

MINUTES OF A REGULAR MEETING OF THE ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY GOVERNING BOARD HELD IN THE CITY HALL COUNCIL CHAMBER OF THE CITY OF LONG BEACH AT 333 W. OCEAN BOULEVARD, LONG BEACH, CALIFORNIA, ON AUGUST 13, 2015 AT 9:00 A.M.

Members present:

Joe Buscaino, City of Los Angeles
Rich Dines, Port of Long Beach
Edward Renwick, Port of Los Angeles
Gene Seroka, Port of Los Angeles
Jon W. Slangerup, Port of Long Beach

Members absent:

Lena Gonzalez, City of Long Beach
Don R. Knabe, Los Angeles County
Metropolitan Transportation Authority

Also present:

John T. Doherty, ACTA, Chief Executive Officer
James P. Preusch, ACTA, Chief Financial Officer
Heather McCloskey, ACTA, Co-General Counsel

VICE-CHAIR BUSCAINO PRESIDED.

The meeting was called to order at 9:10 a.m.

Mr. Doherty informed the Governing Board that the board memo for Item No. 4 was not sent in electronic format, but was included in the hard copy mailing. He, therefore, suggested that Item No. 4 be pulled from the consent calendar for discussion in case any of the members had not received or read it.

CONSENT CALENDAR - ITEMS NOS. 1-3

1. MINUTES - ACTA GOVERNING BOARD MEETING OF JUNE 11, 2015- APPROVED.

Minutes of the regular meeting of June 11, 2015 of the Governing Board of the Alameda Corridor Transportation Authority were presented to the Governing Board.

2. MONTHLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED MAY 31, 2015- RECEIVED AND FILED.

Communication from James P. Preusch, Chief Financial Officer, dated August 13, 2015, recommending that the monthly financial reports for the period ended May 31, 2015, be

received and filed, was presented to the Governing Board.

3. SECOND QUARTER 2015 INVESTMENT REPORT – RECEIVED AND FILED.

Communication from James P. Preusch, Chief Financial Officer, dated August 13, 2015, recommending that the provided quarterly report on ACTA's Investments, as per ACTA's Investment Policy, be received and filed, was presented to the Governing Board.

Board Member Dines motioned, seconded by Board Member Renwick that Item 1 be approved as recommended, and the two Receive and File items (No. 2 & 3) be accepted. Carried by the following vote:

AYES:	Members: Buscaino, Dines, Renwick, Slingerup, Seroka
NOES:	None
ABSENT:	Gonzalez, Knabe

4. SR-47 PROJECT UTILITY RELOCATIONS - AMENDMENTS FOR FY16 – INFORMATION ITEM.

Communication from John T. Doherty, Chief Executive Officer, dated August 13, 2015, regarding Agreement No. 4872, was presented to the Governing Board for information only.

Mr. Doherty provided an update regarding ACTA's utility coordination funding obligations under one of several Board-approved SR-47 cooperative agreements with Caltrans (Agreement No. 4872), known as the "Design Agreement." Under this agreement ACTA is responsible to fund certain design, right-of-way acquisition, and utility relocation activities. To date, ACTA has paid \$6,069,992 for utility relocations. These payments are reimbursable by Caltrans, and to date about 80% has been received. It is anticipated that within the next two years, there may be as much as another \$7.5 million in reimbursable relocation costs. ACTA makes these payments from an unrestricted reserve fund, which is replenished when reimbursements are received. ACTA staff is putting in place an acknowledgement letter with Caltrans for an upcoming major relocation that will ensure timely reimbursement.

5. ACTA BOND RESTRUCTURING/REFUNDING UPDATE – INFORMATION ITEM.

Communication from James P. Preusch, Chief Financial Officer, dated August 13, 2015 regarding the ACTA Bond Restructuring/Refunding to obtain guidance and direction for next steps, was presented to the Governing Board.

Mr. Doherty provided background on recent Board actions regarding further bond restructuring to reduce potential port shortfall advances, which might likely result from low port container volume growth since 2010. In January, the Board authorized the CEO and/or CFO to take all necessary actions to explore opportunities with ACTA's financial advisors, bankers and attorneys to restructure/refund ACTA's outstanding bonds. In June, the Board appointed a 2015 Bond financing team to work together with ACTA's team to prepare transaction documents for final approval by the Board. Also at the June meeting, the Board asked for an

update at its next meeting as to the alternatives being examined. Mr. Doherty stated that, having analyzed some alternatives and having vetted them with port staff, ACTA staff now needs guidance from the Board as to the composition and timing of any transaction.

