



**FINANCE AND BUDGET COMMITTEE
JANUARY 16, 2008**

SUBJECT: PROP C COMMERCIAL PAPER PROGRAM

ACTION: EXTEND PROGRAM EXPIRATION DATE

RECOMMENDATION

Adopt a resolution extending the expiration of the Prop C commercial paper (CP) program from June 30, 2009 until January 31, 2012.

RATIONALE

The expiration date is being extended to match the expiration date for the Prop A commercial paper program in order to simplify administration. The current Prop C program expiration is June 30, 2009. Note counsel was engaged for other recent work on the CP programs, thus it is convenient to process the extension at this time.

Background

The program was first approved in June 1993 and provides a source of flexible, low cost financing that allows us to more effectively manage its debt program. The primary use of the program is to provide interim financing for capital projects until grant reimbursements or other funding are received or until long-term financing is arranged. The program has a taxable and a tax-exempt component that may each fund bus, rail, highway and other Prop C eligible capital projects. The taxable component provides interim financing for capital projects that are not eligible for tax-exempt financing. Compared to issuance of long-term bonds, the Prop C CP program provides us with the flexibility to borrow more frequently, at lower cost and in smaller amounts that meet the then current funding requirements without incurring significant issuance costs.

The Prop C CP program size is \$150 million with an outstanding balance of approximately \$74 million. Currently, the average rates are 3.5% on the tax-exempt notes and 5.2% on the taxable notes. The Prop C program is backed by a \$150 million direct-pay letter of credit.

Commercial paper is a short term debt instrument that can be issued for maturities of from 1 to 270 days. Amounts borrowed typically remain outstanding longer than the maturity of the notes. As notes mature, new notes are simultaneously issued, i.e., rolled over.

FINANCIAL IMPACT

Approval of this recommendation has no impact on the FY08 budget.

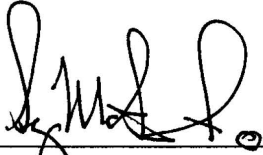
ALTERNATIVES CONSIDERED

We could elect to not extend the program. This action would force the shut down of the program in June 2009 and we would lose this low cost, short-term financing tool. We would be required to retire the \$74 million of outstanding Prop C CP notes from unrestricted cash sources or bond proceeds. This alternative is not recommended.

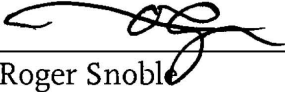
ATTACHMENTS

- A. Resolution Authorizing Extension of the Program
- B. Amendment Number 5 to First Supplemental Trust Agreement

Prepared by: Michael J. Smith, Assistant Treasurer



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer

Attachment A

RESOLUTION OF THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
APPROVING THE EXTENSION OF THE TERM OF THE
COMMERCIAL PAPER PROGRAM PROVIDING FOR THE
ISSUANCE OF SUBORDINATE PROPOSITION C SALES
TAX REVENUE COMMERCIAL PAPER NOTES, SERIES A
AND AUTHORIZING OTHER MATTERS RELATED TO THE
COMMERCIAL PAPER PROGRAM

Resolved, by the Los Angeles County Metropolitan Transportation Authority ("LACMTA") that:

WHEREAS, LACMTA by resolution adopted June 23, 1993 (the "1993 Authorizing Resolution"), authorized and implemented a program of commercial paper (the "Program") involving the issuance from time to time of the taxable and tax-exempt Subordinate Proposition C Sales Tax Revenue Commercial Paper Notes, Series A (the "Notes") for the purpose of providing for the financing of the acquisition and construction of rail, bus and other transit systems and facilities within the County of Los Angeles (the "County"), provided that the aggregate principal amount of Notes and Reimbursement Obligations (as defined in such 1993 Authorizing Resolution) outstanding at any time shall not exceed \$150,000,000; and

