

# US 101 Express Lanes: Update on Variable Rate Bond

April 6, 2023

Board of Directors



SAN MATEO COUNTY  
**Transportation  
Authority**

# Presentation Overview

---

- Background on the 2020 Bonds
- Repayment to the TA
- Sufficiency of the Capitalized Interest
- Discussion of current market
  - Bond terminology
  - Interest rates – impact to sufficiency of capitalized interest
- Outlook on the \$6M capitalized interest fund



# Background

---

- September 10, 2020 – TA issued \$100M in variable rate demand bonds in two series (the “Bonds”) to fund SMEL JPA’s portion of the costs of the managed lanes on US 101.
- Total Cost of the project:
  - \$581M - Total Cost of the Project
  - \$481 - in Secured Funding
  - 93.2 - project and closing costs
  - 6.8 - capitalized interest
  - Remainder loaned from TA and C/CAG
- Two Part Transaction:
  - Bonds secured by Measures A & W sales tax
  - TA to be reimbursed from managed lanes net operating revenues from JPA for all bond costs (principal, interest and fees)



# Background (Continued)

---

- 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)



# Repayment to TA (Continued)

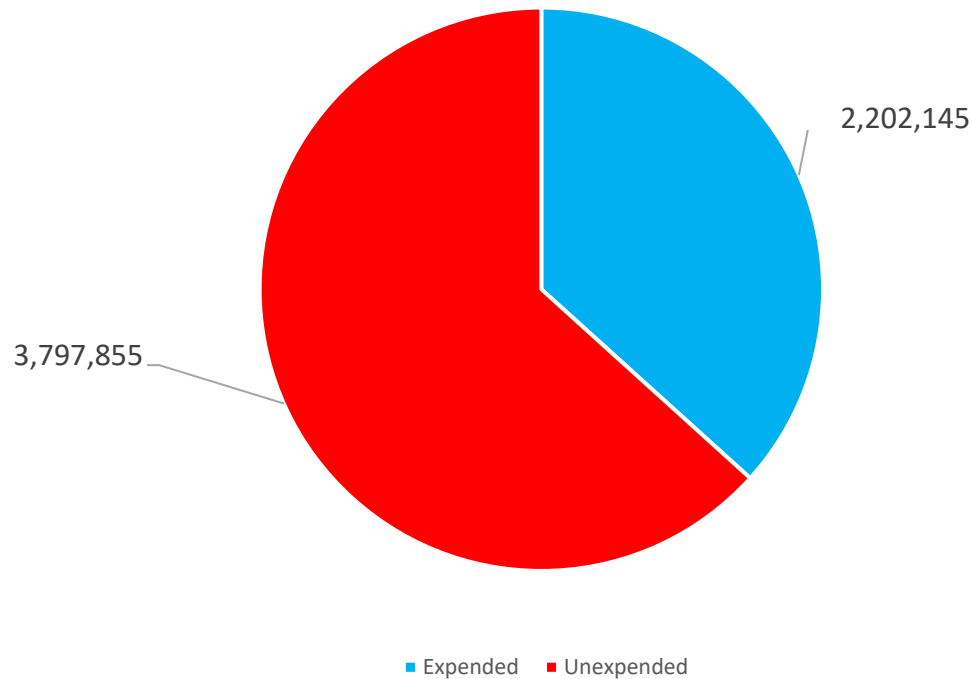
- Interest payments capitalized for the first three years are sufficient to likely cover through 2/28/2024 and are covered from proceeds of Bonds
- Principal due dates – first \$5M is due June 2027, with the next \$10M due June 2030 and then as shown at right:
- Unused Cap-interest at 2/29/24 and unused project funds of \$8M may be used to prepay Portions of principal due in June of 2027 & 2030

Maturity Date	Revenue Bonds 2020 Series A	Revenue Bonds 2020 Series B	Total
6/1/2027	2,500,000	2,500,000	5,000,000
6/1/2028			
6/1/2029			
6/1/2030	5,000,000	5,000,000	10,000,000
6/1/2031	2,500,000	2,500,000	5,000,000
6/1/2032	2,500,000	2,500,000	5,000,000
6/1/2033	5,000,000	5,000,000	10,000,000
6/1/2034	1,745,000	1,745,000	3,490,000
6/1/2035	1,780,000	1,780,000	3,560,000
6/1/2036	1,815,000	1,815,000	3,630,000
6/1/2037	1,850,000	1,850,000	3,700,000
6/1/2038	1,885,000	1,885,000	3,770,000
6/1/2039	1,925,000	1,925,000	3,850,000
6/1/2040	1,965,000	1,965,000	3,930,000
6/1/2041	2,000,000	2,000,000	4,000,000
6/1/2042	2,045,000	2,045,000	4,090,000
6/1/2043	2,085,000	2,085,000	4,170,000
6/1/2044	2,125,000	2,125,000	4,250,000
6/1/2045	2,170,000	2,170,000	4,340,000
6/1/2046	2,210,000	2,210,000	4,420,000
6/1/2047	2,255,000	2,255,000	4,510,000
6/1/2048	2,300,000	2,300,000	4,600,000
6/1/2049	2,345,000	2,345,000	4,690,000
	50,000,000	50,000,000	100,000,000



