

101 Express Lanes – Approval of Sales Tax Revenue Bonds and Associated Actions

July 9 , 2020
Board of Directors
Item #12b



SAN MATEO COUNTY
Transportation
Authority

Overview of Recommended Actions

- Authorize issuance of up to \$100,000,000 of Subordinate Sales Tax Revenue Variable Rate Demand Bonds (2020 Bonds)
 - Approve use of Bond proceeds
 - Approve execution of various documents relating to the Bonds
- Authorize actions relating to funding arrangement with San Mateo County Express Lanes Joint Powers Authority (SMCEL JPA)
 - Approve execution of various documents relating to the repayment of the Transportation Authority for funds advanced to or on behalf of SMCEL JPA
 - Authorize additional operating loan advance
- Authorize execution of various documents relating to the pledge of Measure A and Measure W sales tax revenues to the 2020 Bonds



2020 Bonds – Structure

- Subordinate Sales Tax Revenue Variable Rate Demand Bonds
 - Variable Rate
 - Two series: Series A (interest rate reset weekly) and Series B (interest rate reset daily)
 - Pledges Measure A sales tax and Transportation Authority's portion of Measure W sales tax on subordinate basis
 - Backed by letter of credit from Bank of America
 - Final Maturity: June 1, 2049 subject to sinking fund payments of principal
 - Rating: AA+/A-1
- Rationale
 - Lowest cost financing (current interest rates: < 0.10%)
 - Flexibility to repay the Bonds in full or in part without penalty at any time with notice
 - Preserves senior lien capacity for other Transportation Authority projects to be financed on fixed rate basis



2020 Bonds – Interest Rate Mode Comparison

Variable

Pros

- Lowest interest rates
- Minimizes negative arbitrage
- Maximum repayment flexibility
- Limited refinancing risk

Cons

- Interest rate volatility
- Letter of credit renewal risk

Fixed

Pros

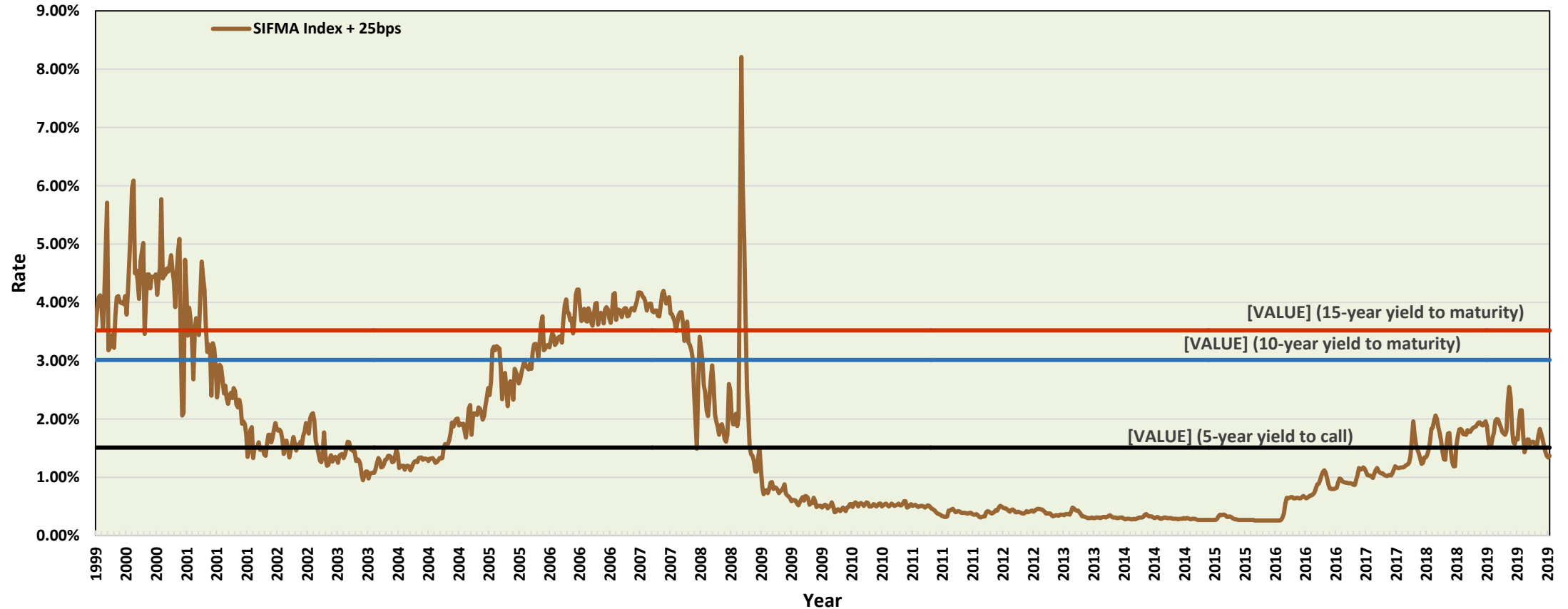
- Interest cost established at time of financing
- Can be structured to provide flexibility for repayment, at a cost

