

DATE: April 15, 2008

TO: Governing Board, Intermodal Container Transfer Facility Joint Powers Authority

FROM: Sam A. Joumbat, Executive Director

SUBJECT: Obligation in case of default on the Intermodal Container Transfer Facility Joint Power Authority 1999A bond series

At its special meeting on February 15, 2008, the Intermodal Container Transfer Facility Joint Power Authority (ICTF JPA) Governing Board requested clarification as to any specific obligation of the JPA, the Port of Los Angeles (POLA), or the Port of Long Beach (POLB) in case of a default on the ICTF JPA 1999A bond series. Principal and interest on the 1999A bond series are paid directly by Union Pacific Railroad Company (UP) and deducted from net revenues that are then shared equally by UP 50% and POLA/POLB jointly 50%.

It is clear from the 1999A bond indenture official statement that the principal and interest on the bond are secured by a pledge of the revenues derived from the ICTF. They are further secured by bond reserve in the amount of \$4,204,157 held in a trust account with US Bank as trustee. Finally, principal and interest are also secured by a deed of trust that UP has entered into with the trustee. The deed of trust grants the trustee title and interest that UP has in the property and sublease in case of a default. If this occurs, the trustee may then decide to seek another entity to operate the facility, but there are no guarantees that such entity will generate sufficient revenue to pay the principal and interest when due.

The bond indenture further states, while referring to the JPA as "Authority": "Neither the State of California nor any public agency (other than the Authority), nor the City of Los Angeles or the City of Long Beach shall be obligated to pay the principal of, premium, if any, or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of California or any public agency or subdivision thereof including the Authority, the City of Los Angeles or the City of Long Beach, is pledged to the payment of the principal, premium, if any, or interest on the Bonds. The Authority has no taxing power. The Bonds shall never constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit."



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Payment of principal and interest on the ICTF JPA 1999A bond series, when due, are insured by Ambac Assurance Corporation. When first issued in October 1999, the principal amount of the bond series was \$42,915,000 which was used to redeem the 1989 bond series then outstanding. Current outstanding principal on the 1999A bond series is \$23,715,000. Principal payments are made annually in November and interest payments are made semiannually in November and May. Below is a breakdown of the principal amounts due and interest rates.

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008	\$2,910,000	5.000%
2009	3,055,000	5.000
2010	3,210,000	5.000
2011	3,370,000	5.000
2012	3,540,000	5.125
2013	3,720,000	5.125
2014	<u>3,910,000</u>	5.750
	\$23,715,000	

Therefore, it is the JPA staff's opinion that there is no obligation of the ICTF JPA, POLA, or POLB in case of a default on the ICTF JPA 1999A bond series.

It's recommended that the ICTF JPA Governing Board receive and file this report.



Sam A. Joumblat
Executive Director