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October 28, 1996

Los Angeles County  
Metropolitan  
Transportation  
Authority

**TO: BOARD OF DIRECTORS**  
**FROM: JOSEPH E. DREW, CHIEF EXECUTIVE OFFICER**  
**SUBJECT: EXTENSION OF TAX-EXEMPT COMMERCIAL PAPER PROGRAM**

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**RECOMMENDATION**

Adopt a resolution extending the expiration of the tax-exempt commercial paper program by an additional seven years, to January 31, 2006.

**ORGANIZATIONAL IMPACT**

The tax-exempt commercial paper program is an important component of the MTA's overall capital structure. By providing a flexible, low-cost source of interim funding for the MTA's capital projects the program facilitates the timely and cost effective acquisition of equipment and construction of facilities in support of MTA's objectives.

**BUDGET IMPACT**

The commercial paper program is often used to provide interim funding prior to issuance of long-term bonds. For new bond issues the budget assumes long-term bonds will be initially issued. When commercial paper is issued instead of long-term bonds the MTA realizes a savings in interest rates of approximately 2%. However, this variable rate debt is subject to fluctuations in short-term interest rates. commercial paper.

**ALTERNATIVES CONSIDERED**

Not extending the program would eventually result in the need to retire the balance of the outstanding notes prior to January 31, 1999, or exercise the term loan feature of the letter of credit facility. The term loan would have a significantly higher interest rate and must be repaid over 6 years. The amount of commercial paper notes outstanding is currently \$124 million.

**BACKGROUND/DISCUSSION**

In January 1991 the MTA established a tax-exempt commercial paper program to provide a readily accessible and flexible financing mechanism for the financing of its capital projects. The program has subsequently been utilized to provide interim financing for right-of-way acquisitions and rail construction as well as for the Gateway Headquarters building and the Gateway Multi-Modal Transit Center.

Commercial paper is a short-term debt instrument that can be issued for maturities of from 1 to 270 days. The MTA's program is repayable from a pledge of Proposition A

sales tax revenues. The current authorization was for five years, ending on January 31, 1999. An extended authorization of seven additional years is requested to maintain the availability of this low cost financing tool. The extended expiration will enable staff to renew the letter of credit for three additional years ending in January of 2000, while also accomodating the additional six years beyond the expiration of the letter of credit during which a term loan could be outstanding.

The term loan feature, if drawn on by MTA, would convert the commercial paper program to a bank loan with a final maturity of 6 years. If the loan was created near the end of the 3 year letter of credit the final maturity of the term loan would extend to January 31, 2006.

Since the program's inception in January 1991 the MTA has experienced very favorable short-term interest rates, reducing the amount of interest paid for that debt as compared to the cost of long-term interest rates. Over the past several years the MTA has issued new long-term debt at about 6.0%, while the commercial paper program expense was about 4.1% after all costs.

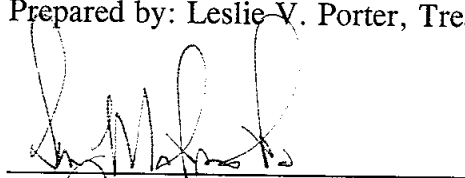
### **DBE PARTICIPATION**

The DBE component for this program will be provided through the participation of Artemis Capital, a WBE firm which has served as broker dealer along with Lehman Brothers and Goldman Sachs. Artemis has served on the program since its inception in 1991. Artemis Capital's current allocation will be \$25 million of the \$149 million currently outstanding. This amount may vary depending on the total amount outstanding, being adjusted to maintain 20% participation among one or more DBE firms.

