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TO: BOARD OF DIRECTORS

FROM: LINDA BOHLINGER, *L. Bohlinger*
INTERIM CHIEF EXECUTIVE OFFICER

**SUBJECT: EXTENSION OF CONTRACT PROVIDING LETTER OF
CREDIT FOR TAXABLE COMMERCIAL PAPER PROGRAM**

RECOMMENDATION

Extend the existing letter of credit for the taxable commercial paper program as provided by the Industrial Bank of Japan (IBJ) for one additional year, from June 30, 1997 through June 29, 1998, at a cost of \$170,000 for the year.

ORGANIZATIONAL IMPACT

The letter of credit provides liquidity and credit support required for the outstanding taxable commercial paper notes. By providing a flexible, low-cost source of interim funding for the MTA's capital projects expenditures the commercial paper program facilitates the timely and cost effective acquisition of equipment and construction of facilities in the rail program.

BUDGET IMPACT

The letter of credit will cost \$170,000 for FY98 which is included in the proposed FY98 budget. This represents a reduction of \$42,500 from the amount paid for this fiscal year.

ALTERNATIVES CONSIDERED

Issue an RFP to select the letter of credit provider. Based on discussions with other providers and MTA's financial advisors it has been determined that IBJ's pricing continues to be advantageous to the MTA. Therefore, it is recommended that the contract for IBJ be extended for one (1) additional year.

BACKGROUND/DISCUSSION

In June 1993 the MTA established the \$150 million taxable commercial paper program to provide a flexible funding source to be used to finance projects which are not eligible to be financed with tax-exempt debt, primarily projects where a non-

governmental entity would employ the financed assets in their business. The initial project financed in 1993 and the only project currently financed under the program was the acquisition of the Harbor Subdivision right-of-way from the Santa Fe Railway Company in 1993.

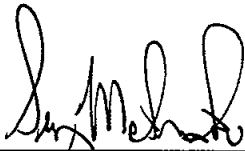
The existing Letter of Credit and Reimbursement Agreement for the MTA's taxable commercial paper program expires on June 29, 1997.

The letter of credit provides liquidity and credit support to the program and is required for the commercial paper notes to remain outstanding. Currently, \$61 million of the program's maximum capacity of \$150 million is outstanding. The existing contract provides for extension of the contract with the mutual consent of the Bank and MTA. It also permits cancellation on 15 days notice. The bank has provided a proposal which reduces the cost to \$170,000 from \$212,500 and maintains an existing price protection feature.

SMALL BUSINESS PARTICIPATION

There is no small business goal for this contract.

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