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FINANCE & BUDGET COMMITTEE
January 22, 1998

Los Angeles County
Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012

213.922.6000

SUBJECT: REFUNDING OF PROPOSITION C 1992-A BONDS

ACTION: APPROVE THE RESTRUCTURING OF PROPOSITION C SERIES 1992-A BONDS THROUGH A COMPETITIVE UNDERWRITING PROCESS; and AUTHORIZE CEO TO EXECUTE ALL REQUIRED DOCUMENTS, SELECT PROVIDERS OF OTHER REQUIRED SERVICES, and NEGOTIATE ASSOCIATED FEES.

RECOMMENDATION

- A. Approve a resolution that authorizes the restructuring of the Proposition C Series 1992-A bonds through a competitive underwriting process.
- B. Authorize the Chief Executive Officer or his designated representative to:
 1. Execute all required documents;
 2. Select the providers of any other required services; and
 3. Negotiate associated fees.

BUDGET IMPACT

Restructuring the Proposition C Sales Tax Revenue Bonds is estimated to result in \$13.5 million in debt service cost savings. These funds will be available in FY99 for operational and capital needs.

ALTERNATIVES CONSIDERED

- Do this transaction now in combination with a swap termination and the refunding of variable rate Proposition C bonds.

This alternative was rejected due to a number of complex tax and fee issues.

- Use a negotiated bond sale instead of a competitive bond sale.

The use of a competitive rather than a negotiated sale is recommended for this refunding. This sale is not complex, will not require special explanation and most likely will have a strong market

demand without significant pre-marketing.

- Wait until all outstanding tax and fee issues are resolved and do this transaction with the swap termination and the refunding of variable rate bonds at that time.

In the current favorable interest rate environment, staff did not want to potentially forego the opportunity to realize over \$13 million in present value savings.

BACKGROUND

In 1992, the MTA issued \$516,855,000 of Proposition C Second Senior Lien bonds, approximately half of which, \$204,095,000, was refunded in 1993. The proposed transaction will refund bonds with coupon rates ranging from 6% to 6.625%. Current interest rates are significantly lower. Rates on January 9th are in the low 5% range. In the current market this transaction represents approximately \$13.5 million (6.5% percent) in present value savings.

This refunding represents a portion of a proposal submitted by a member of the underwriting community as a negotiated sale. Under that proposal, the fixed rate Proposition C bonds would be refunded in combination with another transaction that would simultaneously terminate a swap obligation and refund a series of Proposition C variable rate debt. However, there remain outstanding tax and fee issues related to the swap and variable rate portion of the proposal that have not yet been thoroughly investigated.

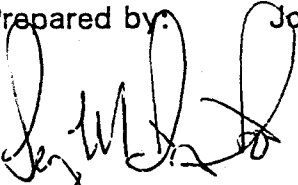
The recommendation is to proceed with the refunding of the fixed rate Proposition C 1992-A bonds on a competitive basis. This fixed rate Prop C refunding is not considered to be complex, to require extensive explanation nor special marketing. A recommendation with respect to the swap obligation and refunding the variable rate debt will be presented when the tax and fee issues have been more thoroughly investigated.

SMALL BUSINESS PARTICIPATION

The SBE participation levels for underwriting services will vary depending upon the results of the competitive bid. In a competitive bid, underwriter participation goals cannot be controlled by MTA. The deal is awarded to the lowest bidder regardless of any other factor.


ATTACHMENT

Resolution

Prepared by:  Joya C. De Foor, Acting Treasurer



TERRY MATSUMOTO
Executive Officer, Finance
Officer



ALLAN G. LIPSKY
Office of the Chief Executive

DRAFT

**RESOLUTION OF THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
AUTHORIZING THE ISSUANCE AND SALE OF
ITS PROPOSITION C SALES TAX REVENUE REFUNDING BONDS,
SECOND SENIOR BONDS, SERIES 1998-A
AND APPROVING OTHER RELATED MATTERS
(PROPOSITION C SALES TAX)**

WHEREAS, THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (the "Authority"), as successor to the Los Angeles County Transportation Commission (the "Commission"), is authorized, under Chapter 5 of Division 12 of the California Public Utilities Code (the "Act"), to issue bonds to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the California Public Utilities Code, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles (the "County") subject to the approval by the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 49 adopted August 28, 1990 ("Ordinance No. 49"), imposed a 1/2% retail transactions and use tax upon retail sales of tangible personal property and upon the storage, use or other consumption of tangible personal property in the County, the proceeds of the tax to be used for public transit purposes (the "Proposition C Tax"), and such tax was approved by the electors of the County on November 6, 1990; and