# Sufficiency of Capitalized Interest

Capitalized Interest Funding through February 28, 2023



Capitalized Interest Fund		\$6,000,000
Series A Interest	\$729,109	
Series B Interest	522,339	
Remarketing Fees	172,927	
LOC Fees	774,388	
Custodial Fees	3,382	
	<b>Total</b>	<b>(2,202,145)</b>
Capitalized Interest Balance – 2/28/23		<b>\$3,797,855</b>



# Bond Terminology

---

- Variable Rate debt uses underlying indexes to determine adjustments. Many Variable Rate mortgages formerly used LIBOR, but are priced off of the prime rate (Federal Fund Rate\* plus 3.0%).
- SIFMA\*\*, on the other hand is an index used most often in pricing variable rate tax exempt debt issued in the municipal markets.

\*Fed Funds Rate: The discount rate set by the FOMC (Federal Open Market Committee, Federal Reserve System) that banks charge other institutions for lending excess cash on an overnight basis. This is the rate often referred to when the “Fed is Raising rates”.

\*\*SIFMA: Securities Industry and Financial Markets Association municipal swap index. High grade market index comprised of variable rate demand obligations (VRDOs) rate reset daily/weekly.



# Interest Rates Continue to Rise

---

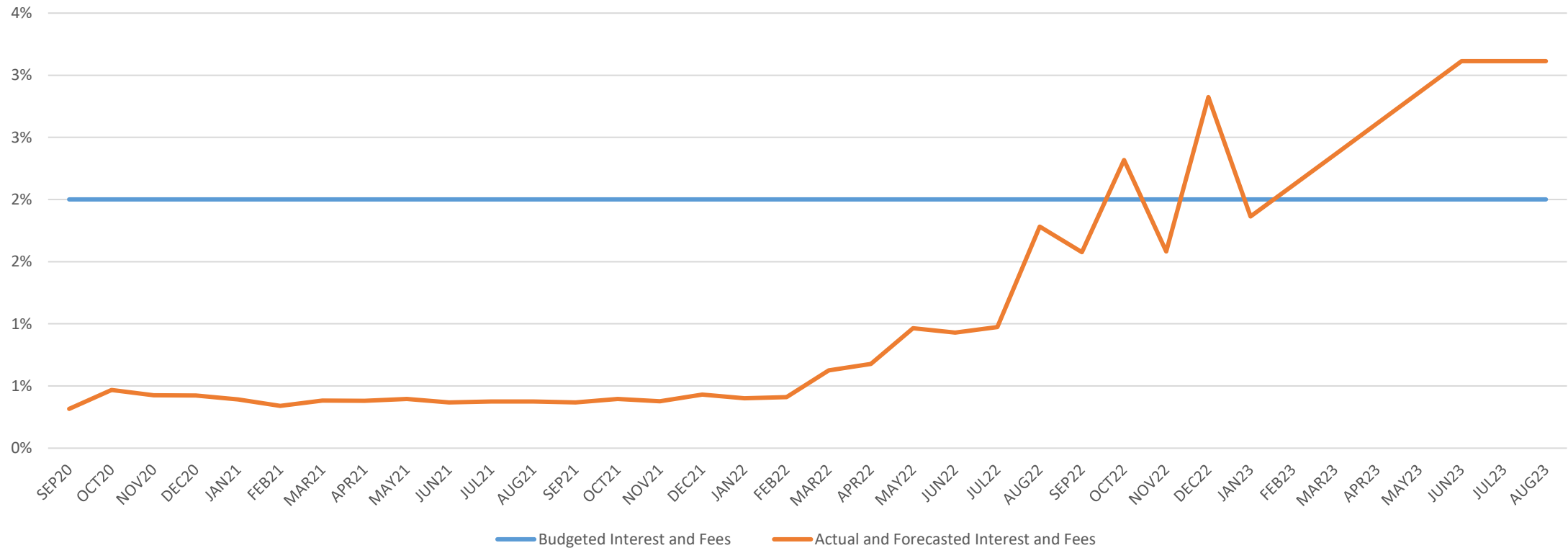
- Inflation is at its highest level since the 1981, but CPI has dropped from 9.06% in June 2022 to 6.0% in February 2023
- Federal Reserve Board – further tightening expected in 2023
  - December FOMC – +0.50%/Current Level 4.25-4.50%
  - Wall Street Expectations: 2023: 5.0-5.25%+
- US Treasury Benchmark Yields (as of 3/6/23)
  - 2 yr – 4.9%
  - 10 yr – 3.96%
  - 30 yr – 3.9%