WHEREAS, under the 1993 Authorizing Resolution, the Notes are authorized to be issued pursuant to the terms of the Subordinate Trust Agreement (the "Subordinate Trust Agreement"), dated as of June 1, 1993, by and between LACMTA and U.S. Bank, N.A., the successor to the Bank of America National Trust and Savings Association (the "Bank of America") and the First Supplemental Subordinate Trust Agreement (the "First Supplemental Agreement"), dated as of June 1, 1993, by and between LACMTA and Trustee, as amended by Amendment No. 1 to First Supplemental Subordinate Trust Agreement (the "First Amendment"), dated as of October 16, 1995 between LACMTA and Trustee, Amendment No. 2 to First Supplemental Subordinate Trust Agreement (the "Second Amendment"), dated as of July 1, 1996 between LACMTA and Trustee, Amendment No. 3 First Supplemental Subordinate Trust Agreement (the "Third Amendment") dated as of June 1, 1998 between LACMTA and Trustee, and Amendment No. 4 to First Supplemental Subordinate Trust Agreement, dated as of March 1, 2002 (the "Fourth Amendment," together, with the First Supplemental Agreement, the First Amendment, the Second Amendment, and the Third Amendment, the "Supplemental Subordinate Agreement");

WHEREAS, under the terms of the Supplemental Subordinate Agreement, the Program Termination Date is defined as June 30, 2009, or such later date as shall be established pursuant to Section 2.07 of the First Supplemental Agreement; and

WHEREAS, U.S. Bank Trust National Association has succeeded to the position of trustee under the terms of the Subordinate Trust Agreement and the Supplemental Subordinate Agreement; and

WHEREAS, the Commercial Paper Program is a beneficial means of financing the needs of LACMTA and LACMTA, therefor, wishes to extend the termination date of the Program beyond June 30, 2009, by amending the definition of the Program Termination Date in the First Supplemental Agreement to January 31, 2012; and

WHEREAS, the terms used herein and not defined herein shall have the meanings assigned to them in the Supplemental Subordinate Agreement.

NOW, THEREFORE, be it resolved by LACMTA, as follows:

Section 1. Recitals. The LACMTA does hereby find and declare that the above recitals are true and correct.

Section 2. Extension of the Program and modification of First Supplemental Indenture. The Chair, the First Vice Chair, Second Vice Chair, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Services Officer and Treasurer, the Treasurer, and the Assistant Treasurer (each hereinafter referred to as a "Designated Officer"), are each hereby authorized and directed, for and in the name and on behalf of LACMTA, to execute and deliver Amendment No. 5 To First Supplemental Subordinate Trust Agreement (the "Fifth Amendment") providing for the amendment of the definition of the Program Termination Date to January 31, 2012, in substantially the form on file with the MTA Secretary, with such additions, changes and corrections as the Designated Officer executing the same may approve upon consultation with the County Counsel, such approval to be conclusively evidenced by the execution and delivery of the Fifth Amendment by such Designated Officer, or any official of LACMTA designated by such officer

Section 2. Additional Authorization. Any Designated Officer and all officers, agents and employees of LACMTA are, and each of them is, hereby authorized and directed to do any and all things necessary or useful to effect the execution and delivery of the Fifth Amendment and to carry out the terms thereof. Any Designated Officer and all other officers, agents and other employees of LACMTA are, and each of them is, hereby further authorized and directed for and on behalf of LACMTA to execute all papers, documents, certificates and other instruments that may be required or useful in order to carry out the authority conferred by the 1993 Authorizing Resolution, this Resolution, the Supplemental Subordinate Agreement and the Fifth Amendment or to evidence the same authority including, but not limited to, executing documents which may be prepared for the purpose of implementing the provisions of this Resolution.

Section 3. 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 sections, phrases, and provisions shall not affect any other provision of this Resolution.

Section 4. Effective Date. The effective date of this Resolution shall be the date of its adoption.

