

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

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

February 28, 1976

Upon notice duly given, the Board of Directors of the Southern California Rapid Transit District met at a Special Meeting in the Board of Supervisors' Hearing Room No. 381, Hall of Administration, 500 West Temple Street, Los Angeles, California, at 3:15 p.m. on February 28, 1976, at which time President Byron E. Cook called the meeting to order.

Directors present:

Byron E. Cook	Jay B. Price
Donald Gibbs	Ruth E. Richter
Adelina Gregory	George Takei
Marvin L. Holen	Baxter Ward
Thomas G. Neusom	

Directors absent:

George W. Brewster
Pete Schabarum

Staff present:

Jack R. Gilstrap, General Manager
Richard T. Powers, General Counsel
Joe Scatchard, Controller-Treasurer-Auditor
George L. McDonald, Manager of Planning & Marketing
Ralph de la Cruz, Principal Analyst
R. K. Kissick, Secretary

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

President Cook announced that the purpose of the meeting was to consider recommendations with respect to pending legislation affecting the Sunset Coast Line Proposal, which legislation is contained in Assembly Bill 2770. He further stated that AB 2770 is presently being considered by an assembly committee in Sacramento, so it was his understanding that consideration could be carried over to the Board's next regular meeting on March 3. President Cook then requested General Counsel Powers to outline the report dated February 27, 1976, copy of which had been furnished to the Board.

Mr. Powers explained the possible ways in which the pending legislation could be amended in order to best protect the RTD.

During the course of discussion, Mr. Donald Hodgman, representing the District's Bond Counsel, O'Melveny & Myers, appeared before the Board and responded to questions.

A transcript of the entire meeting is attached to these Minutes as EXHIBIT 1.

On motion duly made, seconded and unanimously carried, the meeting was adjourned at 4:05 p.m.


Secretary

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Special Meeting
Board of Directors

February 28, 1976

Board of Supervisors' Hearing Room No. 381
Hall of Administration
500 West Temple Street
Los Angeles, California

Start Time: 3:15 p.m.

BYRON E. COOK, President

[Consider recommendations with respect
to pending legislation affecting rapid
transit.]

Reported by: FRANK G. HUDGINS, CSR No. 1438



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APPEARANCES:

Byron E. Cook, President

*Thomas G. Neusom, Vice-President

George W. Brewster [absent]

Donald Gibbs

Adelina Gregory

Marvin L. Holen

Jay B. Price

Ruth E. Richter

Pete Schabarum [absent]

George Takei

Baxter Ward

Donald R. Hodgman for
O'Melveny & Meyers

*Mr. Neusom left meeting at 3:35 p.m.



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I N D E X

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P R O C E E D I N G S

PRESIDENT COOK: The meeting of the Board of Directors will come to order.

Mr. Kissick, may we have a roll call, please.

MR. KISSICK: Byron Cook.

PRESIDENT COOK: Present.

MR. KISSICK: Thomas G. Neusom.

MR. NEUSOM: Present.

MR. KISSICK: George W. Brewster.

[No response.]

Donald Gibbs.

MR. GIBBS: Here.

MR. KISSICK: Adelina Gregory.

MRS. GREGORY: Here.

MR. KISSICK: Marvin Holen.

MR. HOLEN: Here.

MR. KISSICK: Jay B. Price.

MR. PRICE: Here.

MR. KISSICK: Ruth Richter.

MRS. RICHTER: Here.

MR. KISSICK: George Takei.

MR. TAKEI: Here.

MR. KISSICK: Baxter Ward.

MR. WARD: Here.

MR. KISSICK: Pete Schabarum is absent.



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PRESIDENT COOK: Item No. 1 on the agenda is to consider recommendations with respect to pending legislation affecting rapid transit.

I understand that AB2770 is being held up in committee in Sacramento, so the urgency of the Board acting on that resolution with respect to the specific language can and possibly should be deferred until the Board meeting on Wednesday. However, for informational purposes, we will have Mr. Powers outline the matter for us briefly.

Mr. Powers.

MR. POWERS: Thank you, Mr. President.

I do think it would be in order for the Board to consider in advance possible amendment of the legislation.

As you know, we requested at the last regular meeting of the Board of Directors to determine if there were any possible ways in which the pending legislation be amended to bring into it some degree, or greater degree of protection for the Board of Directors in the event that the proposition were placed on the ballot and eventually passed and the system constructed.