# Outlook on \$6M Capitalized Interest Fund

Capitalized Interest Fund  
Budgeted Cost Vs. Actual and Forecasted Cost



# Summary and Recommendation

---

## **Summary:**

Calling bonds with existing TA holdings limits flexibility. Current TA holdings are positioned to earn above the current VRDO rate. Capitalized Interest is anticipated to possibly last to the end of FY 2023/24, and possibly beyond\*.

## **Recommendation:**

Staff believes TA should stay the course. Staff believes will continue to follow and evaluate options for the Board to consider.

\*Can be used to one year post full lane opening. Bond tax counsel researching to determine if required landscaping ad part of project approval may extend this date beyond March 2024.



---

# Questions?



# *Express Lanes Operations Update*

# SM101 Express Lanes - Fully Opened and Operational

- 10 years planning
- Federal, state, local, regional, and private partnerships
- Sustainability award
- Excellent safety record
- 22 miles of construction in each direction completed in less than 4 years
- Investing in equity



**ENROLL TODAY**  
in the NEW San Mateo  
101 Express Lanes Community  
Transportation Benefits Program!



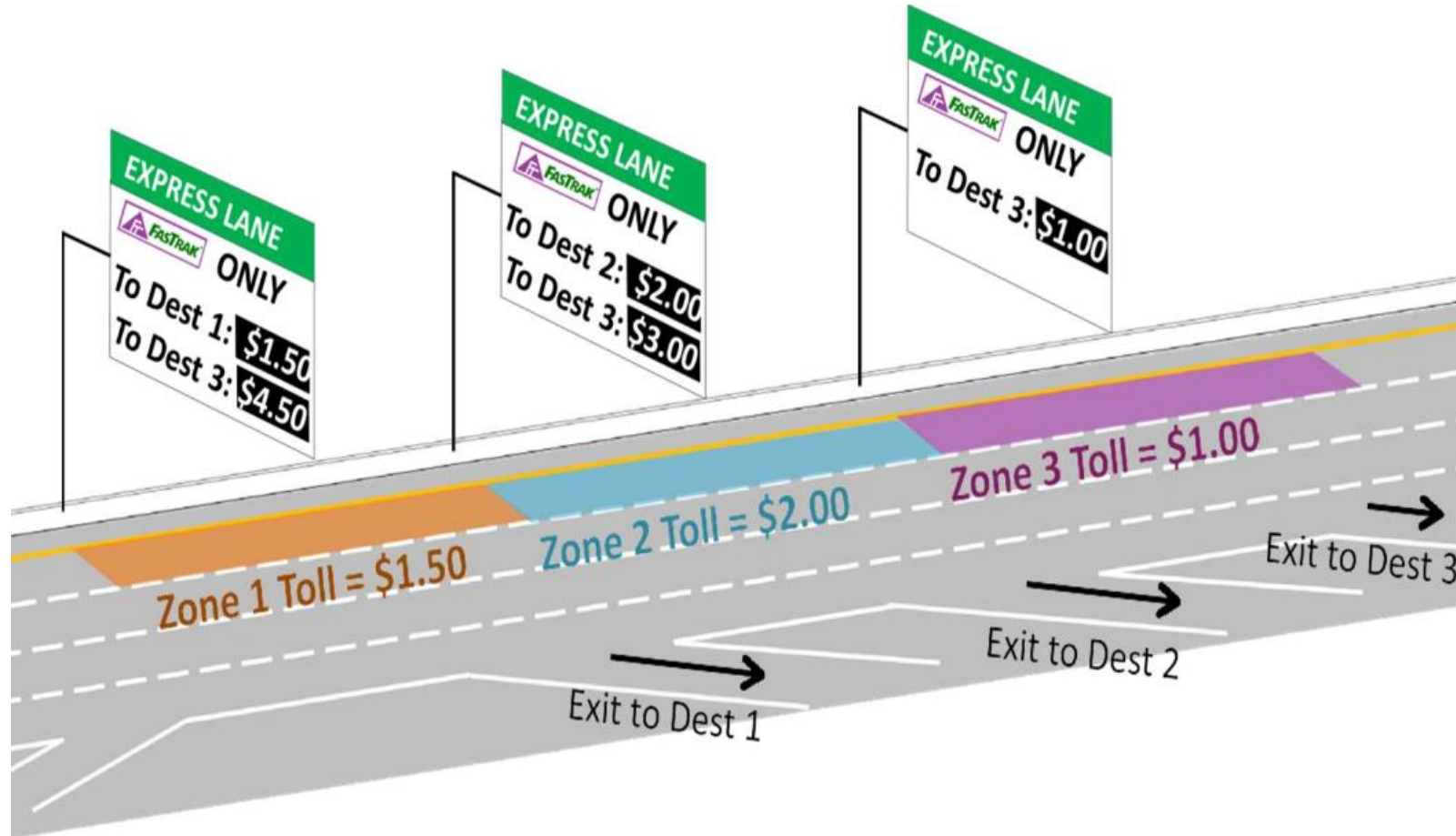
# Project & Express Lanes Benefits

---

- Reduce congestion in the corridor
- Increase person throughput (the number of people moved)
- Encourage carpooling and transit use
- Improve travel time and reliability for express lane users
- Use modern technology to manage traffic