WHEREAS, the revenues received by the Authority from the imposition of the transactions and use tax are, by statute, directed to be used for public transit purposes, which purposes include a pledge of such tax to secure any bonds issued pursuant to the Act and include the payments or provision for the payment of the principal of the bonds and any premium, interest on the bonds and the costs of issuance of the bonds; and

WHEREAS, the Authority is planning and engineering a countywide rail and highway transit system (the "Rail and Highway Transit System") to serve the County and has commenced construction of portions of the Rail and Highway Transit System; and

WHEREAS, to facilitate the development and construction of the Rail and Highway Transit System, the Authority, as authorized by the Act, has heretofore, pursuant to the terms of a Trust Agreement dated as of October 1, 1992 (the "Trust Agreement") between the Commission (as predecessor to the Authority) and Bank of America National Trust and

Savings Association as predecessor to First Trust of California, National Association (the "Trustee") issued \$516,855,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1992-A (the "Series 1992-A Bonds") pursuant to a First Supplemental Trust Agreement also dated as of October 1, 1992 by and between the Commission and the Trustee; issued \$204,095,000 of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1993-A pursuant to a Third Supplemental Trust Agreement dated as of June 1, 1993 by and between the Authority and the Trustee; issued \$312,350,000 of its Proposition C Sales Tax Revenue Bonds, Second Senior Bonds, Series 1993-B pursuant to the Fourth Supplemental Trust Agreement dated as of November 15, 1993; and issued \$250,000,000 of its Proposition C Sales Tax Revenues Bonds, Second Senior Series, Series 1995-A pursuant to the Fifth Supplemental Trust Agreement dated as of June 1, 1995 (collectively, the "Prior Bonds"); and

WHEREAS, the Authority has pledged the Proposition C Tax (less the 20% local allocation and the State Board of Equalization's costs of administering such tax) to secure the Prior Bonds; and

WHEREAS, the Authority now desires to provide for the issuance of its Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A (the "Series 1998-A Bonds") to refund a portion of the Prior Bonds (said Prior Bonds consisting of a portion of the Series 1992-A Bonds referred to herein as the "Refunded Bonds"), [to fund a reserve fund for the Series 1998-A Bonds] and to pay certain costs related thereto; and

WHEREAS, there have been presented to the Authority forms of the following documents:

(1) A Sixth Supplemental Trust Agreement (the "Sixth Supplement") between the Authority and the Trustee to be used in connection with the issuance of the Series 1998-A Bonds;

(2) A Preliminary Official Statement (the "Preliminary Official Statement") to be used in connection with the sale of the Series 1998-A Bonds which describes the Series 1998-A Bonds, the Authority and its operations;

(3) A Notice Inviting Bids for the Series 1998-A Bonds (the "Notice Inviting Bids") describing the terms of the sale of the Series 1998-A Bonds;

(4) A Notice of Intention to Sell Bonds for the Series 1998-A Bonds; and

(5) A Continuing Disclosure Certificate by the Authority to assist the underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Continuing Disclosure Certificate").

WHEREAS, the Authority has been advised by its Co-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 Series 1998-A Bonds and said documents are subject to completion to reflect the results of the sale of the Series 1998-A Bonds; and

WHEREAS, the Authority has determined that it is in the best interests of the public transportation needs of the County to provide for the issuance and sale of the Series 1998-A Bonds and the refunding of the Refunded Bonds; and

WHEREAS, the Proposition C Tax, less the 25% allocated to local jurisdictions and less the costs of the State Board of Equalization for administering the Proposition C Tax, are herein referred to as the "Pledged Taxes"; and

WHEREAS, terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to them in the Trust Agreement or the Sixth Supplement;

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

1. Findings. The Authority hereby finds and determines that:

(a) The issuance of the Series 1998-A Bonds to refinance a portion of the development and construction of the Rail Transit System by refunding the Refunded Bonds and paying certain costs related thereto is in the public interest.