Now, Mr. President, you had requested specifically that the possibility of indemnity language be looked at. My office has done that. And I might add that this procedure could be followed if it were decided that the district would merely put the measure on the ballot, call an



1 election and issue the bonds, leaving it to the County of
2 Los Angeles to design and construct the system in its role
3 as project coordinator and prime contractor.

4 In such case, it is understandable that the Board
5 would want the indemnity language. And I had attached to
6 the material which was forwarded to the Board by Mr. Gilstrap,
7 dated February 27th, some proposed language which would
8 accomplish that, which immediately follows the informative
9 letter from O'Melveny & Myers dated February 20.

10 This language, of course, contemplates the con-
11 tract between the County and the District, whereby the
12 County would hold harmless and indemnify the District with
13 respect to certain specified exposures and with respect to
14 any liability which might be incurred as a result of the
15 line, the system not conforming exactly to the proposition;
16 the theory behind it being that since the District's role
17 would be only to issue the bonds and consult on policy, and
18 design and construction would be in the hands of the County,
19 and the County would indemnify the District in its limited
20 role.

21 I would want to emphasize that I have not dis-
22 cussed this at any great length with County Counsel's
23 office, whom I feel sure would want to have some input into
24 that.

25 And also, as you know, whenever you think about



1 amending legislation, you're faced with the fact that the
2 legislative council sometimes wants to talk about it in
3 Sacramento.

4 In any event, I had a very informal discussion
5 with County Counsel's office, with Mr. Ward's staff, and I
6 feel that something could be achieved along the line of
7 indemnity which would satisfy the District's board of
8 directors should the matter proceed in that fashion with the
9 Board's very limited participation.

10 The second and actually the only other alternative
11 course of action which we have considered was submitted to
12 our Board counsel, O'Melveny & Myers, for their comment.

13 This approach envisions the District's board of
14 directors retaining the complete authority for the system by
15 means of a step-by-step approval of the planning, designing,
16 property acquisition, engineering and construction. And
17 this, perhaps, would relate to the "partnership" arrange-
18 ment which the Sunset Coastal Line Report sets forth.

19 Now, if that system were followed, the County
20 would be project manager, as that term would be defined in
21 the legislation.

22 In all this material you have here, there is a
23 letter from O'Melveny & Myers, Mr. President, dated
24 February 27th, to which is attached as Exhibit A their
25 suggested language as to how this might be achieved.



1 Just to present it to you quite summarily, it sees
 2 a County staff being created with its function being spelled
 3 out. It further says that the plans, all plans would come
 4 before the District board of directors for its approval and
 5 that the phases of construction of the system would be a
 6 policy decision to be made by the District's board of
 7 directors.

8 And, then, it also addresses itself to the fact
 9 that the construction document would be put out for competi-
 10 tive bids, again subject to the Board's approval, and that
 11 the lowest bidder selected by the County would be the pro-
 12 cess of selection, and the bidders would be reviewed by the
 13 District's board of directors. In this fashion there would,
 14 of course, be no indemnity inasmuch as the protection
 15 desired by the District's board of directors would be
 16 inherent in the arrangement it had with the County, in that
 17 it retain the right of approval in every step of the design
 18 and construction of the system.

19 Mr. Hodgman of O'Melveny & Myers' office, who,
 20 incidentally, is here today, should you have any questions,
 21 also made two other comments which the Board may wish to
 22 consider. And in line with what Mr. Gilstrap said, perhaps
 23 now is the time to give a little more talk to that.

24 One is -- and I am reading from the first page of
 25 O'Melveny & Myers' letter of February 27th, which alludes to



1 a procedure whereby the District would retain some flexi-
2 bility by means of a less specific bond proposition. And
3 they refer specifically to the two recitations in the first
4 part of the proposition as set forth in AB2770.

5 In discussing this phase of it with O'Melveny &
6 Myers, they are certainly well aware of the fact that one of
7 the desirable aspects of the proposition in its present form
8 is that it does have specific language which has, naturally,
9 voter appeal. They merely are turning the coin over to
10 suggest that the Board review the fact that by having some
11 specifics there, there may be the problem of being tied in,
12 as it were, to a commitment which may or may not be able to
13 be met.

14 Secondly, -- and this is somewhat along those
15 lines -- they thought that the Legislature could, perhaps,
16 or that the Board would, perhaps, wish to consider clarifi-
17 cation relative to the fact that the program of construction
18 could go forward in the initial stages without being able to
19 define the ultimate cost of the system.

20 I think this is a means by which the construction
21 could take place in phases or stages independently of what
22 may or may not follow, there being no commitment to complete
23 every one at a given time.