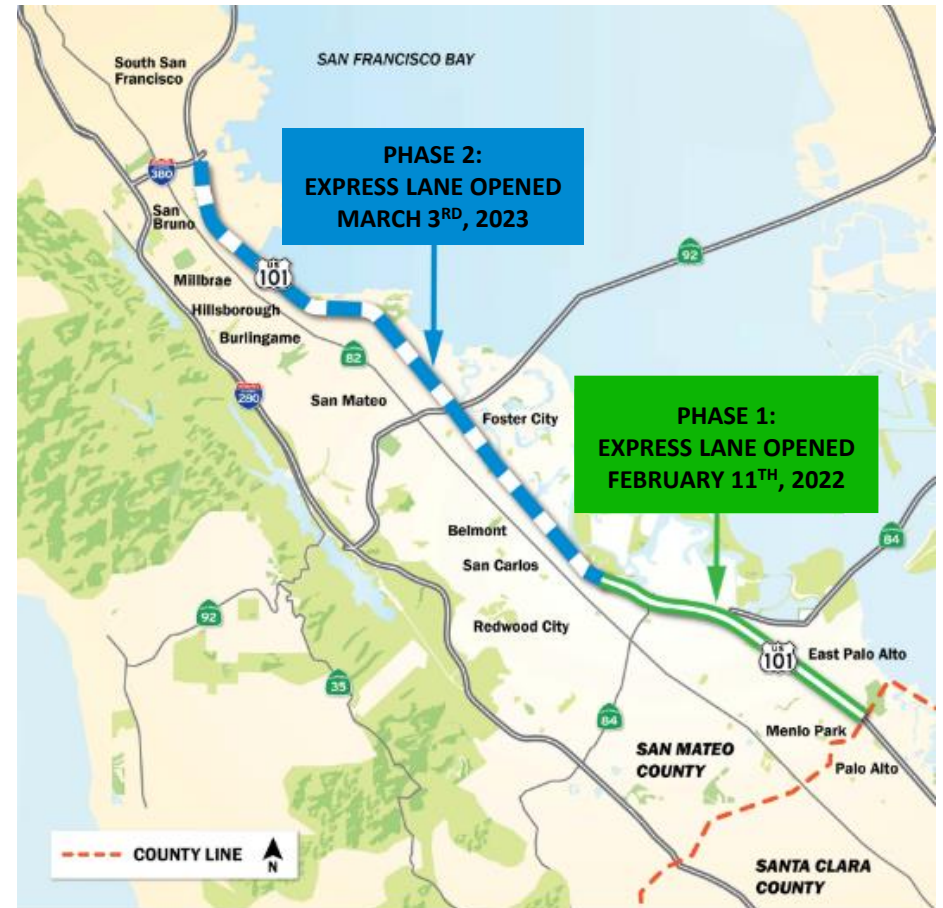


# How the Express Lanes Work



# Express Lanes Project Overview

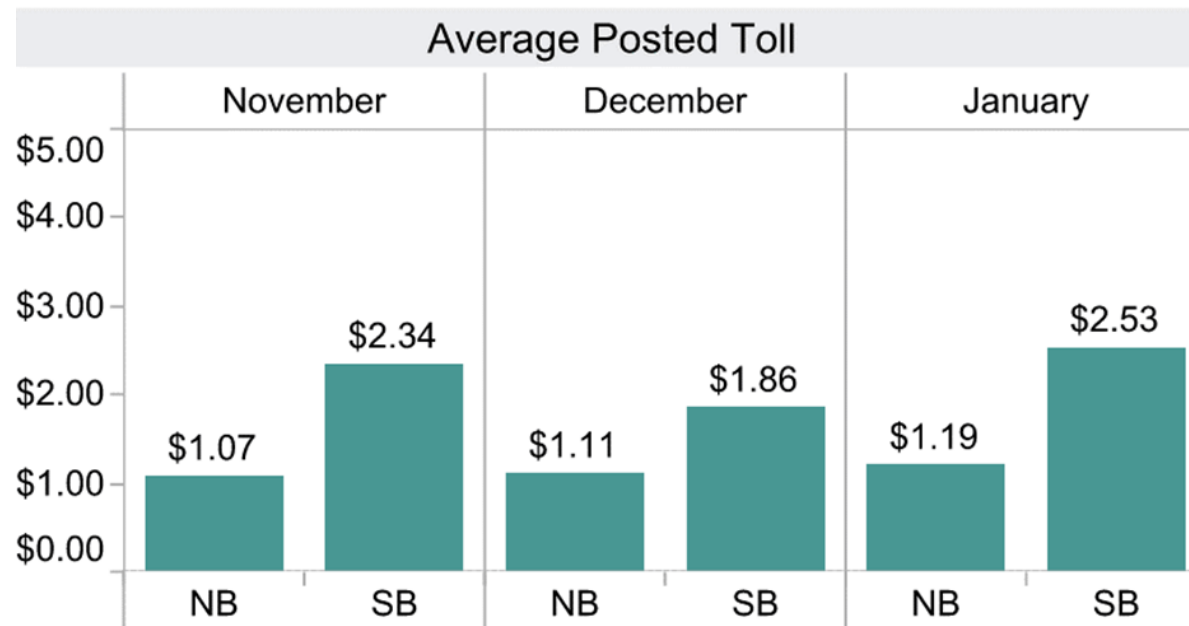
- 22 miles of Express Lanes in both directions on US 101 from the San Mateo County/Santa Clara County line to I-380 in South San Francisco
