

WHEREAS, the BID is composed of substantially the same property owners as those located within Assessment District A1;

WHEREAS, in order to reduce the assessment burden on property owners located within both the BID and Assessment District A1, on February 26, 1997, the Authority adopted a Resolution authorizing a reduction in assessment rates in

Assessment District A1 during the five-year period commencing with Fiscal Year 1998-99 through Fiscal Year 2002-03 subject to compliance with all legal requirements;

WHEREAS, pursuant to Section 4.03(c) of the Indenture, the RTD may, at any time and from time to time, substitute one or more lines or letters of credit, surety bonds, bond insurance policies or other form of guarantee from a financial institution (the long-term unsecured obligations of which are rated not less than "AA" by Standard & Poor's Ratings Services and "Aa" by Moody's Investors Service, Inc.) in lieu of or in substitution for all or any portion of the Reserve Requirement (as defined in the Indenture);

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "Authority"), as successor to the RTD, desires to substitute a surety bond to be issued by Ambac Assurance Corporation ("Ambac") in the initial amount of \$15,000,000 (the "Surety Bond") for the same amount of cash currently on deposit in the Reserve Account in the Debt Service Fund;

WHEREAS, the Authority desires to deposit the freed up moneys from the Reserve Account into a newly created fund designated the "Assessment Subsidy Fund" to be held under the Indenture and used to reduce the annual assessment levied in Assessment District A1 during the five-year period commencing with Fiscal Year 1998-99 through Fiscal Year 2002-03;

WHEREAS, in order to induce Ambac to issue its Surety Bond, the Authority proposes to enter into a Guaranty Agreement with Ambac whereby the Authority will agree to reimburse Ambac from legally available funds for any amounts drawn on the Surety Bond;

WHEREAS, the Authority, with the prior written consent of Ambac, desires to pay the costs of the Surety Bond and all other expenses, including legal fees, incurred in connection with the issuance of the Surety Bond from amounts currently on deposit in the Surplus Account in the Debt Service Fund of the Indenture;

WHEREAS, in order to provide for the substitution of the Surety Bond and the creation of the Assessment Subsidy Fund and certain other matters related thereto, the Authority desires to amend the Indenture in certain respects;

WHEREAS, Section 8.01(b) of the Indenture provides that the Indenture may be modified or amended by a Supplemental Indenture, without the consent of any Bond Owners or Ambac, in any respect whatsoever as the Authority may deem necessary or desirable, provided that such modifications or amendments shall not materially adversely affect the interests of the Bond Owners; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Indenture:

NOW, THEREFORE, BE IT RESOLVED BY THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

1. Recitals. The Authority finds and determines that the foregoing recitals are true and correct.

2. Substitution of Surety Bond for Reserve Account Moneys. The Authority hereby authorizes and approves of the substitution of the Surety Bond to be issued by Ambac in the initial amount of \$15,000,000 for the same amount of cash currently held in the Reserve Account in the Debt Service Fund in connection with the Bonds. The Authority hereby authorizes the Chief Executive Officer or the designee of the Chief Executive Officer (each, a "Designated Officer"), any one or more thereof, to take such action as is necessary to effectuate such substitution.

3. Approval of First Supplemental Indenture; Authorization for Execution. The form, terms and provisions of the First Supplemental Indenture dated as of January 1, 1998 (the "First Supplemental Indenture"), by and between the Authority and BNY Western Trust Company, as trustee (the "Trustee"), is in all respect approved, and the Chief Executive Officer and any Designated Officer, any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver the First Supplemental Indenture, including counterparts thereof, in the name of and on behalf of the Authority. The First Supplemental Indenture, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the hereinabove specified officer or officers of the Authority executing the same; the execution thereof shall constitute conclusive evidence of the Authority's approval of any and all changes or revisions therein from the form of the First Supplemental Indenture now before this meeting; and from and after the execution and delivery of the First Supplemental Indenture, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the First Supplemental Indenture.

4. Approval of Guaranty Agreement; Authorization for Execution. The form, terms and provisions of the Guaranty Agreement dated as of January 1, 1998 (the "Guaranty Agreement"), by and between the Authority and Ambac, is in all respect approved, and the Chief Executive Officer and any Designated Officer, any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver the Guaranty Agreement, including counterparts thereof, in the name of and on behalf of the Authority. The Guaranty Agreement, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such

changes therein as shall be approved by the hereinabove specified officer or officers of the Authority executing the same; the execution thereof shall constitute conclusive evidence of the Authority's approval of any and all changes or revisions therein from the form of the Guaranty Agreement now before this meeting; and from and after the execution and delivery of the Guaranty Agreement, the officers, agents and employees of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Guaranty Agreement.

5. Payment of Surety Bond Premium and Legal Fees. The Authority hereby authorizes the payment to Ambac of a premium in the amount of \$600,000 for the issuance and delivery of its Surety Bond. Such premium shall be paid from amounts on deposit in the Surplus Account in the Debt Service Fund. The Authority hereby further authorizes the payment of all other expenses, including legal fees, incurred in connection with the matters described in this Resolution from amounts on deposit in the Surplus Account in the Debt Service Fund. The Authority hereby directs the Chief Executive Officer and any Designated Officer to obtain the consent of Ambac to use amounts on deposit in the Surplus Account in the Debt Service Fund for such purposes.

6. Additional Authorization. The Chief Executive Officer and the Designated Officers and all officers, agents and employees of the Authority, for and on behalf of the Authority, are hereby authorized and directed to do any and all things necessary to effect the execution and delivery of the First Supplemental Indenture, the Guaranty Agreement and the substitution of the Surety Bond. The Chief Executive Officer and the Designated Officers and all other officers, agents and employees of the Authority are further authorized and directed, for and on behalf of the Authority, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution, the First Supplemental Indenture or the Guaranty Agreement or to evidence said authority or its exercise. The foregoing authorization includes, but is in no way limited to, the execution and delivery of certificates or other documents required pursuant to the Indenture or by Ambac or the Trustee in connection with the foregoing matters.

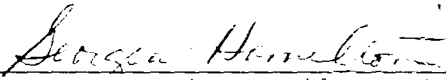
7. Ratification of Prior Actions. All actions heretofore taken by any officer, agent or employee of the Authority in connection with the substitution of the Surety Bond or in connection with or related to any of the agreements or documents referenced herein are hereby approved, confirmed and ratified.

8. Severability. 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 or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

9. Effective Date. This Resolution shall become effective upon adoption by the Board of Directors of the Los Angeles County Metropolitan Transportation Authority.

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Transit Community Development Corporation, certifies that the following is a true and correct copy of a resolution adopted at a legally-convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on January 29, 1998.



Georgia Hamilton (Seal)
MTA Secretary

DATED: June 3, 1998