24 That would sum up my comments, Mr. President, on
25 those two things which you requested we look into with



1 respect to affording some degree of control or protection to
2 the District Board should the matter go forward.

3 And, as I mentioned, Mr. Hodgman of O'Melveny &
4 Myers is here, and I think I saw -- yes -- Jerry Crump of
5 the County Counsel's office is here also if you should have
6 any further questions about any of these points.

7 PRESIDENT COOK: Does anyone have any questions or
8 comments?

9 MR. WARD: Yes.

10 Of the two route lines you proposed with regard to
11 indemnification of the partnership, my personal feeling is
12 that the partnership is the better system and would give RTD
13 exactly what is required; the right to call on the County to
14 demand that the County submit everything for review, exami-
15 nation and approval by the RTD Board.

16 If, in addition to that, the RTD Board would like
17 indemnification that would be something to take up with
18 County Counsel, but as you pointed out, I don't think it
19 would be necessary.

20 Their proposal at the conclusion of the letter
21 that suggests that the construction be in phases would be a
22 great disappointment, I think, to the voters in the County,
23 and I don't think it would accomplish the purpose of the
24 plan.

25 We are not saying how long it would take to build,



1 but we do say that the one-cent sales tax over a period of
2 time that might be extended will accomplish the goals. The
3 goals should be stated on that ballot. And I would request
4 that there be a firmness that the names of the cities on the
5 line to be built to be listed on the ballot, and that the
6 ballot include a map that shows where the lines will go.

7 Otherwise, I think the whole proposal is doomed to
8 failure.

9 And if we have an opportunity to get out of our
10 commitment by some future board that might be sought --
11 there are serious efforts to alter the complexion of the
12 Board or the manner in which transit is to be devised and
13 guided in Southern California, and I would be very suspicious
14 of these efforts, and I am fearful that if there is any
15 successor organization to the RTD that does not represent
16 the outlying interests, there will be consequential efforts
17 to acquire a major portion of the funding and divert it from
18 the outlying sectors to something else closer within.

19 That would be tragic, misleading, unfortunate, and
20 not serving the purpose of this proposal at all. And I hope
21 that there is no deviation from the insistence that every-
22 thing be named on that ballot.

23 Thank you.

24 PRESIDENT COOK: Thank you, Mr. Ward.

25 I have a question, Mr. Ward, that's been bothering



1 me ever since I looked at this Sunset Coastal Line, and that
2 is these little lines out at the end of the dual-rail system
3 which the legend indicates are feeder distribution lines.

4 I am sure you're familiar with those.

5 MR. WARD: Yes.

6 PRESIDENT COOK: If these are monorail --

7 MR. WARD: They are not.

8 PRESIDENT COOK: The question is: Is it your
9 intention that these be monorail?

10 MR. WARD: No. Let me define them, if the amount
11 is before you or before the members.

12 Starting with the upper left, there is a line up
13 to Chatsworth. That would be on the route of the existing
14 Southern Pacific Freight Line that goes north. There would
15 have to be a connection from the Ventura Freeway to that
16 freight line. That is the freight line to Chatsworth.

17 The next one over is the line into North Hollywood
18 that is an extension of the Hollywood Freeway line,
19 Hollywood Bowl line, but it doesn't go anywhere except to
20 end in North Hollywood. It is also totally grade separated.
21 Both of these are totally grade separated from the 85-mile-
22 an-hour "A" track. But they don't -- they aren't part of
23 the main line, therefore, in effect; but that one is also
24 rail.

25 The next one into Burbank and just beyond is also



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1 an extension of the main line, but it doesn't circle on out
2 to San Fernando. Someday that should be completed to San
3 Fernando along the Golden State, but until it is, we called
4 it in name an extension, but it's totally grade separated,
5 the same kind of track, all signaling conditions, services,
6 everything else as the main line.

7 PRESIDENT COOK: Is that a dual rail?

8 MR. WARD: Oh, yes. Regular rail track. That's
9 85 miles an hour.

10 PRESIDENT COOK: Do you have any monorail?

11 MR. WARD: Yes.

12 PRESIDENT COOK: Where is that line?

13 MR. WARD: Let me just identify the balance of
14 the rail extensions.

15 One goes into Glendora and one down to Whittier,
16 one there and there [indicating]. That is the end of rail
17 line. The monorails are the loop around Torrance here, the
18 loop to the Forum and Inglewood, the racetrack, the loop in
19 Arcadia, the loop around UCLA, the 50-million-dollar central
20 district distribution system, this line here, that line
21 there [indicating]. And that's it.

