



Los Angeles County
Metropolitan
Transportation
Authority

June 24, 1998

One Gateway Plaza
Los Angeles, CA
90012

TO: BOARD OF DIRECTORS

FROM: JULIAN BURKE 

213.922.6000

SUBJECT: USE OF PROP C 1995-A PROCEEDS

Mailing Address:

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In preparation for today's budget meeting, we are sending another copy of the previously circulated May 29, 1998 memo to Board of Directors regarding management's use of Prop C 1995 A bond proceeds.

In short, this expenditure is independent of the proposed initiative prohibiting use of sales tax funds for subways. The decision to use these funds for the specified expenditures represents the best business use of these bond proceeds.

May 29, 1998



Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2932

(213) 922-2000

TO: BOARD OF DIRECTORS
FROM: TERRY MATSUMOTO
EXECUTIVE OFFICER, FINANCE
SUBJECT: USE OF PROP C 1995-A PROCEEDS

REPORT

\$188 million, net proceeds, of Prop C 1995-A bonds were issued in July 1995. As of this date \$88 million of principal and \$16 million of accumulated interest for a total of \$104 million, originally planned for the Pasadena Blue Line remain on deposit with the trustee. The balance, \$100 million, was spent on various rail projects and the Transit Plaza as planned.

The debt plan in the FY99 budget is predicated of the use of the \$104 million of carryover 1995-A proceeds to reimburse bus and rail capital expenditures for FY98. These costs include "new subway" expenditures in FY97 and FY98 and a reserve for the balance of demobilization in FY99. Bond counsel agrees that these uses are permitted. Use of these proceeds now avoids the administrative effort required to deal with income tax arbitrage provisions that would become effective in July 1998. The attachment details \$73.4 million of expenditures to be reimbursed from the bond funds leaving a balance of \$30.1 million for additional capital expenditures.

The use of these proceeds does not affect the MTA's programming commitment of \$88 million to the Pasadena project. The MTA will be able to issue up to \$88 million of new bonds whenever the money is required because the transfer of these proceeds restores an equal amount of current borrowing capacity. These funds have not been drawn for Pasadena because State grants approved shortly after the bonds were issued have provided the project's financing up to suspension.

The FY99 debt plan proposes issuing approximately \$443 million of new Prop A and C bonds. The timing and final sizing of the transactions will be completed after the budget is approved. Issues being considered include:

- Taking advantage of fixing low long-term interest rates
- Utilizing commercial paper at even lower, but short-term, variable interest rates
- Amounts of other issuers' bonds going to market.

Immediate use of these funds will delay new borrowing until it is required for capital needs. Each specific transaction will be presented to the Board for approval.

Table 3: "New Subway" Expenditures To Be Funded By Prop C 1995-A Bonds

These projects have been identified as being potentially affected by the Yaroslavy initiative.

Project Detail

Unreimbursed FY97 Expenditures			Estimated FY98 Expenditures through 6/98		
Project #	Project Name	Amount	Project #	Project Name	Amount
800004	San Fernando Valley Line	455,613	800004	San Fernando Valley Line	0
800083	Red Line - Segment 3 MC	71,731	800083	Red Line - Segment 3 MC	1,299,632
800084	Red Line - Segment 3 ES	88,817	800084	Red Line - Segment 3 ES	0
800086	Eastern Extension	102,936	800086	Eastern Extension	0
800087	Western Extension	293,408	800087	Western Extension	462,515
800089	System Safety and Security	443,097	800089	System Safety and Security	0
800092	Systemwide	5,590,779	800092	Systemwide	1,262,273
800095	Environmental Mitigation	244,786	800095	Environmental Mitigation	0
800275	Engineering Support	3,251,538	800275	Engineering Support	1,929,845
	Sub-Total	10,542,706		Sub-Total	4,954,264

Unreimbursed FY98 Expenditures			Budgeted FY99 Expenditures		
Project #	Project Name	Amount	Project #	Project Name	Amount
800004	San Fernando Valley Line	282,258	800004	San Fernando Valley Line	0
800083	Red Line - Segment 3 MC	755,368	800083	Red Line - Segment 3 MC	0
800084	Red Line - Segment 3 ES	36,028,845	800084	Red Line - Segment 3 ES	3,000,000
800086	Eastern Extension	12,748	800086	Eastern Extension	0
800087	Western Extension	196,654	800087	Western Extension	0
800089	System Safety and Security	1,288,734	800089	System Safety and Security	1,812,000
800092	Systemwide	3,795,727	800092	Systemwide	4,700,000
800095	Environmental Mitigation	816,176	800095	Environmental Mitigation	750,000
800275	Engineering Support	4,442,155	800275	Engineering Support	0
	Sub-Total	47,618,667		Sub-Total	10,262,000

Use of Converted Proceeds: Summary

Prop C 1995-A balance as of 3/98		104,248,856
Unreimbursed FY97 expenditures	-	10,542,706
Unreimbursed FY98 expenditures	-	47,618,667
Estimated remaining FY98 expenditures	-	4,954,264
<u>Budgeted FY99 expenditures</u>	-	<u>10,262,000</u>
Estimated remaining available bond proceeds	=	30,871,220