- Southern Segment (Phase 1) and Northern Segment (Phase 2) are open!
  - 22 miles in both directions between I-380 and Embarcadero Road, opened in both directions as of March 3, 2023





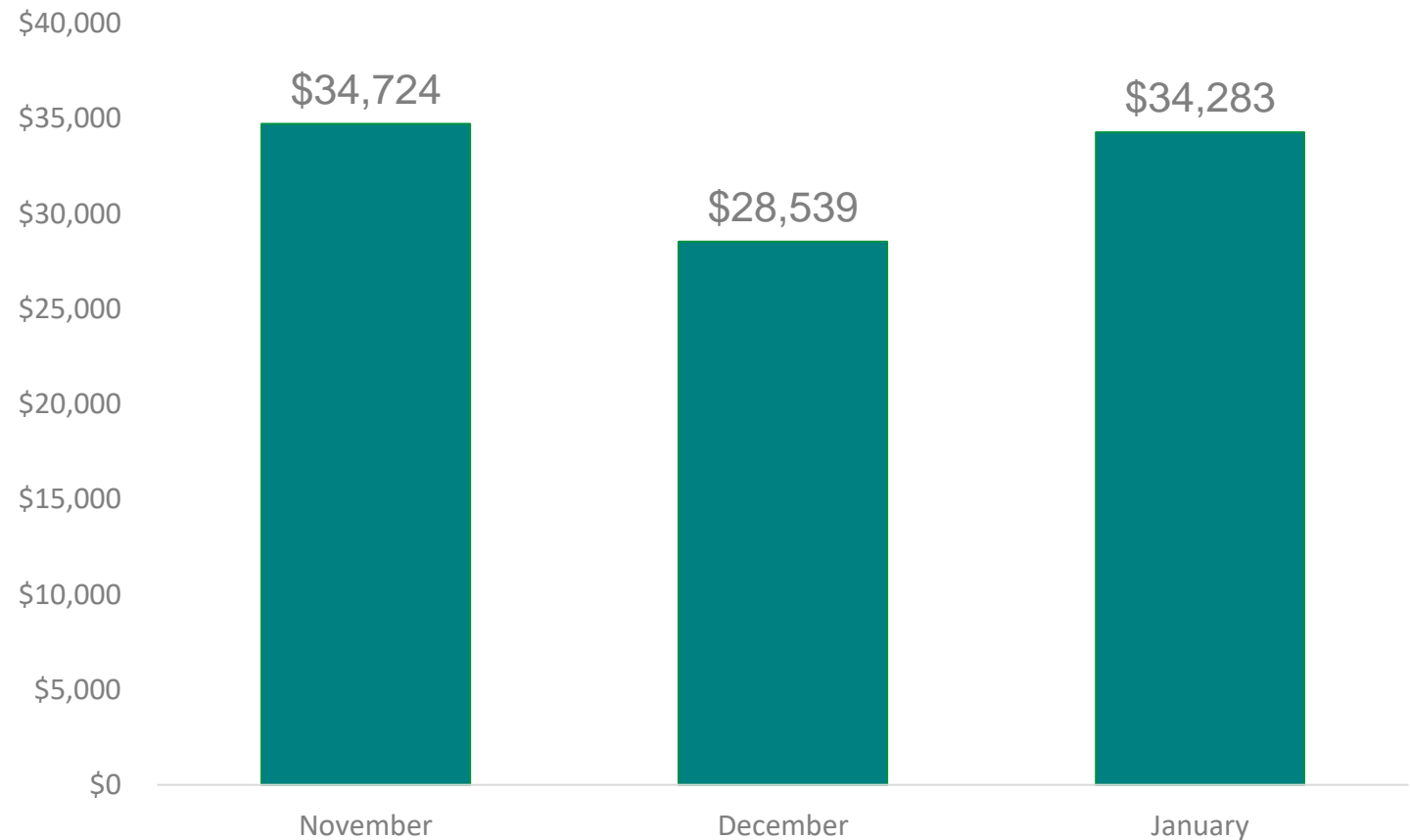
# Summary Information: Tolls and Revenue