PASSED AND ADOPTED, by the Los Angeles County Metropolitan Transportation Authority this ___ day of January, 2008.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: _____

Title: _____

Attachment B

**AMENDMENT NO. 5 TO
FIRST SUPPLEMENTAL SUBORDINATE TRUST AGREEMENT**

By and Between

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

and

**U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee**

\$150,000,000
Los Angeles County Metropolitan Transportation Authority
Subordinate Proposition C Sales Tax Revenue
Commercial Paper Notes
Series A

*Revising Definition of Program Termination Date
And
Amending Section 6.01(c)*

Dated as of January 1, 2008

**AMENDMENT NO. 5 TO
FIRST SUPPLEMENTAL SUBORDINATE TRUST AGREEMENT**

AMENDMENT NO. 5 TO FIRST SUPPLEMENTAL SUBORDINATE TRUST AGREEMENT (this "Fifth Amendment") dated as of January 1, 2008 is between the Los Angeles County Metropolitan Transportation Authority ("LACMTA"), a county transportation authority duly organized and existing pursuant to Sections 130050.2 et seq. of the California Public Utilities Code (the "Law"), and U.S. Bank, N.A., as trustee (the "Trustee"), the successor trustee to U.S. Bank Trust National Association, the successor trustee to First Trust of California, National Association, the successor trustee to the Bank of America National Trust and Savings Association ("Bank of America"), and supplements and amends that First Supplemental Subordinate Trust Agreement (the "First Supplemental Agreement"), dated as of June 1, 1993, by and between LACMTA and Trustee, Amendment No. 1 To First Supplemental Subordinate Trust Agreement (the "First Amendment"), dated as of October 16, 1995 between LACMTA and Trustee, Amendment No. 2 To First Supplemental Subordinate Trust Agreement (the "Second Amendment"), dated as of July 1, 1996 between LACMTA and Trustee, Amendment No. 3 To First Supplemental Subordinate Trust Agreement (the "Third Amendment"), dated as of June 1, 1998 between LACMTA and Trustee, and Amendment No. 4 To First Supplemental Subordinate Trust Agreement (the "Fourth Amendment", together with the First Supplemental Agreement, the First Amendment, the Second Amendment, the Third Amendment, the "Supplemental Subordinate Agreement"), dated as of March 1, 2002 between LACMTA and Trustee and supplements that certain Subordinate Trust Agreement dated as of June 1, 1993 (the "Agreement") by and between LACMTA and Trustee and supplements that certain Subordinate Trust Agreement dated as of June 1, 1993 (the "Agreement") by and between LACMTA and Trustee.

The Supplemental Subordinate Agreement provides in Section 1.01 that "*Program Termination Date*" means June 30, 2009, or such later date as shall be established pursuant to Section 2.07 of the Supplemental Subordinate Agreement.

Section 2.07 of the Supplemental Subordinate Agreement provides that LACMTA and the Trustee may enter into a Supplemental Agreement or Supplemental Agreements extending the Program Termination Date for such period as shall be requested by LACMTA prior to the Program Termination Date; provided, however, that no Supplemental Agreement extending the Program Termination Date shall be effective until there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that (i) the Supplemental Agreement has been duly authorized, executed and delivered by LACMTA and constitutes the valid and binding obligation of LACMTA and (ii) that Notes issued after such extension will be validly issued and such opinion shall describe the tax treatment of the interest on any Tax-Exempt Notes after such extension.

Section 6.01 of the First Supplemental Agreement provides the conditions pursuant to which LACMTA may obtain a substitute Letter of Credit to replace the Letter of Credit then in effect for the Program.

LACMTA proposes to amend subsection (c) of Section 6.01 of the First Supplemental Agreement and has determined that such amendment is not materially adverse to the Holders.

LACMTA, the Trustee and the Agent Bank have approved the amendments as set forth herein, and in the judgment of LACMTA such amendment will not be materially adverse to the Holders. The Trustee by executing this fifth amendment to the First Supplemental Agreement concurs with LACMTA's determination.

