

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

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PLANNING DEPT.

Minutes of Special Meeting of the
Board of Directors of the District

~~January 17, 1980~~

Upon notice duly given, the Board of Directors of the Southern California Rapid Transit District met at a regular meeting in the District Board Room, 425 South Main Street, Los Angeles, California, at 10:30 a.m. on January 17, 1980, at which time President Marvin L. Holen called the meeting to order.

Directors Present:

David K. Hayward
Marvin L. Holen
Gerald B. Leonard
Mike Lewis
Carl Meseck

Thomas G. Neusom
(entered at 10:45 a.m.)
Jay B. Price
Ruth E. Richter
Charles H. Storing
George Takei

Director Absent:

Donald Gibbs

Staff Present:

Jack R. Gilstrap, General Manager
Jack T. Stubbs, Assistant General Manager for Administration
Richard T. Powers, General Counsel
Joe B. Scatchard, Controller-Treasurer-Auditor
Samuel M. Black, Manager of Operations
George L. McDonald, Manager of Planning & Marketing
John S. Wilkens, Manager of Employee Relations
Richard Gallagher, Manager & Chief Engineer - Rapid Transit
Helen M. Bolen, District Secretary

Also present were members of the public and the news media.

President Holen announced that the purpose of this Special Meeting was to approve the legal documents required to permit the sale of Equipment Trust Certificates to be used in the procurement of 940 buses.

Mr. Joe Scatchard briefly explained the mechanics of this program to this point and indicated that representatives from Blyth Eastman Paine Webber, financial advisors; Kutak Rock & Huie, underwriter's counsel; and O'Melveny & Myers, bond counsel, were on hand to answer any questions that members of the Board may have. Mr. Scatchard commented that this is the first time that this type of funding approach has been used for the procurement of buses since the formation of the Urban Mass Transportation Administration. Bids on the sale of the Equipment Trust Certificates will be opened on January 30, 1980 at 10:00 a.m. The Certificates will be offered only to investment bankers. One of the legal representatives present indicated that federal and state banks are prohibited from investing in this type of Certificate.

Mr. Scatchard indicated that the exact interest rate on the Equipment Trust Certificates will not be known until the bids are opened.

When the award of contract on the procurement of the 940 buses is made and we begin to receive the buses, every fifth bus will be purchased with the proceeds from these Equipment Trust Certificates. This is a departure from the manner in

which UMTA has previously treated capital purchases. Title to the buses purchased will rest with the Trustee until the end of the pay-off period at which time title will revert to the District for the sum of \$1.00.

Mr. Scatchard spoke briefly about the collateral equalization fund required. This is money that belongs to the District that the Trustee holds. The current market value of the buses plus the amount in the collateral equalization fund must equal the face value of outstanding Equipment Trust Certificates.

The matter of insurance on payment of principal and interest on the Certificates was discussed. With insurance, the offering of the Equipment Trust Certificates will be rated AAA by Standard & Poors and it is staff's recommendation that the insurance be purchased at a premium cost of \$386,000.

Director Hayward questioned the recommendation to purchase the insurance at the higher cost from MBIA. Mr. Scatchard commented that the financial market's perception of an issue guaranteed by MBIA is better.

Director Price inquired if the interest income from the Certificates is tax exempt for the investment banker. Mr. Scatchard indicated that the interest was free of Federal and California income taxes.

Director Lewis asked about the pledging of TDA funds

Resolution
No. Assigned

mentioned. Mr. Scatchard commented that we have a covenant in this deal that indicates that the first thing we will do with the TDA funds when received is to cover the interest and principal payments on the Certificates. No other pledge can have a superior claim to TDA funds, but can have an equal claim.

On motion of Director Hayward, seconded and carried as noted below, Resolution No.

R-80-020 was approved.

Ayes: Hayward, Holen, Leonard, Lewis,
Meseck, Neusom, Price, Richter,
Storing, Takei
Noes: None
Abstain: None
Absent: Gibbs

R-80-020

Resolution of the Board of Directors of the Southern California Rapid Transit District declaring its intention to sell Equipment Trust Certificates of said District in the amount of \$29,245,000, fixing the time and place for taking bids and directing publication of notice inviting bids, approving Official Statement, Equipment Trust Indenture, Lease Agreement and partial assignment of Purchase Order as to form and authorizing the actions of certain Officers of the District

(Text of full Resolution is filed in the Office of the Secretary.)

Resolution
No. Assigned

On motion duly made, seconded and carried
as noted below, the following resolution was
adopted:

Ayes: Hayward, Holen, Leonard, Lewis,
Meseck, Neusom, Price, Richter,
Storing, Takei
Noes: None
Abstain: None
Absent: Gibbs

R-80-021

RESOLVED, that the General
Manager is authorized to purchase insur-
ance on the Equipment Trust Certificate
issue from Municipal Bond Insurance
Association (MBIA) at a premium cost of
\$386,000; form of insurance contract
subject to approval of the General Counsel.

Report of the General Manager on the Bus Safety
Issue

General Manager Gilstrap reported that he
had just held a conference with the news media
on the subject of the withholding of some sixty
buses from service as they do not meet the
California Highway Patrol technical steering
standards. He pointed out that from the District's
viewpoint, backed up by our safety records, these
buses are absolutely safe. It bears directly on
one mechanical issue; that is the steering box.

This is the 'play' you have in the steering wheel before it begins to move the front wheels of the vehicle. The CHP tightened up the enforcement of their standard on this matter in the Spring of 1979. The problem the District faces with these particular buses is their age. We have been unable to purchase new steering boxes for these buses although we have been attempting to do so since April, 1979.

This morning, Thursday, January 17, 1980, some 33 runs were not made, distributed over 18-20 lines.

The solution to the problem is new buses. In April, 1980, we will begin to receive some 230 buses and then the 940 buses will begin to arrive later in the calendar year.

There was discussion concerning the cracking down on the tolerance requirements and the fact that the tolerance level or standard is set by the National Motor Vehicles Manufacturers Association.

Mr. Gilstrap commented that he does not wish to debate the stricter standards with the CHP. The real problem lies with our old fleet. In the meantime, we have taken the buses out of

service, which may mean some overcrowding on lines during peak hours, but the real answer to the problem lies in getting a manufacturer to tool up to make the steering boxes and then to begin receiving our new buses in April.

Director Lewis commented that he feels that the cancelling of runs, in his opinion, constitutes an emergency under the labor contract and he asked for a report on utilizing this clause to get some of the bus repairs made in order to restore service.

There being no further business, the meeting adjourned at 11:21 a.m.


District Secretary