(b) Under the provisions of Ordinance No. 49, all of the Pledged Taxes are revenues of the Authority available for rail transit purposes and are available to be and are, by the terms of the resolutions and the Trust Agreement under which the Prior Bonds were issued, pledged to secure the Prior Bonds and are pledged to secure the Series 1998-A Bonds, and, by this Resolution, such pledge is reaffirmed.

(c) The provisions contained in the Trust Agreement, as previously amended and supplemented, and in the form of Sixth Supplement are reasonable and proper for the security of the holders of the Series 1998-A Bonds.

2. Issuance of Series 1998-A Bonds; Terms of Series 1998-A Bonds. For the purposes of refunding the Refunded Bonds, including provision, if necessary, for funding a portion of the Reserve Fund established under the Trust Agreement and the payment of certain costs related thereto, the Authority hereby authorizes the issuance of its Proposition C Sales Tax

Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A. The Authority hereby specifies that the aggregate principal amount of the Series 1998-A Bonds shall be an amount sufficient, but not in excess of, the amount required (taking into account any original issue discount), (i) to refund the Refunded Bonds, (ii) to meet any necessary Reserve Fund Requirement, (iii) to provide for the underwriters' discount and payment of costs of issuance. The total aggregate principal amount of Series 1998-A Bonds issued under this Resolution shall not exceed \$220,000,000 plus the amount of any original issue discount at which the Series 1998-A Bonds may be sold. Julian Burke, Interim Chief Executive Officer ("CEO") of the Authority, Allan G. Lipsky, Deputy Chief Executive Director of the Authority and any written designee of the CEO, or any of them (each a "Designated Officer"), the Chairman and the Vice Chairman of the Authority, acting in accordance with this Section 2, are each hereby authorized to determine the actual aggregate principal amount of Series 1998-A Bonds to be issued and to direct the execution and authentication of the Series 1998-A Bonds in such amount. Such direction shall be conclusive as to the principal amounts hereby authorized. The Series 1998-A Bonds shall be in fully registered form and may be issued as Book-Entry Bonds as provided in the Sixth Supplement. Payment of principal of, interest on and premium, if any, on the Series 1998-A Bonds shall be made at the place or places and in the manner provided in the Sixth Supplement.

The Series 1998-A Bonds issued as current interest bonds shall be available in denominations of \$5,000 and integral multiples thereof. The Series 1998-A Bonds issued as capital appreciation bonds, if any, shall be available in denominations of \$5,000 final maturity amount and integral multiples thereof. The Series 1998-A Bonds shall, when issued, be in the aggregate principal amounts and shall be dated as shall be provided in the final form or forms of the Sixth Supplement. The Series 1998-A Bonds may be issued as serial bonds or as term bonds or as both serial bonds and term bonds, all as set forth in the Sixth Supplement. No Series 1998-A Bonds shall bear interest at a rate in excess of [nine percent (9%)] per annum, and shall create at least a three percent (3%) net present value savings to the Authority as a result of refinancing the applicable Refunded Bonds. Interest on the Series 1998-A Bonds shall be paid on the dates set forth in the applicable Sixth Supplement. Interest on Series 1998-A Bonds issued as capital appreciation bonds shall be paid at maturity or prior redemption of such Series 1998-A Bonds. The Series 1998-A Bonds shall be subject to redemption at the option of the Authority on such terms and conditions as shall be set forth in the Sixth Supplement. The Series 1998-A Bonds which are term bonds shall also be subject to mandatory sinking fund redemption as shall be set forth in the Sixth Supplement.

Execution and delivery of the Sixth Supplement which documents contain the maturities, interest rates and the fixed interest payment obligations of the Authority within parameters set forth in this Resolution, shall constitute conclusive evidence of the Authority's approval of such maturities, interest rates and payment obligations.

3. Pledge of Pledged Taxes. The Pledged Taxes are hereby irrevocably pledged in accordance with the terms of the Trust Agreement to secure the Prior Bonds, the Series 1998-A Bonds, and any additional bonds which may subsequently be issued under and

secured by the terms of the Trust Agreement; except for the Prior Bonds, the Authority hereby confirms that it has not previously granted any prior or parity interest in such Pledged Taxes, and the Authority hereby agrees that, except as permitted by the Trust Agreement, it will not, as long as any of the Series 1998-A Bonds remain outstanding, grant or attempt to grant any prior or parity pledge, lien or other interest in the Pledged Taxes to secure any other obligations of the Authority.