22 And the line in Compton, which Compton has indi-
23 cated instead of running east-west, they would like to have
24 connect onto the main line there and run north-south.

25 PRESIDENT COOK: That brings up another question.



1 Are all those monorail systems interconnected?

2 MR. WARD: No, there is no means possible of
3 connecting a monorail system to any main line track, but
4 the station at which they would get off the main line to
5 board the monorail is a common station. You just get off
6 and walk 30 feet over and there's a monorail line and
7 equipment.

8 PRESIDENT COOK: If you have all these monorail
9 appendages out at the end of these dual-rail systems, how do
10 you service the monorail cars and where would your service
11 yard be?

12 MR. WARD: Each one will have to have its whole
13 independent setup, every single one. They would not inter-
14 connect, and they would not necessarily be of the same
15 design. You might find on the RTD that you are pleased with
16 one company's proposal in 1980, and in 1982, when it's time
17 to build the next one, you like something else better; it's
18 more successful. And there need be no compatability at all
19 among them. All they have to do is originate at a station
20 on the main line.

21 They would have their own facilities and servicing
22 equipment.

23 PRESIDENT COOK: How many service yards do you
24 contemplate to handle these?

25 MR. WARD: One for each of the monorail systems.



1 PRESIDENT COOK: How many of these fragmented
2 systems do we have?

3 MR. WARD: One in Torrance, one to Compton, UCLA,
4 Inglewood, up to South Pasadena, just about, and one there
5 [indicating].

6 PRESIDENT COOK: That's about eight altogether?

7 MR. WARD: Yes. I don't know the count.

8 It would be difficult to have a central servicing
9 facility, because you'd have to cart the cars off. They're
10 not all that -- we hope they would not be all that requiring
11 or needful of service.

12 The one at Disneyland is a loop, for example, that
13 goes, I guess, two-and-a-half miles. And it has its own
14 service facilities. They would be like that. And Anaheim
15 have its own, for example, Mr. Cook, or the City of Orange.

16 It is a relatively simple system. It's not high-
17 speed, heavyweight. It goes slowly. They only go maybe 35,
18 maybe 40 miles an hour. They don't carry many passengers.
19 They aren't as susceptible to the electrical needs and so on
20 as the trains and cars on the main line.

21 PRESIDENT COOK: Does anyone else have any
22 questions?

23 Mr. Takei?

24 MR. TAKEI: I wonder if it would be possible for
25 us to call on the Board's counsel to amplify its idea of the



1 phase construction?

2 PRESIDENT COOK: Yes.

3 The gentleman from O'Melveny & Myers, Don Hodgman.

4 MR. HODGMAN: My name is Don Hodgman. I am with
5 O'Melveny & Myers.

6 I didn't quite understand what you wanted in the
7 way of amplification.

8 PRESIDENT COOK: Mr. Takei, would you like to --

9 MR. TAKEI: If you could amplify on the idea you
10 suggest of phase construction, why, and in the context of
11 the sale of the bonds, or the reasons why you'd make that
12 recommendation.

13 MR. HODGMAN: I think there was some misunder-
14 standing. The point we wished to make in the third item in
15 our letter of February 27th was a legal problem on whether
16 you could complete -- in fact, whether you could begin the
17 entire project if you have a very specific project as set
18 forth in the Board plan.

19 As we cited in our letter of February 28th,
20 there's a body of cases that say, from the legal standpoint,
21 if you define a specific project, even a very big one, a
22 seven-and-a-half-billion-dollar one, and spell it out that
23 you can't begin that unless you can demonstrate that you can
24 finance the entire project.

25 There is a famous case which involved building a



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1 seven-and-a-half-mile road near the city of Sebastopol, and
2 when the bonds had been approved and they sold all of the
3 bonds and had the proceeds, there was only enough to build
4 six miles of the road, and the Court held that you couldn't
5 spend any of the bond money.

6 Now, it was our suggestion, to meet this same
7 possible fact situation in a much more complex illustration,
8 that the language should be added to the legislation so you
9 may begin even though you can't meet the test in the road-to-
10 Sebastopol case, but you can demonstrate practicability to
11 finance the entire project.

12 Now, it might be that it would be possible to
13 demonstrate this if you actually tested it in court, but in
14 a very complex project that is going to involve a time span
15 such as this one, it seems wise to suggest ways to avoid
16 this problem.

