

MINUTES OF DIRECTORS MEETING
LANE COUNTY MASS TRANSIT DISTRICT

Adjourned Meeting

April 4, 1980

Pursuant to written notice given to the Register Guard, the Springfield News, and the Willamette Valley Observer, an adjourned meeting of the board of directors of Lane County Mass Transit District was held April 4, 1980 at 7:30 a.m., in Mr. Steak Restaurant, Broadway and Garfield, Eugene, Oregon.

Present:

Richard A. Booth, Secretary
Daniel M. Herbert, Vice President
Kenneth H. Kohnen, President, presiding
Robert C. Loomis
Glenn E. Randall
Carolyn Roemer
Phyllis Loobey, General Manager
Richard Bryson, Counsel
Charles Smith, Citizens Bank
Mavis Skipworth, Recording Secretary

Absent:

Ted J. Langton, Treasurer

INTRODUCTORY REMARKS BY PRESIDENT: The chairman advised that the papers had been prepared on the bond revenue financing with Oregon Mass Transit Financing Authority and had been reviewed by Richard Bryson.

Mr. Bryson advised that he had found the papers in order with only a few minor, and mainly clerical, corrections. He outlined the procedure of the banks leasing the buses to OMTFA, who would sublease to the district, with rentals fixed to pay off the bonded indebtedness with interest. He said two reserve funds would be required, one a \$235,000 debt reserve to come out of the bond proceeds, held by the trustees and pledged to the payment of principal and interest on the bonds, and a second reserve fund of \$247,000 to come from the district's budgeted funds. He said the monies in one fund cannot be invested for more interest than the district would be paying on the bonds, but the other could be invested at the market rate.

Mr. Smith explained the changes that have occurred since the beginning of negotiations, saying higher interest rates have affected the bond market and, with Oregon State statutes preventing charging more than 10% on municipal borrowing, the banks have set the interest rate on the bonds at the maximum 10% with a \$50,000 loan fee. He said a provision has been built into the indenture that the bonds could be refunded after a two year period with no penalty should lower interest rates become available.

In discussion on properly investing the reserve funds to avoid arbitrage law violation, Ms. Loobey said she would confer with Rebecca Marshall of First National Bank on that issue.

Mr. Booth asked why the eleven additional buses would be needed if the suburban routes were deleted. Mr. Dallas replied that originally the district sought forty buses for replacement of the 300 and 400 series and the Twin Coaches. He said the need is still valid and that eighteen 300s and 400s and eleven Twin Coaches would be replaced. Mr. Booth said he believed it would cost a lot less to rebuild some of the buses than going into debt with high interest.

Ms. Roemer spoke of her concern of servicing a debt for the eleven buses when routes are to be deleted. She suggested using the money to serve the system and maintain the existing fleet.

Mr. Dallas suggested the board look at the viability of the new interest rate and consider the option of refinancing should interest rates lower. He spoke of the need to replace the Twin Coaches and of the inadequate spare ratio.

Mr. Booth said he has always believed it imprudent to finance the additional eleven buses and felt the board has been inconsistent in wishing to refer the income tax measure to the public while, in this instance, proposing to borrow taxpayers' money without a public vote. He added that the board does not give the payroll taxpayers an opportunity to vote on that tax.

Dr. Loomis said it is the obligation of the board to be prudent and give the best service possible, while keeping the fleet in good operating condition. He said it would be prudent to borrow at 10% interest in the current borrowing climate.

Mr. Bryson recalled that four months ago the bankers said the interest rate would not be over 9% and with that commitment, the district ordered the buses; that it was an oral agreement on interest rates and should be considered on the basis of the banks keeping their word. Mr. Kohnen agreed, adding that the commitment was made in the range of 8% to 9% with no mention of any loan fee.

Mr. Herbert said the promise of 8% to 9% in comparison to the subsequent rate of 10% seemed like a serious issue and could be a dollar question of some significance. He said there is a real question of the consequence for the banks, as well as the district, of the oral assurance made by the banks to a public agency.

Mr. Kohnen observed that conditions have changed considerably in the last two or three months and said although the replacement need is unchanged, the district should review its capital projects and ability to make annual payments on the additional buses.

Paul Shinn said it would appear the payments could be made but would require a sacrifice in operation greater than discussed at the April 1 board meeting which included eliminating suburban routes.

Ms. Loobey advised that \$705,000 for matching funds on capital expenditures is budgeted by the Public Transit Division and negotiations are in progress on committing part of those funds for the debt sinking fund.

Ms. Roemer spoke of her concern that a base fare increase from 35¢ to 65¢ would be too great, causing riders to go back to driving their cars.

Ms. Roemer asked to be excused from the meeting for another commitment.

MOTION

Mr. Randall moved to adjourn the meeting to April 10, 7:30 a.m. in Mr. Steak Restaurant and in the interim instruct staff to find any possible arrangement to obtain a written agreement equal to the oral agreement made with the lending institutions. Dr. Loomis seconded the motion.

Mr. Randall commented that the board members could be in jeopardy of being challenged for not acting in good faith by accepting the new agreement submitted by the banks and the board owed it to the taxpayers to get the best agreement possible. Dr. Loomis said he did not believe the district could consider it a legal commitment until there was a written, signed document.

Mr. Kohnen concurred, stating that although the district earlier had believed an interest rate of 8% to 9% was too high, they had ordered the buses on the verbal commitment of the banks. He said that with the new circumstances since the inception of negotiations, the board needs time to decide if it will go ahead with the bonding and if not, what it will do with the buses.

Dr. Loomis asked Mr. Smith if he believed the 10% rate was negotiable. Mr. Smith responded that it was his understanding the banks consider 10% the minimum rate of return and they could possibly withdraw. He said Citizens Bank would not lend the money at this rate to any property out of the area, but are making a commitment of \$375,000 simply because it is the transit district in this area. He said the other banks are each committing \$400,000.

VOTE

The question was put and carried unanimously. The meeting was adjourned to April 10, 7:30 a.m. at Mr. Steak Restaurant.


Secretary