Cons

- Highest cost of capital in most scenarios
- Greater cost of carry
- Added prepayment flexibility: higher cost and more limited market access



2020 Bonds – Interest Rate Mode Comparison



2020 Bonds – Use of Proceeds

- Not to exceed \$100,000,000 in aggregate par
 - ~\$91,455,00 for US 101 Projects (including reimbursement of certain Transportation Authority funds previously advanced)
 - \$1,000,000 for SMCEL JPA equity programs
 - \$6,800,000 in capitalized interest and costs
 - ~\$745,000 for transaction costs
 - Transportation Authority bond-related costs (Underwriters, advisors, legal, bank, rating agency)
 - SMCEL JPA costs (legal and advisory)



2020 Bonds – Finance Team

- Bond Counsel: Norton Rose Fulbright
- Municipal Advisors: Ross Financial and Fieldman Rolapp
- Underwriters: BofA Securities and J.P. Morgan Securities
- Remarketing Agents: BofA Securities and J.P. Morgan Securities
- Letter of Credit Bank: Bank of America, National Association
- Trustee: The Bank of New York Mellon Trust Company

All finance team members selected through a competitive process



Funding Arrangement with SMCEL JPA – Operating Loan

Operating loan to support current operations of SMCEL JPA
(funded jointly with C/CAG)

- Interest at County Loan Pool rate
- Amortized over 5 years after toll collection fully implemented
- Additional \$1,270,463.02 for FY 2020-21



Funding Arrangement with SMCEL JPA – Bond (Capital) Loan

Bond Loan to fund US 101 Project and equity programs

- Bond Loan par = 2020 Bond par
- Transportation Authority will fund US 101 Project directly to Caltrans from 2020 Bond proceeds
 - Requisition signed by Transportation Authority and SMCEL JPA
 - ~\$12 million previously advanced by Transportation Authority
- \$1 million of 2020 Bond proceeds to be funded to SMCEL JPA for equity programs
- SMCEL JPA to repay Bond Loan from excess net toll revenues
 - Interest at Bond Rate + Annual Bond Costs (first 3 years are capitalized from 2020 Bond proceeds)
 - Annual Costs: LOC Fee (0.29%), Remarketing Agents (0.08%), Rating Agency surveillance (\$7,500), Trustee
 - Credit enhancement fee of 0.40% x outstanding Bond Loan amount (first 2 years are capitalized)
 - Bond Loan amortized on 20 year basis beginning in FY 2023



Bond Loan – Key Terms

- Equity programs - \$600,000 set-aside on priority basis after O&M
- Credit enhancement payment to the Transportation Authority equal to 0.40% times outstanding Bond Loan
- Excess Net Revenue after interest payments and deposits to reserves
 - 85% to Repayment of Operating Loans and Bond Loan
 - If Excess Net Revenues available to prepay Bond Loan are at least \$5 million, the Bond Loan will be prepaid by an additional amount equal to 0.15% times outstanding Bond Loan
 - Effect is to reduce credit enhancement fee to 0.25% in such circumstances
 - 15% to SMCEL JPA for any lawful purpose



Flow of Funds



Note: If in any given year, excess revenues to the TA are more than \$5 million, 0.15% of the TA's Credit Enhancement Fee will be used for additional Bond Loan principal repayment.



Actions relating to Measure A and Measure W

- These are administrative actions required to effect pledge of Measure A and Measure W sales tax revenues to the 2020 Bonds
- Measure A Sales Tax – amends and restates existing agreement with California Department of Tax and Fee Administration
 - CDTFA is prepared to execute agreement following Transportation Authority approval
- Measure W Sales Tax – sales tax transfer agreement with SamTrans
 - SamTrans approved agreement on June 3, 2020



Documents to be Approved – Preliminary/Final Official Statement

Board members are encouraged to review the Preliminary Official Statement, which is in draft form, and if they have any questions or identify any inaccuracies or material omissions, they should raise these matters with Transportation Authority staff. This review is consistent with SEC guidelines for municipal issuers.



Documents to be Approved - Other Documents

Bond Documents

- Continuing Disclosure Agreement
- Indenture and First Supplemental Indenture – with Bank of New York Mellon Trust Company
- Bond Purchase Agreements – with BofA Securities and J.P. Morgan Securities
- Remarketing Agreements – with BofA Securities and J.P. Morgan Securities
- Reimbursement Agreement – with Bank of America, National Association

Documents with SMCEL JPA

- Loan Agreement
- First Amendment to Cooperative Funding Agreement

Sales Tax Administrative Documents

- Amended and Restated Agreement for State Administration of Authority Sales and Use Taxes – with CDTFA and Bank of New York Mellon Trust Company
- Measure W Sales Tax Transfer Agreement - with SamTrans



Next Steps

- SMCEL JPA approval – July 10
- Post Preliminary Official Statement – July 13
- Price 2020 Bonds – July 22
- Closing – July 23

