

# MINUTES



LOS ANGELES COUNTY TRANSPORTATION COMMISSION 403 West 8th St., Suite 500, Los Angeles, CA 90014 (213) 626-0370

July 17, 1986

The special meeting of the Commission was called to order by Chairman Dana at 2:10 p.m. at the Board of Supervisors' Hearing Room at the Hall of Administration.

Members in attendance were:

Supervisor Deane Dana  
Supervisor Kenneth Hahn  
Mayor Christine E. Reed  
Councilwoman Jacki Bacharach  
Councilwoman Pat Russell  
Marcia Mednick  
Blake Sanborn, alternate to Supervisor Schabarum  
Roy Donley, alternate to Supervisor Antonovich  
Ray Remy, alternate to Mayor Bradley  
Don Watson, Ex-Officio for State of California

Staff members present:

Rick Richmond, Executive Director  
David Kelsey, Senior Deputy County Counsel  
Kathy Torigoe, Executive Secretary

## APPROVAL OF AUTHORIZING RESOLUTION FOR LACTC BOND SALE

Mr. Richmond introduced the following partners on the financial team who made presentations before the Commission: Sam Katz, Diane Stoddard, George Butcher, Richard Cooper and Don McFadyen.

Diane Stoddard of Kutak Rock and Campbell (bond counsel) explained the proposed LACTC bond authorizing the issuance of \$707,615,00 aggregate principal amount of its sales tax revenue Bonds Series 1986-A through 1986-E, approving the sale of the bonds, authorizing the execution of documents and approving other related matters.

Sam Katz of Public Financial Management (financial advisor) introduced Mr. George Butcher, Senior Manager for Financing of Salomon Brothers, and Mr. Richard Cooper, Managing Director of Salomon Brothers from New York. He also introduced Don McFadyen, Vice President of Salomon Brothers, who made the bid.

On behalf of Salomon Brothers and other members of the management team, Mr McFadyen thanked the Commission for the opportunity to provide the service over the course of last month and made a bid on the Series A Bonds which total \$157,615,000 in principal amount which, after the original issue discount of \$7614,425 and underwriters' discount of \$1,793,658, produced a bid to the Commission of \$148,206,916.30, which resulted in a true interest cost to the Commission on this issue of 7.674%. And in the furtherance of the bid, Mr. McFadyen presented a good faith check in the amount of \$1,500,000. With respect to the Series B through E in principal amount of \$550,000,000, Mr. McFadyen proposed a bid to the Commission which, after premium of \$800,800 and underwriters' discount of approximately \$3.7 million, totaled \$547,143,300, for a true interest cost of 5.739%. And in furtherance of this offering, Mr. McFayden presented a good faith check in the amount of \$5.5 million to secure that bid.

He also reported that the Commission received a rating of A+ from Standard and Poors on the long-term portion and SP-1+ on the Series B through E. From Moody's Investors Service, the Commission received a rating of A-1 on the Series A Bonds. The Series B through E Bonds were rated Aaa by Moody's Investors Service.

Mr. Katz explained the opinion letter and written report from his firm, which was prepared prior to the actual pricing of the bonds. The bonds were sized as \$157,615 Series A Bonds which were scheduled to mature on an equal annual debt service payment basis on July 1, 1992 through July 1, 2016. The Series B Bonds of \$260,000,000 are subject to a mandatory tender on July 1, 1987. The Series C Bonds of \$111,500,000 will be tendered on July 1, 1988; the Series D Bonds of \$100,000,000 on July 1, 1989; and Series E Bonds at \$78,500,000 on July 1, 1990. One hundred sixty-six investment bankers and underwriting firms across the country participated in the syndicate that was led by Salomon Brothers and the six co-managers which were appointed by the Commission. The opinion letter also summarized what was in the official statement and offered the following conclusions: the Series A Bonds were priced at yields ranging from 6.20% in 1992 to 7.55% in 2016, as being proposed to be purchased by Salomon Brothers, et al at an underwriting discount of \$11.38, approximately 26¢ of which includes issuance cost of the Commission. The true interest cost,

which is a reflection of the internal rate of return or the actual effective cost of money, was 7.674%, which is a rate that is 24 basis points below the national average for A-rated bonds in the week ending prior to the week of the bond sale.

Mr. Katz also explained the market conditions.

Mr. Katz indicated that the Commission received an attractive fixed-rate long-term proposal on the Series A Bonds and that there will be substantial savings from the investment income opportunities provided by issuing 1986 bonds, Series B through E, under the current regulatory environment and that some relief will be received from other provisions of the federal tax reform legislation.

Mr. Katz recommended that the Commission approve the purchase of the bonds.

Mrs. Reed moved for approval which was seconded by Mr. Sanborn.

Discussion followed.

Mr. Katz directed the Commission's attention to Appendixes C and D of the preliminary official statement which contains the formal opinion of the co-bond counsels: Kutak Rock & Campbell, represented by Mrs. Stoddard; the office of Johnnie L. Cochran; and Wilson and Becks. Mrs. Stoddard explained that it is their opinion that the bonds are tax-exempt under current law and it is also their opinion that the bonds are covered by the joint statement and, therefore, future enactment of federal tax law changes would not apply to this issue. The effective date of any tax law changes would be after the date of issuance of the Commission bonds.

Mr. Hahn asked a number of questions about the recommendation to accept the bid which were responded to by Mr. Katz and Mr. McFadyen.

A motion was made by Mrs. Reed to accept the bid.

Mrs. Stoddard asked for a point of order as far as how the Commission will proceed on the bond issue. From bond counsel's point of view, it is important that the Commission act on the resolution presented which also approves the sale of the bonds.

Mrs. Reed offered to withdraw her motion and change it to a motion to approve the Bond Authorizing Resolution authorizing the LACTC bond sale (copy attached). A change in the motion was accepted by Mr. Sanborn who seconded the first motion.

A roll call vote was taken:

Yes: Sanborn, Hahn, Donley, Remy, Russell, Bacharach, Reed,  
Mednick, Dana

No: None

Motion passed.

Meeting was adjourned at 3:10 p.m.

  
RICK RICHMOND  
Executive Director

RR:kyt

Attachment