- Southern Segment only
- Average Posted Toll has increased



# Average Daily Potential Revenue

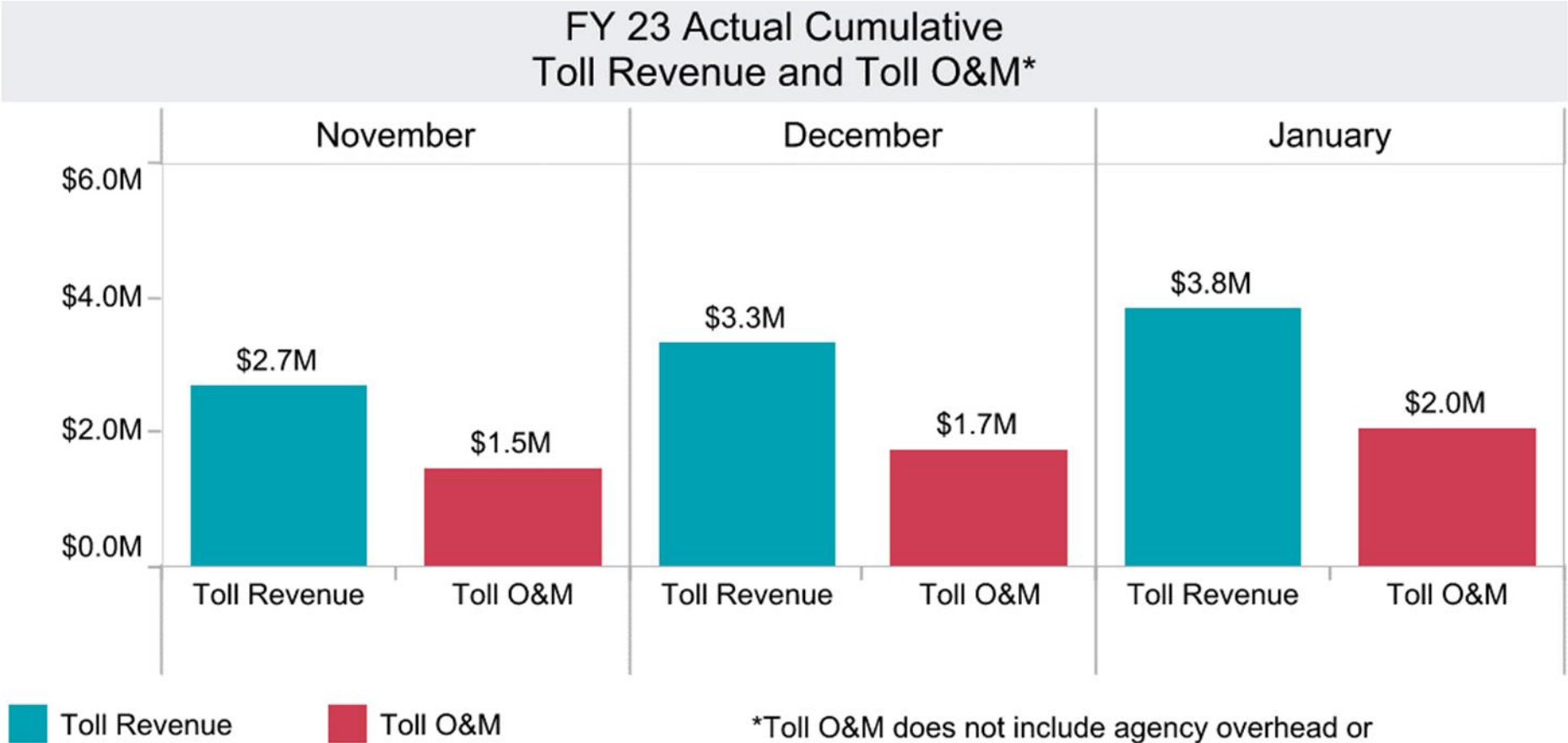
- Average Potential Daily Revenue for November 2022 through January 2023: \$32,480\*



