



Metropolitan  
Transportation  
Authority

One Gateway Plaza  
Los Angeles, CA  
90012-2952

# 13

FINANCE AND BUDGET COMMITTEE  
JULY 17, 2003

# 13

**SUBJECT: BOND REFUNDING FOR GENERAL REVENUE BONDS**

**ACTION: AUTHORIZE THE NEGOTIATED SALE OF GENERAL REVENUE REFUNDING BONDS**

### RECOMMENDATION

Adopt a resolution authorizing the Chief Executive Officer to price and deliver up to \$95 million of the General Revenue 2003 refunding bonds, and approve documents on file with the Board Secretary, in a negotiated bond sale with an underwriting syndicate consisting of Citigroup Global Markets, Inc. (previously Salomon Smith Barney) as the senior managing underwriter, with co-managers Goldman Sachs & Co., E. J. De La Rosa & Co., and Backstrom McCarley Berry & Co., to achieve a goal of 5% minority participation (Attachment A).

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

### RATIONALE

At current market interest rates, MTA has an opportunity to refund up to \$89 million of the outstanding General Revenue 1990 Certificates of Participation to achieve debt service interest savings. Based on interest rates as of June 30th, the estimated present value savings were approximately \$5 million.

Use of a negotiated bond sale is being recommended in order to achieve the lowest interest rate on the refunding bonds. This refunding is the MTA's first offering in the taxable municipal bond market. As a result, the bond sale is anticipated to benefit from the early involvement of the underwriters in introducing to investors the MTA's credit quality and explaining the features of the bonds to the buyers in advance of the sale. This pre-marketing effort by the underwriters will help ensure that as many investors as possible will be informed and available to bid on MTA's bonds.

### FINANCIAL IMPACT

The costs of issuance for this refunding were not budgeted for FY04 because the refunding was not anticipated at the time of the budget's development. However, the refunding will generate a favorable variance in debt service interest, project 610309, account 51124, in FY04 to offset the unfavorable variance to costs of issuance.

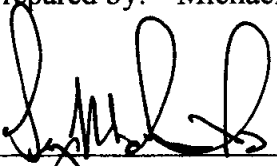
**ALTERNATIVES CONSIDERED**

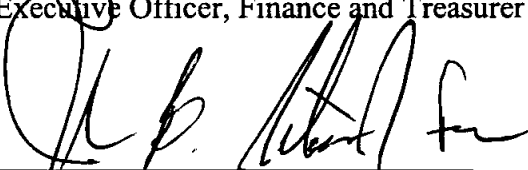
Issuance of the refunding bonds could be delayed. This alternative is not recommended because of potential adverse interest rate fluctuations.

**ATTACHMENT**

A. Authorizing Resolution for Negotiated Refunding Bond Sale

Prepared by: Michael J. Smith, Assistant Treasurer

  
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Terry Matsumoto  
Executive Officer, Finance and Treasurer

  
\_\_\_\_\_  
Roger Snoble  
Chief Executive Officer

## Attachment A

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE ISSUANCE OF ITS NOT TO EXCEED \$102,000,000 GENERAL REVENUE REFUNDING BONDS (WORKERS' COMPENSATION FUNDING PROGRAM), SERIES 2003, FOR THE PURPOSES OF PREPAYING PREVIOUSLY ISSUED AND OUTSTANDING CERTIFICATES OF PARTICIPATION; PROVIDING FOR THE FORM OF SUCH BONDS AND OTHER DETAILS WITH RESPECT TO SUCH BONDS; PROVIDING FOR CERTAIN AMENDMENTS TO THE AUTHORITY'S TRUST AGREEMENT; PROVIDING FOR THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; AND AUTHORIZING OFFICERS, AGENTS AND EMPLOYEES TO PERFORM DUTIES AND TAKE ACTIONS IN ACCORDANCE WITH THIS RESOLUTION

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WHEREAS, the Los Angeles County Metropolitan Transportation Authority is a county transportation commission duly organized and existing pursuant to Section 130000 *et seq.* of the California Public Utilities Code (the "Authority") and is authorized under Section 130500 *et seq.* of Chapter 5 of Division 12 of the California Public Utilities Code (the "Authorizing Act") to issue bonds in one or more series for the purpose of refunding any bonds then outstanding; and

