

# US101 Express Lanes: Update on Variable Rate Bond



January 5 , 2023

Board of Directors

Item # 15a

# Overview of 2020 TA Bonds

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- September 10, 2020 – TA issued \$100MM of variable rate demand bonds in two series (the “Bonds”) to fund SMCEL JPA’s portion of the costs of managed lanes on US 101
- Two part transaction:
  - Bonds secured by Measure A and Measure W sales tax revenues + letter of credit
  - TA is to be reimbursed from managed lane net operating revenues by SMCEL JPA to pay for the bond principal, interest and fees



# Overview of 2020 TA Bonds (Continued)

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- Approach Rationale
  - Lowest cost of funds due to TA's superior sales tax credit
    - 20 Year Historical average for short-term index: 1.1%
    - Initial rates on Bonds: 0.07%
  - Maximum Prepayment flexibility – Bonds can be repaid at any time without penalty from toll receipts or proceeds of standalone managed lane financing
  - Fixed rate alternative: Estimated rate of 3 to 3.50% depending on maturity (10 to 15 years) and when Bonds are called (depends on managed lane revenue performance)
- Payments
  - Interest payments capitalized for the first three years
  - Principal payments due dates – first \$5 Million is due Sept 2027, with the next \$10 Million due June 2030



# Interest Rates Continue to Rise

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- Inflation is at its highest level since the 1981, but CPI has dropped
  - CPI – 8.6% in May
  - CPI – 8.3% in August
  - CPI – 7.1% in November
- Federal Reserve Board – further tightening expected in 2023
  - December FOMC – 0.50%
  - Wall Street Expectations: 2023: 5%+
- US Treasury Benchmark Yields (as of 12/14/22)
  - 2 yr – 4.26% (483% increase YTD)
  - 10 yr – 3.51% (132% increase YTD)
  - 30 yr – 3.53% (85% increase YTD)
- Recommendation: TA should stay the course but Staff will continue to follow and evaluate options for the Board to consider.



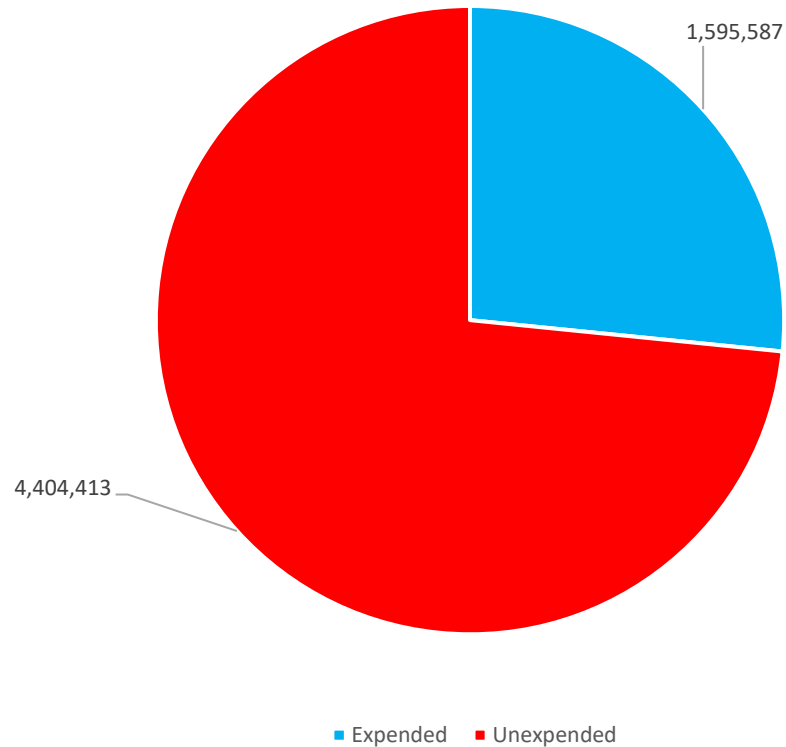
# 2020 TA Bonds – Closing Flow of Funds

Sources:	2020 Series A	2020 Series B	Total
Par Amount	\$50,000,000	\$50,000,000	\$100,000,000
Premium/(Discount)	0	0	0
<b>Total Bond Proceeds</b>	<b>\$50,000,000</b>	<b>\$50,000,000</b>	<b>\$100,000,000</b>
Underwriters' Discount	(62,063)	(64,867)	(126,930)
<b>Purchase Price</b>	<b>\$49,937,937</b>	<b>\$49,935,133</b>	<b>\$99,873,070</b>
Uses:			
Project Fund	\$45,670,437	\$45,667,633	\$91,338,070
Equity Fund	500,000	500,000	1,000,000
Capitalized Interest Fund	3,000,000	3,000,000	6,000,000
Credit Enhancement Fee Fund	400,000	400,000	800,000
Cost of Issuance	367,500	367,500	735,000
<b>Total Uses</b>	<b>\$49,937,937</b>	<b>\$49,935,133</b>	<b>\$99,873,070</b>



# Capitalized Interest Sufficiency

Capitalized Interest Funding - November 30, 2022



Capitalized Interest Fund		
Original Balance		\$6,000,000
Series A Interest	\$432,041	
Series B Interest	307,726	
Remarketing Fees	155,667	
Custodial Fees	<u>3,032</u>	
Total Expenditures		<u>(1,595,587)</u>
Fund Balance - 11/30/22		\$4,404,413



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# Questions?