4. Special Obligations. The Series 1998-A Bonds shall be special obligations of the Authority secured by and payable from the Pledged Taxes and from the funds and accounts held by the Trustee under the Trust Agreement. The Series 1998-A Bonds shall also be secured by and be paid from such other sources as the Authority may hereafter provide.

5. Forms of Series 1998-A Bonds. The Series 1998-A Bonds and the Trustee's Certificate of Authentication to appear thereon shall be in substantially the forms set forth in the Exhibits to the Sixth Supplement, with such necessary or appropriate variations, omissions and insertions as permitted or required by the Trust Agreement or the Sixth Supplement or as appropriate to adequately reflect the terms of such Series 1998-A Bonds and the obligations represented thereby.

6. Execution of Series 1998-A Bonds. Each of the Series 1998-A Bonds shall be executed on behalf of the Authority by the Chairman, the Vice Chairman or the CEO of the Authority and any such execution may be by manual or facsimile signature, and each bond shall be authenticated by the endorsement of the Trustee or an agent of the Trustee. Any facsimile signature of the Chairman, the Vice Chairman or the CEO of the Authority shall have the same force and effect as if such officer had manually signed each of such bonds.

7. Approval of Documents; Authorization for Execution. The form, terms and provisions of the Sixth Supplement within the parameters set forth in this Resolution are in all respects approved, and the Chairman, the Vice Chairman and any Designated Officer, any one or more thereof, are hereby authorized empowered and directed to execute, acknowledge and deliver the Sixth Supplement, including counterparts thereof, in the name of and on behalf of the Authority. The Sixth Supplement, as executed and delivered, shall be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the hereinabove specified 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 form of the Sixth Supplement now before this meeting; and from and after the execution and delivery of the Sixth Supplement, 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 Sixth Supplement.

8. Sale of Bonds.

(a) The hour of 9:00 a.m. California Time on the date of Tuesday, February 10, 1998 is hereby approved as the time and date that sealed proposals will be received from qualified bidders for the Series 1998-A Bonds upon the terms and in the manner set forth in the Notice Inviting Bids (approved below); provided, however that the Designated Officers are each hereby authorized to choose such other times and dates to receive such proposals as such Designated Officer shall, in his or her discretion, deem to be necessary or desirable to provide for the sale of the Series 1998-A Bonds.

(b) The form of Notice Inviting Bids presented to this meeting is hereby approved for publication and distribution in the offering and sale of the Series 1998-A Bonds substantially in the form presented at this meeting. Any Designated Officer is hereby authorized and directed to execute the Notice Inviting Bids on behalf of the Authority (after completion, modification or correction thereof approved by said Designated Officer) and to call for bids for the sale of the Series 1998-A Bonds from qualified bidders in accordance with said Notice Inviting Bids. The Designated Officers shall cause the Notice Inviting Bids to be published at least once in *The Los Angeles Daily Journal* not less than five (5) days prior to the sale of the Series 1998-A Bonds and said Notice Inviting Bids may be printed and distributed to such municipal broker-dealers, banking and financial institutions and other persons as the Designated Officers deem necessary or desirable, and any such action previously taken is hereby confirmed, ratified and approved.

(c) The Notice of Intention to Sell Bonds presented at this meeting is hereby approved substantially in the form presented to this meeting. Any Designated Officer is hereby authorized and directed to cause the Notice of Intention to Sell Bonds to be published in *The Bond Buyer*, a financial publication generally circulated throughout the State, at least fifteen (15) days prior to such sale of Series 1998-A Bonds in accordance with Section 53692 of the Government Code of the State of California and any such action previously taken is hereby confirmed, ratified and approved.

(d) In connection therewith, the Authority hereby approves the form of the Preliminary Official Statement (the "Preliminary Official Statement") now before this Authority and authorizes the circulation of a preliminary Official Statement with such additions, deletions and changes as the Designated Officers, or any of them deemed to be appropriate, and to prepare and execute one or more final official statements substantially in the form of the Preliminary Official Statement, the execution of such document by a Designated Officer to be conclusive evidence of the Authority's approval of such additions, deletions and changes. The Preliminary Official Statement shall be circulated for use in selling the Series 1998-A Bonds at such time or times as a Designated Officer (after consultation with the Authority's financial advisors and co-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.