17 PRESIDENT COOK: Is there any such restriction in
18 the present language of "2770"?

19 MR. HODGMAN: Not so much a restriction as a
20 permission, and there is none now.

21 MR. PRICE: Mr. President?

22 PRESIDENT COOK: Mr. Price.

23 MR. PRICE: In line with Mr. Ward's fear, where
24 he has stated that this is a commitment to the public that
25 it will be built but you would not have your feet in concrete



1 as to the time it is to be built or commitment to be built,
2 then, are you saying that you feel that "2770" bond require-
3 ments could also so be worded that it would be funded but
4 there would be no setting in concrete; in other words, you
5 believe this flexibility can be built in?

6 MR. HODGMAN: Yes. In other words, you say, quite
7 honestly, that we want to begin this thing; we expect to
8 build the whole thing, but we're not sure we can demonstrate,
9 because of its size and the amount involved, that our
10 financing, if we sell all the bonds right now, would be
11 enough to do it.

12 MR. PRICE: In effect, you're saying that it could
13 be properly worded, then?

14 MR. HODGMAN: Yes.

15 MR. GIBBS: How does that leave the guarantee to
16 the voters?

17 MR. WARD: As I understood it, the phasing was to
18 permit the beginning rather than the actual phasing.

19 MR. HODGMAN: Right. I think phasing is somewhat
20 of a misnomer.

21 MR. WARD: A start would be allowed?

22 MR. HODGMAN: Yes.

23 MR. WARD: Thank you.

24 MR. HOLEN: Exhibit B to the O'Melveny letter, is
25 that the language we're talking about?



1 MR. HODGMAN: Yes, it is.

2 MR. HOLEN: And that simply states that the monies
3 authorized by legislation may be used to commence the con-
4 struction of the system and the construction go forward,
5 even though the monies may not be sufficient to complete
6 construction of the system; is that correct?

7 MR. HODGMAN: Yes, even though we couldn't demon-
8 strate at that point, which was the requirement in some of
9 these cases, that, you know, we could finance the whole thing.

10 The cases involving somewhat similar projects,
11 such as the road case I mentioned, where you could quite
12 clearly say, you know, it's a seven-and-a-half-mile-long
13 road and we have enough money to build it or we don't.

14 MR. HOLEN: So, then, we could not guarantee, in
15 effect, that the route line as contained in the ballot propo-
16 sition would, in fact, be the full route lines completed and
17 constructed under the ballot proposition?

18 MR. HODGMAN: We would try to do it in such a way
19 that -- in other words, we didn't feel we were given, in
20 spite of the fact that the report is quite precise, in other
21 words, as far as the 280 miles that you say you will do; we
22 don't say we will do any less than the 280 miles. We say we
23 feel we can do this. So we wouldn't put this to the electo-
24 rate. But we want, without having to test in court the
25 ability given by the Legislature, to commence the first mile



1 of the 280 miles without having to demonstrate by selling all
2 of the bonds...

3 You see what I mean? It's really an impossibility
4 to mark it seven-and-a-half-billion-dollars' worth of bonds
5 at the front end to demonstrate that you can actually meet
6 the cases.

7 MR. HOLEN: Would an application take the form of
8 an injunctive proceeding against spending of any of the
9 funds?

10 MR. HODGMAN: That I think would be the tack if
11 they followed these older cases that say you can't start
12 unless you can show us you can do the whole 280 miles, that
13 you have enough money to do it.

14 MR. HOLEN: What would be the normal time delay
15 before such litigation could be -- I know this is a very
16 difficult question to answer, but what would be the normal
17 time delay before such litigation could be resolved?

18 MR. HODGMAN: Well, we're suggesting, of course,
19 if we have the legislation that would preclude --

20 MR. HOLEN: If the legislation did not contain
21 your Exhibit B, what would it be?

22 MR. HODGMAN: I really think that any estimate I
23 made -- I would say anything less than a year would be
24 surprising.

25 MR. TAKEI: Mr. Hodgman, could you comment on this



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1 point that's been raised about the marketability of a bond
2 of this magnitude as it's proposed?

3 MR. HODGMAN: I don't really think I can. I think
4 that's a question for a financial expert, an investment
5 banker, and I really can't...

6 MR. GIBBS: Is there in the works of the proposed
7 ballot measure an assurance that a certain percentage of it
8 will be spent on capital improvements until the full line is
9 built rather than the thing that may happen if so much of it
10 got built and then the operating expenses soak up all the
11 availability increase in sales tax and, therefore, the
12 capital improvement process would stop and some of the areas
13 would still go unserved that voted for the service?

14 MR. HODGMAN: I think, as I read "2770," it's

