



NEWS

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STATE AUDITOR'S REPORT CALLS MTA'S DEBT MANAGEMENT PLAN REASONABLE

An independent review by the California State Auditor has concluded that the MTA's plan to service its long-term debt is financially sound.

The report is titled "Los Angeles County Metropolitan Transportation Authority: Its Plan for Managing Debt Is Reasonable."

"Our review found that the MTA has taken a number of steps to ensure that its existing and proposed long-term debt structure does not jeopardize its overall financial viability and solvency," the report states. "Specifically, the MTA is reasonably projecting its financial activities, particularly local sales tax receipts, a primary source of revenues dedicated to debt repayment."

"The State Auditor's report validates the direction this management team has taken over the last year," said MTA CEO Julian Burke. "We are pleased with the findings and want to assure taxpayers that our ongoing goal is to protect their interests and ensure the financial health of the MTA."

The report calculates that as of June 30, 1998, the MTA's outstanding long-term debt was approximately \$3.2 billion. Over the remaining term of the debt, the MTA will pay interest totaling approximately \$2.8 billion.

It also notes that a number of federal agencies have reviewed and approved the MTA's seven-year restructuring plan and concluded that the agency's "recent efforts...should assist in improving its financial condition."

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The report recommends that MTA take two additional steps to maintain financial health:

- Formalize its long-term debt policy to be clear on its objectives and strategies, and continue the use of conservative revenue projections.
- When issuing any new debt, prepare written analyses describing why its choice is financially viable, and "how the type and composition of the debt are consistent with the MTA's long-term debt policy."

The MTA is addressing both of these issues and has formulated its long-term debt policy which will be considered for adoption by the Board of Directors this Thursday, October 22.

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