Section 6.02 of the Supplemental Subordinate Agreement provides that LACMTA and the Trustee may with the written consent of the Agent Bank execute and deliver Supplemental Agreements supplementing and/or amending the Supplemental Subordinate Agreement in the manner set forth in Article X of the Agreement. Under Section 10.02(e) of Article X of the Agreement, LACMTA and the Trustee may, without the consent of or notice to the Holders, execute and deliver Supplemental Agreements supplementing and/or amending any Supplemental Agreements to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by the Supplemental Agreement at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Agreement. In addition, the consent of or notice to the Holders is also not required to modify, alter, amend, or supplement any Supplemental Agreement in any other respect that, in the judgment of LACMTA, as concurred in by the Trustee, is not materially adverse to the Holders.

ARTICLE I DEFINITIONS; INTERPRETATIONS

Section 1.01. **Definitions.** The following definitions shall apply to terms used in this Fifth Amendment unless the context clearly requires otherwise:

"*Agreement*" has the meaning assigned in the first paragraph of this Fifth Amendment.

"*First Amendment*" has the meaning assigned in the first paragraph of this Fifth Amendment.

"*First Supplemental Agreement*" has the meaning assigned in the first paragraph of this Fifth Amendment.

"*Fourth Amendment*" has the meaning assigned in the first paragraph of this Fifth Amendment.

"*Second Amendment*" has the meaning assigned in the first paragraph of this Fifth Amendment.

"*Third Amendment*" has the meaning assigned in the first paragraph of this Fifth Amendment.

Section 1.02. ***Incorporation of Definitions Contained in the First Supplemental Agreement.*** Except as otherwise provided in Section 1.01 of this Fifth Amendment, all words, terms and phrases defined in the First Supplemental Agreement shall have the same meanings herein as in the First Supplemental Agreement.

ARTICLE II AMENDMENTS

Section 2.01. ***Amendment of Section 1.01 of the First Supplemental Agreement.*** Except as otherwise provided in this Fifth Amendment, wherever read in the First Supplemental Agreement, the definitions of Project Termination Date in Section 1.01 of the First Supplemental Agreement is amended in its entirety to read as follows:

"Program Termination Date" means January 31, 2012, or such later date as shall be established pursuant to Section 2.07 hereof.

Section 2.02. ***Amendment of Section 6.01(c) of the First Supplemental Agreement.*** Amendment of Section 6.01(c) of the First Supplemental Subordinate Trust Agreement. Section 6.01(c) shall be amended by adding to it a sentence as follows:

The Trustee shall publish notice of the substitution of such Letter of Credit or of the substitution or addition of Banks in The Bond Buyer or, if The Bond Buyer is no longer published, in another comparable trade publication of general circulation throughout the United States of America, at least 10 days prior to the date of the substitution or change. In addition to publishing the notice pursuant to the preceding sentence, the Trustee shall deliver such notice in writing to any Holder whose name is registered on the books maintained by the Trustee or the Registrar.

ARTICLE III MISCELLANEOUS

Section 3.01. ***Governing Law.*** This Fifth Amendment shall be governed by and construed in accordance with the laws of the State of California.

Section 3.02. ***Captions.*** The captions in this Fifth Amendment are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Fifth Amendment.

Section 3.03. ***Counterparts.*** This Fifth Amendment may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 3.04. ***Role of the Trustee.*** The Trustee is entering into this Fifth Amendment solely in its capacity as Trustee under the First Supplemental Agreement and solely at the direction of LACMTA. LACMTA hereby directs the Trustee to enter into this Fifth Amendment.

Section 3.05. *Effect on First Supplemental Trust Agreement.* Except as provided herein, the terms, conditions and provisions of the First Supplemental Trust Agreement, as amended, shall remain in full force and effect.

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By _____
Terry Matsumoto, Chief Financial Services Officer and
Treasurer
Authorized LACMTA Representative

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By _____
Title _____

[Signatures continued on following page]

[Signature page for consent to
Amendment No. 5 To First Supplemental Subordinate Trust Agreement]

CONSENT

The execution and delivery of the foregoing Amendment No. 5 To First Supplemental Subordinate Trust Agreement, and the amendment of the above-described Supplemental Subordinate Agreement in accordance therewith, is hereby consented to by the undersigned.

BANK OF AMERICA, N.A.

By _____
Name _____
Title _____