(e) The form and content of the Continuing Disclosure Certificate to be dated the date of delivery of the Series 1998-A Bonds is hereby approved and the Authority's obligation to provide the information as described therein is approved and any Designated Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in substantially the form and substance as that before the Board but with such change(s) and additions as the Designated Officer shall approve as being in the best interests of the Authority or required to comply with securities rules, such approval to be conclusively evidenced by the Designated Officer's execution and delivery of the Continuing Disclosure Certificate.

(f) Any Designated Officer, on behalf of the Authority, is further authorized and directed to cause written notice to be provided to the California Debt Advisory Commission of the proposed sale of the Series 1998-A Bonds, said notice to be provided in accordance with Section 8855 et seq. of the California Government Code, to file the notice of final sale with said Commission, to file the rebates and notices required under section 148(f) and 149(e) of the Internal Revenue Code of 1986, as amended and to file such additional notices and reports as are deemed necessary or desirable by such Designated Officer in connection with the Series 1998-A Bonds, and any prior such notices are hereby ratified, confirmed and approved.

(g) The Designated Officers or any of them are hereby authorized and directed for and on behalf of the Authority to (i) accept the best bid for the Series 1998-A Bonds received from qualified bidders pursuant to and subject to the terms and conditions set forth in this Resolution and the Notice Inviting Bids herein approved and to award the Series 1998-A Bonds to such respective best bidder, (ii) to execute and deliver an escrow agreement (the "Escrow Agreement") between the Authority and the Trustee as trustee and as Escrow Agent thereunder providing for the defeasance of the Refunded Bonds and (ii) 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 Series 1998-A 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.

9. Paying Agent and Registrar. The Authority hereby appoints the Trustee as Paying Agent for the Series 1998-A Bonds and appoints the Trustee as Registrar for the Series 1998-A Bonds and appoints the Trustee as Escrow Agent under the Escrow Agreement. Such appointments shall be effective upon the issuance of the Series 1998-A Bonds and shall remain in effect until the Authority, by supplemental agreement, resolution or other action, shall name a substitute or successor thereto.

10. Bond Insurance. In connection with advertising for and accepting the best bids for the Series 1998-A Bonds, the Designated Officers are hereby authorized to permit the successful bidders to purchase municipal bond insurance, if available, for some or all of such Bonds; provided that (i) the delivery of the Series 1998-A Bonds shall not be conditioned upon the issuance of any such insurance, (ii) payment of any insurance premium(s) and satisfaction of any conditions to the issuance of one or more municipal bond insurance policies shall be the sole responsibility of the bidder, and (iii) failure of the insurance provider(s) to issue its policy

of insurance shall not justify failure or refusal by the successful bidder to accept delivery of or pay for the Bonds.

11. Additional Authorization. The Chairman, Vice Chairman and the Designated Officers and all officers, agents and employees of the Authority, for and on behalf of the Authority, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the Series 1998-A Bonds, the Sixth Supplement, the Escrow Agreement, the final Official Statement, the Notice Inviting Bids and the Continuing Disclosure Certificate and to carry out the terms thereof. The Chairman, the Vice Chairman, the Designated Officers and all other officers, agents and employees of the Authority are further authorized and directed, for and on behalf of the Authority, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by this Resolution and by the Trust Agreement, the Sixth Supplement, the Escrow Agreement or to evidence said authority and its exercise. The foregoing authorization includes, but is in no way limited to, the execution by the Chairman, Vice Chairman or a Designated Officer and the delivery of the Tax Compliance Certificate as required by the Sixth Supplement for the purpose of complying with the rebate requirements of the Internal Revenue Code of 1986, as amended; and documents required by The Depository Trust Company in connection with the Book-Entry Bonds.

12. Costs of Issuance. The Authority authorizes funds of the Authority together with the proceeds of the Series 1998-A Bonds to be used to pay costs of issuance of the Series 1998-A Bonds, including but not limited to costs of attorneys, accountants, verification agents, financial advisors, the costs associated with rating agencies, bond insurance and surety bonds, printing, publication and mailing expenses and any related filing fees.

13. 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 declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

14. Effective Date. This Resolution shall be effective upon adoption.

15. Contract. This Resolution and the pledge of the Pledged Taxes contained herein shall constitute a contract between the Authority and the holders of the Series 1998-A Bonds.

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of a Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on January ____, 1998.

George Hamilton
Secretary

Dated: _____, 1998