WHEREAS, the Southern California Rapid Transit District (the "District"), as predecessor to the Authority, executed and delivered its \$160,000,000 Adjustable Rate Demand Certificates of Participation (Workers' Compensation Funding Program) (the "Certificates"), which were converted to a fixed interest rate on March 1, 1991 by the District; and

WHEREAS, the Authority desires to prepay the Certificates; and

WHEREAS, pursuant to the Authorizing Act, the Authority is authorized to issue refunding bonds in one or more series for the purpose of refunding any bonds then outstanding if the Authority makes a determination that it is in the public interest to issue refunding bonds pursuant to the terms or conditions of the refunding; and

WHEREAS, the Authority has determined that it is in the public interest of the Authority and its residents to issue bonds in one or more series entitled the Los Angeles County Metropolitan Transportation Authority, General Revenue Refunding Bonds (Workers' Compensation Funding Program), Series 2003 (the "Bonds"), in the aggregate principal amount not to exceed \$102,000,000 for the purpose of providing funds to prepay the Certificates; and

WHEREAS, there has been presented to the Authority a form of a Third Supplemental Trust Agreement between the Authority and BNY Western Trust Company, as successor trustee (the "Trustee"), which Third Supplemental Trust Agreement authorizes the issuance of the

Bonds and amends certain provisions of the Trust Agreement, dated as of January 1, 1995, by and between the Authority and the Harris Trust and Savings Bank (the "Prior Trustee"); and

WHEREAS, there has been presented to the Authority a form of a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to be executed by the Authority as required by Securities and Exchange Commission Rule 15c2-12, as amended; and

WHEREAS, there has been presented to the Authority a form of a Preliminary Official Statement relating to the issuance of the Bonds; and

WHEREAS, the Authority has been advised by its bond counsel that such documents are in appropriate form, and the Authority hereby acknowledges that said documents will be modified and amended to reflect the various details applicable to the Bonds and said documents are subject to completion to reflect the results of the sale of the Bonds; and

WHEREAS, the Authority has determined that it is in the best interest of the Authority to provide for the issuance and sale of the Bonds pursuant to a negotiated sale as evidenced by a Purchase Contract, by and between the Authority and the Underwriters named therein; and

WHEREAS, there has been presented to the Authority a form of a Purchase Contract relating to the issuance of the Bonds.

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

Section 1. **Findings.** Each of the above recitals is true and correct and this Authority so finds and determines. The issuance of the Bonds is in the public interest of the Authority and its residents.

Section 2. **Issuance of Bonds; Term of Bonds.** For the purpose of providing for the prepaying of the Certificates, the Authority hereby authorizes the issuance of its General Revenue Refunding Bonds (Workers' Compensation Funding Program), Series 2003 in one or more series in an aggregate principal amount not to exceed \$102,000,000 (the "Bonds"). The Bonds shall mature not later than July 1, 2010, shall bear interest at the rates per annum, be subject to redemption, if any, and have such other terms, all as set forth in the Third Supplemental Trust Agreement. The Bonds shall be in substantially the form set forth in the Third Supplemental Trust Agreement with necessary or appropriate variations, omissions and insertions as permitted or required by the Third Supplemental Trust Agreement or as appropriate to adequately reflect the terms of such Bonds and the obligations represented thereby. The Bonds shall be issued in fully registered form in minimum denominations of \$5,000 or any integral multiple thereof. The Chief Executive Officer of the Authority, the Chief Financial Officer of the Authority or the Executive Officer, Finance and Treasurer of the Authority, or any Designated Officer (as defined herein), acting in accordance with this Section 2, is hereby authorized to determine the actual aggregate principal amount of Bonds to be issued and to direct the execution and authentication of said Bonds in such amounts. Such direction shall be conclusive as to the principal amounts hereby authorized.

Section 3. **Designated Officers.** The Authority hereby appoints the Chief Executive Officer, the Chief Financial Officer, the Executive Officer, Finance and Treasurer or such other persons as the Chief Executive Officer may designate under the terms of this Resolution and the Third Supplemental Trust Agreement as a designated officers (each a "Designated Officer"). The Designated Officers are, and each of them is, hereby authorized and are hereby directed to perform those duties set forth in the Documents. The Designated Officers are, and each of them is, also authorized to make representations, certificates and warranties concerning the Bonds and to take such other actions and execute such other documents as are necessary to prepay the Certificates, to issue the Bonds, and to purchase bond insurance, if available, for some or all of the Bonds.