Mr. Preusch presented a graph showing ACTA's annual debt service growth, noting that debt service will increase \$80 million over the next eight fiscal years, or an average of 6.9% per year. He contrasted this with a graph showing laden port TEU growth rates for fiscal years 2004-2015, which have averaged less than 3% when 5% was anticipated. He then showed the projected total of shortfall advances for 2, 3, 4 and 5% annual growth rates. This demonstrated that without substantial and sustained port volume growth, there will be significant shortfall advances required.

Mr. Bob Rich, ACTA's Financial Advisor, then showed a graph representing the ability to refund certain ACTA bonds that have large principal payments due in the upcoming critical years and pushing those payments out to much later years. He then discussed the three options that exist to address the potential shortfall advances, which include: (1) "Wait and See"; (2) Revenue Augmentation; and (3) Debt Refunding/Restructuring. Mr. Rich informed the Board that under one restructuring scenario that would maximize shortfall reduction, there would be a present value dis-savings of \$70 million assuming 3% annual TEU growth.

Board Member Renwick at that point praised staff for taking the initiative to try to solve a future port problem. But he noted that he believes the analysis should take on a larger perspective that factors in the present value of the port shortfall payments, in which case by his approximate calculation there is actually a net present value savings on the order of \$134 million, not a dis-savings of \$70 million.

He encourages that a transaction move forward as soon as possible in order to take advantage of low interest rates, favorable credit spreads, and an existing appetite for municipal bonds - factors that may have a narrow window of opportunity. He emphasized that he sees no downside to maximizing a restructuring at this time, and that the ports should not be banking on equal or better future market conditions when they are very favorable now. He stated that shortfall payments are extremely low interest loans, which funds can be put to better and more cost effective use for port improvements. He asked that the calculations be redone to account for the cash flow impact to the ports.

Mr. Renwick asked Mr. Rich whether in his opinion interest rates would be less or more favorable in two years. Mr. Rich responded that, speaking for himself and not on behalf of his firm, there might be only a 10-15% chance that interest rates will be as low as now.

Board Member Slangerup stated that from POLB's perspective, ACTA should refund/restructure, but encouraged waiting at least six months. This will enable a more informed analysis, because a new port volume growth forecast is due later this year as well as an analysis of short haul rail opportunities that could potentially increase ACTA's traffic by 1 million TEUs per year. Mr. Slangerup asked Mr. Rich whether bond buyers would rather wait for more comprehensive projections. Mr. Rich responded that, while buyers look to forecasts, their chief interest is current financial market conditions.

Board Member Dines added that he would like to see more than one option presented to the Board for consideration.

Mr. Rich encouraged that, if a restructuring of any size is currently contemplated while awaiting development and release of the forecasts, it's important to begin to prepare as early as possible in order to be ready to go to market quickly.

Mr. Slangerup stated that, as Commissioner Renwick suggested, documents should be prepared and ready to go when the new volume forecast and short-haul rail evaluation is completed.

Board Member Renwick thanked his fellow Board members for their comments, and endorsed the dual process of gathering more analysis and input, while at the same time getting a transaction ready for market. Mr. Renwick asked that more analysis of the 2% growth scenario take place as well as adding a 7% scenario. He also asked that the present value of future port repayments be calculated.

Board Member Seroka complemented the comments made by the other Board members and stated his support of those statements. Mr. Seroka stated that this was the largest financial decision currently facing POLA, and expressed the importance of moving forward quickly. He offered his direct participation in a working group formed from the Ports and ACTA team. He invited Mr. Slangerup's participation as well. Mr. Slangerup accepted.

Ms. Valerie Smith, O'Melveny & Myers provided the Board with information on the legal metrics of refunding under the current bond indentures and discussed the necessity to maintain future flexibility and callability of bonds.

Mr. Doherty thanked the Board for their input and direction given. He summarized the directives, which include: (1) immediately begin working group discussions with both port financial staffs as to alternatives, 2) include the port executive directors in the working group at an appropriate point, 3) put together alternatives for Board consideration at a future meeting, and 4) the selected alternative would then be advanced to a final market-ready document, which would be brought to the Board for approval.

6. JUNE PERFORMANCE – INFORMATION ITEM.

Mr. Doherty gave an update of Corridor performance statistics including train counts, revenue and cargo for June 2015.

7. MAINTENANCE PROJECT UPDATE – INFORMATION ITEM.

Mr. Doherty provided an update on three maintenance projects: (1) Alameda Street Bridge Repair; (2) Emergency Ladders Repair; and (3) Trench Drain Cleanup.

8. PUBLIC COMMENT

There were no requests by the public to address the Governing Board.

9. ADJOURNMENT

At 10:41 a.m., the meeting was adjourned sine die.