*\*Note: Potential revenue assumes full collection of image-based tolls and no leakage from all account types.*



# Actual Cumulative Toll Revenue & Toll O&M



\*Toll O&M does not include agency overhead or administrative costs.



# Actual Toll Revenue and Expenses

February 11, 2022 through January 2023 Toll Revenue	\$5,286,186
February 11, 2022 through January 2023 Expenses	
Operations and Maintenance Costs*	\$3,325,110
Other Agency Costs**	\$3,678,657
<b>Toll Revenue over Expenses</b>	<b>(\$1,717,581)</b>

- Too soon to predict net revenue outlook for FY2024
- Full corridor data will allow us to better estimate the future financial outlook

\*O&M Includes: Express lanes maintenance, toll system O&M, FasTrak Customer Service, CHP Enforcement

\*\*Other Agency Cost Includes: Staff Support, Admin Overhead, Seminar/Training & Business Travel, Audit & Bank Fees, Office Supplies, Printing and Information Services, Promotional Advertising, Utilities, Software Maintenance & License, Legal Services, Consultant, Equity Program Admin and Costs, Insurance, Miscellaneous



# Southern Segment Estimate Comparison

	High Monthly Estimate (2020)	Low Monthly Estimate (2020)	Monthly Average Actual (Feb 2022 – Jan 2023)
Toll Revenue	\$ 1,591,667	\$ 691,667	\$ 440,515
Toll O&M	\$ 583,333	\$ 725,000	\$ 277,093

- Early estimates in 2020 projected revenue and expenses ranging from the following annually:
  - Gross Toll Revenue: between \$8.3 M and \$19.1 M
  - Toll O&M and start-up costs: between \$11.1 M and \$13.6 M
  - Net Toll Revenue: between a loss of \$4.8 M and excess of \$7.6 M
- Other costs including debt service were not included in the estimates.



