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50

**OPERATIONS COMMITTEE
JUNE 21, 2007**

SUBJECT: DEBT FINANCING OF CNG ARTICULATED BUS PURCHASE

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the staff report on the use of debt financing to procure up to 100 Compressed Natural Gas (CNG) Articulated buses.

ISSUE

At the April Operations Committee meeting, the Board directed staff to report back on the feasibility of debt financing to procure up to 100 CNG Articulated buses.

DISCUSSION

In April, the Board approved the procurement of up to 100 CNG Articulated buses from North American Bus Industries (NABI) at an amount not to exceed \$86,427,426. The funding for this procurement is included in the FY08 capital program budget under project number, 201044, FY08 Bus Procurement, cost center # 3320, Vehicle Technology.

Past bus procurement funding has been a combination of Federal, state, and local funds. The programming of these funds is based on availability of eligible funds to meet the cash flow requirements of the project.

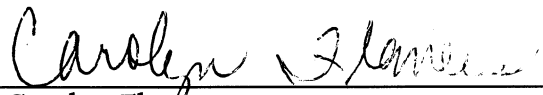
ALTERNATIVES CONSIDERED

The Board directed staff to consider issuing debt to replace the \$49.7 million in the funding plan that is eligible for bus operations. In the current market, debt service would be approximately \$5.8 million per year for 12 years, the estimated life of the buses. This option is not recommended because debt service totaling \$58 million would be paid from operating eligible funds within the 10-year forecast period versus the \$49.7 million in the recommended funding plan. Therefore, the 10-year deficit would increase by \$8.3 million. However, more operating eligible monies would be available in the early years of the 10-year forecast period.

NEXT STEPS

NABI was given a Notice-to-proceed last month, thus insuring that most of the buses will be delivered by December 2007 when they are required to meet our service needs. Staff plans to follow the approved funding plan and not use debt financing to procure the buses.

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