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REGULAR BOARD MEETING
DECEMBER 4, 2003

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Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

SUBJECT: REFINANCING OF CNG FUELING FACILITIES LEASE AGREEMENTS

ACTION: AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE ONE OR MORE REFINANCING AGREEMENTS

RECOMMENDATION

Authorize the Chief Executive Officer to execute one or more refinancing agreements not to exceed $18 million in total at interest rates not to exceed 5%.
Requires separate, simple majority Board vote.

RATIONALE

The long-term financing agreements for the acquisition and installation of compressed natural gas (CNG) fueling facilities at MTA bus divisions 2, 3, 8, 9 and 15 were structured in the form of leases. Current low interest rates are providing MTA the opportunity to refinance up to $18 million covered under 3 master lease agreements. Using interest rates from mid September 2003, the MTA may realize present value savings of as much as $1.3 million over the remaining 8 to 10 year lives of the leases. The schedule of payments will retain the current level payment structure and the lease terms, final maturities, will not be extended.

The providers will be selected pursuant to a competitive selection process based on providing the lowest interest cost and meeting the MTA's terms. The MTA's financial advisor, Public Financial Management, will conduct this process.

FINANCIAL IMPACT

The rent, debt service, for the existing leases is paid by FTA grants. The refinancing does not affect grant eligibility. The savings from refinancing will be realized in the form of future grant funding available for other projects or programs. The costs of issuance for this refinancing were not budgeted for FY04 because the refinancing was not anticipated at the time of the budget's development. The issuance costs are anticipated to be less than $10,000 and the refinancing will generate a favorable variance in project 61309, account 51124, in FY04 to offset the unfavorable variance to costs of issuance.

ALTERNATIVES CONSIDERED

Alternatives considered include:

A. Issue fixed rate bonds secured by federal grants to accomplish the refinancing. This strategy is not recommended because additional FTA approval would be required to obligate the Federal grant monies to repayment of the bonds and because grant funds subject to appropriation risk are a more costly source of funding that would be unlikely to provide a cost advantage over the leasing alternative.

B. Deferring the refinancing to a later date. This alternative is not recommended due to the risk that interest rates may rise and potential savings could be lost.

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