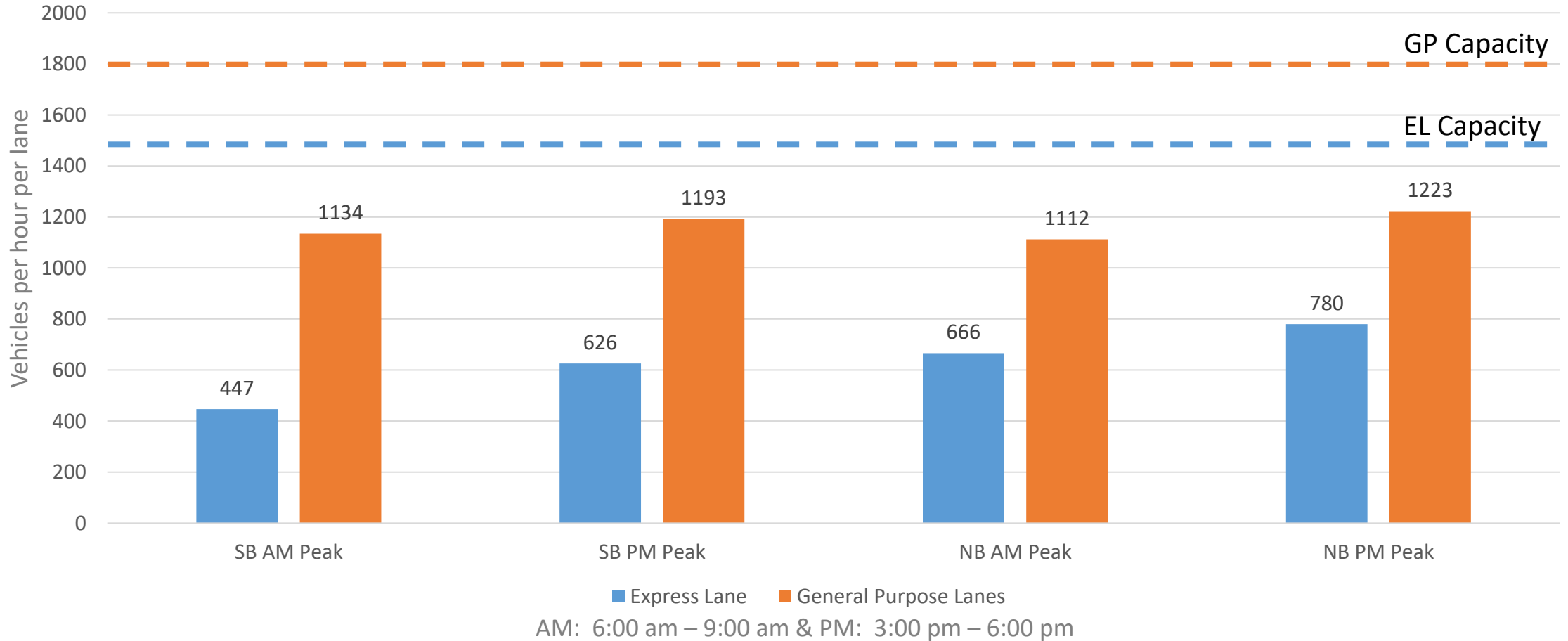
---

# Preliminary Opening Weeks Data

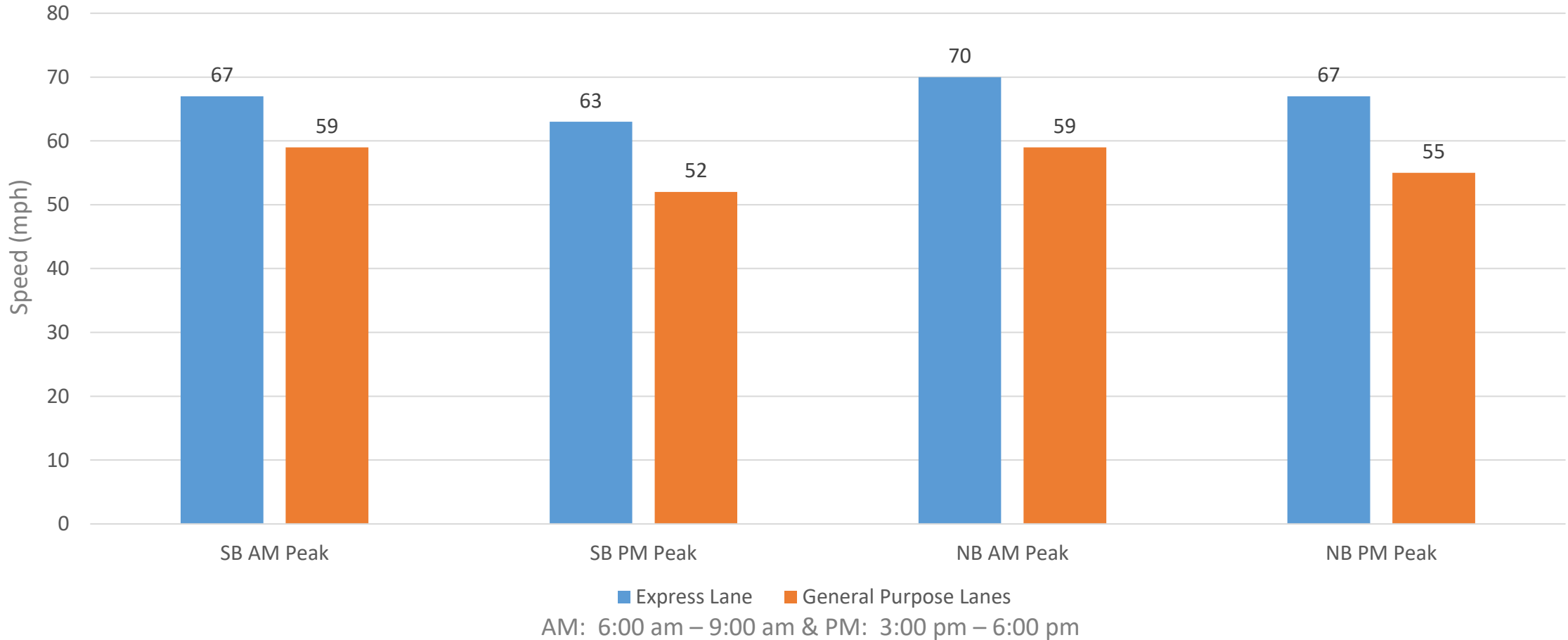
Friday, March 3rd through Friday, March 17th



# Full Corridor Average Volumes by Peak



# Full Corridor Peak Hour Speed Differential





# Average Posted Toll Per Zone\*



- Southbound - \$0.81
- Northbound - \$0.98

\* Average toll within each of the five zones over the entire tolling day (5:00 am to 8:00 pm).

---

# Questions?