### **ATTACHMENTS**

Resolution

Prepared by: Leslie V. Porter, Treasurer



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Terry Matsumoto  
Executive Officer, Finance

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY EXTENDING THE TERM OF THE  
\$350,000,000 COMMERCIAL PAPER PROGRAM AND AUTHORIZING OTHER  
MATTERS RELATED TO THE COMMERCIAL PAPER PROGRAM

Resolved, by the Los Angeles County Metropolitan Transportation Authority (the "Authority") that:

WHEREAS, pursuant to the Los Angeles County Metropolitan Transportation Authority Reform Act of 1992, enacted by the California Legislature, the Authority became the successor agency to the Southern California Rapid Transit District and to the Los Angeles County Transportation Commission (the "Commission");

WHEREAS, the Commission by resolution adopted January 23, 1991 (the "1991 Authorizing Resolution"), authorized and implemented a program of tax-exempt commercial paper (the "Program") involving the issuance from time to time of the Second Subordinate Sales Tax Revenue Commercial Paper Notes, Series A (the "Notes") for the purpose of providing for the financing of the acquisition of real and personal property and the construction of the rail transit system within the County of Los Angeles (the "County"), provided that the aggregate principal amount of Notes and Reimbursement Obligations (as defined in such 1991 Authorizing Resolution) outstanding at any time shall not exceed \$350,000,000; and

WHEREAS, the Authority by resolutions adopted March 24, 1993, extended the termination date of the Program from January 24, 1994 to January 31, 1999 (the "1993 Extension Resolution"), and expanded the scope of the purposes for which the Notes are authorized to be issued to include any and all transit-related purposes including, but not limited to, the construction and equipping of one or more office buildings primarily for the purpose of providing office space for the staff of the Authority and to provide facilities related to the operations of the transit facilities of the Authority all of which will be used in furtherance of the public transit purposes of the Authority (the "1993 Expansion Resolution"); and

WHEREAS, such Notes and other obligations incurred in connection with the Program are issued under and secured by a Subordinate Trust Agreement dated as of January 1, 1991 (the "Subordinate Trust Agreement") by and between the Commission and First Trust of New York, National Association, as the successor to BankAmerica National Trust Company the successor to Security Pacific National Trust Company (New York), as Trustee, and the First Supplemental Subordinate Trust Agreement also dated as of January 1, 1991 (the "First Supplemental Agreement") as amended by the Second Supplemental Subordinate Trust Agreement also dated as of January 1, 1994 (the "Second Supplemental Agreement"); and

WHEREAS, the Program is a beneficial means of financing the needs of the Authority and the Authority, therefor, wishes to extend the termination date of the Program beyond January 31, 1999; and

WHEREAS, the terms used herein and not defined herein shall have the meanings assigned to them in the 1991 Authorizing Resolution, the 1993 Extension Resolution, the First Supplemental Agreement, or in the Second Supplemental Agreement.

NOW, THEREFORE, be it resolved by the Authority, as follows:

Section 1. Extension of the Program. The 1993 Extension Resolution states that "no Note shall be issued with a maturity date later than January 31, 1999, unless such date has been extended by subsequent resolution of the Authority." The Authority hereby provides, by this resolution, that such date is extended to January 31, 2006, and the Authority hereby provides that no Note shall be issued with a maturity date later than January 31, 2006 unless such date has been extended by subsequent resolution of the Authority. To accomplish such extension of the "Program Termination Date" within the meaning of the First Supplemental Agreement, the Authority hereby authorizes the execution and delivery by the Authority of a Supplemental Agreement providing for such extension of the Program Termination Date and the Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Treasurer and any one or more thereof, are hereby authorized, empowered and directed to execute, acknowledge and deliver such Supplemental Agreement in the name and on behalf of the Authority.

Section 2. Additional Authorization. The Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Treasurer and all officers, agents and employees of the Authority are, and each of them is, hereby authorized and directed to do any and all things necessary or useful to effect the execution and delivery of the Notes, the Documents and the Commercial Paper Memorandum and to carry out the terms thereof. The Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Treasurer and all other officers, agents and other employees of the Authority are, and each of them is, hereby further authorized and directed for and on behalf of the Authority to execute all papers, documents, certificates and other instruments that may be required or useful in order to carry out the authority conferred by the 1991 Authorizing Resolution, this Resolution, the Trust Agreement, the Sixth Supplemental Agreement, the First Supplemental Agreement or to evidence the same authority including, but not limited to, executing documents which may be prepared for the purpose of implementing the provisions of this Resolution.

Section 3. 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, such sections, phrases and provisions shall not affect any other provision of this Resolution.

Section 4. Effective Date. The effective date of this Resolution shall be the date of its adoption.