Section 4. **Special Obligations.** The Bonds shall be special obligations of the Authority secured by and payable from Pledged Revenues and Remaining Sales Tax (as such terms are defined in the Trust Agreement, dated as of January 1, 1995, by and between the Authority and the Prior Trustee) and other amounts pledged therefor.

Section 5. **Execution of Bonds.** Each of the Bonds shall be executed on behalf of the Authority by a Designated Officer or any one or more thereof and any such execution may be by manual or facsimile signature, and each Bond shall be authenticated by the endorsement of the Trustee. Any facsimile signature of a Designated Officer or any one or more thereof shall have the same force and effect as if such officer had manually signed each of said Bonds.

Section 6. **Sale of the Bonds.** The Bonds, if sold to the Underwriters, shall be sold subject to a discount (excluding original issue discount) not to exceed .35% of the aggregate principal amount of the Bonds, subject to the terms and conditions set forth in the bond purchase contract for the Bonds (the "Purchase Contract"). The form, terms and provisions of the Purchase Contract are hereby approved and any Designated Officer is hereby authorized and empowered to execute, acknowledge and deliver the Purchase Contract, including counterparts thereof, in the name of and on behalf of the Authority. 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 Purchase Contract.

Section 7. **Approval of Documents.** The form, terms and provisions of the Third Supplemental Trust Agreement, the Continuing Disclosure Agreement, the Escrow Agreement and the Purchase Contract (collectively, the "Documents") are in all respects approved, and any of the Chair, Vice Chair, the Chief Executive Officer, the Executive Officer, Finance and Treasurer, the Chief Financial Officer or any Designated Officer, any one or more thereof, are, and each of them is, hereby authorized, empowered and directed to execute, acknowledge and deliver each of the Documents including counterparts thereof, in the name and on behalf of the Authority and the Authority's corporate seal is hereby authorized (but not required) to be affixed or imprinted on each of the Documents. The Documents, as executed and delivered, shall be in substantially the forms on file with the Board Secretary and hereby approved, or with such changes therein as shall be approved by the 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 forms of the Documents now before this meeting; and from and after the execution and delivery of the Documents the officers, agents and

employees of the Authority are and each of them is 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 Documents.

Section 8. **Preliminary Official Statement.** The distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds in substantially the form of the draft thereof presented at this meeting, with such changes therein as shall be approved by either the Chief Executive Officer, the Chief Financial Officer, the Executive Officer, Finance and Treasurer or any Designated Officer, individually or collectively, are hereby authorized and approved. The Preliminary Official Statement shall be circulated for use in selling the Bonds at such time or times as a Designated Officer (after consultation with the Authority's financial advisors and bond counsel and such other advisors as the Designated Officer believes to be useful) shall determine that each Preliminary Official Statement is substantially final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by the Designated Officer to such effect, and any such action previously taken is hereby confirmed, ratified and approved.

Section 9. **Official Statement.** Prior to the delivery of the Bonds, the Authority shall provide for the preparation, publication, execution and delivery of an Official Statement relating to the Bonds in substantially the form of the draft Preliminary Official Statement on file with the Board Secretary. The Chief Executive Officer, the Chief Financial Officer, the Executive Officer, Finance and Treasurer or any Designated Officer, or any one or more thereof, are, and each of them is, hereby authorized and directed to execute and deliver the final Official Statement in the name and on behalf of the Authority. 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 Preliminary Official Statement now before this meeting.

Section 10. **Credit Enhancement; Surety.** Each of Designated Officers or any of them are hereby authorized and directed for and on behalf of the Authority to execute and deliver any financial guaranty or reimbursement agreement with any provider of a guarantee of payment of the principal of or interest on the Bonds or with any provider of a surety bond covering all or a portion of the reserve fund for the Bonds, all upon such terms as shall be satisfactory to any Designated Officer.

Section 11. **Bond Counsel and Disclosure Counsel.** The Authority hereby appoints Hawkins, Delafield & Wood as bond counsel and disclosure counsel.

Section 12. **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 13. **Effective Date.** The effective date of this Resolution shall be the date of its adoption.