

US 101 Express Lanes: Update on Variable Rate Bond

**TA Board of Directors
August 3, 2023**



Presentation Overview

- Background on the 2020 Bonds
- Repayment to the TA
- Sufficiency of the Capitalized Interest
- Discussion of Current Rate Environment
 - Interest rates – impact to sufficiency of capitalized interest
- Outlook on the \$6.8M 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 express lanes on US 101.

Total Cost of the project:

\$581.0M - Total Cost of the Project

\$481.0M – Secured Project Funding

\$93.2M – Bond Funds and Closing Costs

\$6.8M – Capitalized Interest

Two Part Transaction:

Bonds secured by Measures A & W sales tax

TA to be reimbursed from express 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 interest 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 express lanes revenue performance)



Repayment to TA (Continued)

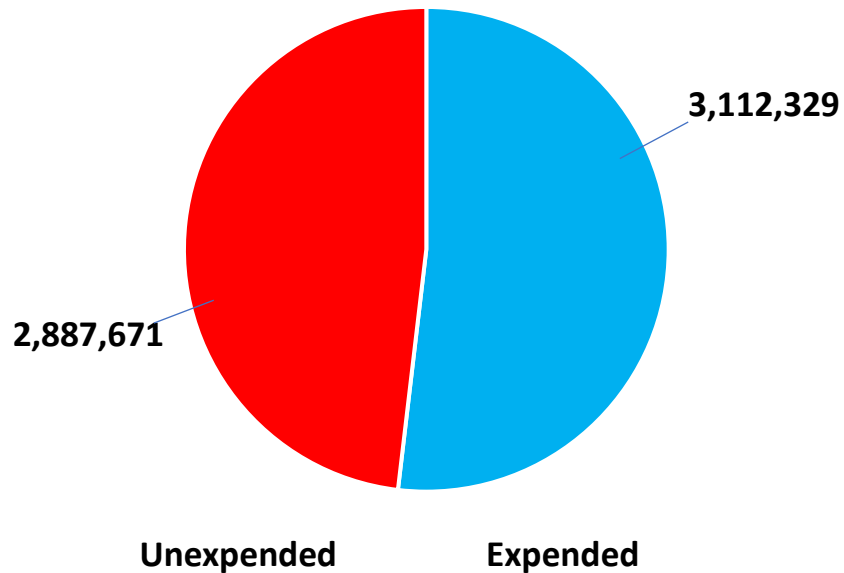
- Capitalized Interest set aside from Bond proceeds are expected to cover all interest payments through 2023 and into Q1 2024.
- Principal due dates –
 - first \$5.0M is due June 2027
 - next \$10.0M due June 2030
- Unused Capitalized interest and any unused project funds not allocated for equity program will be used to fully call 2027 due (\$5.0M) and any remainder will go towards payment of the 2030 principal payment (\$10.0M).

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
6/30/2023



Capitalized Interest Fund		\$ 6,000,000
Series A Interest	1,158,054	
Series B Interest	874,781	
Remarketing Fees	196,516	
LOC Fees	879,128	
Custodial Fees	3,850	
Total		(3,112,329)
Capitalized Interest at 6/30/2023		\$ 2,887,671



Discussion of Interest Rates- Current Market

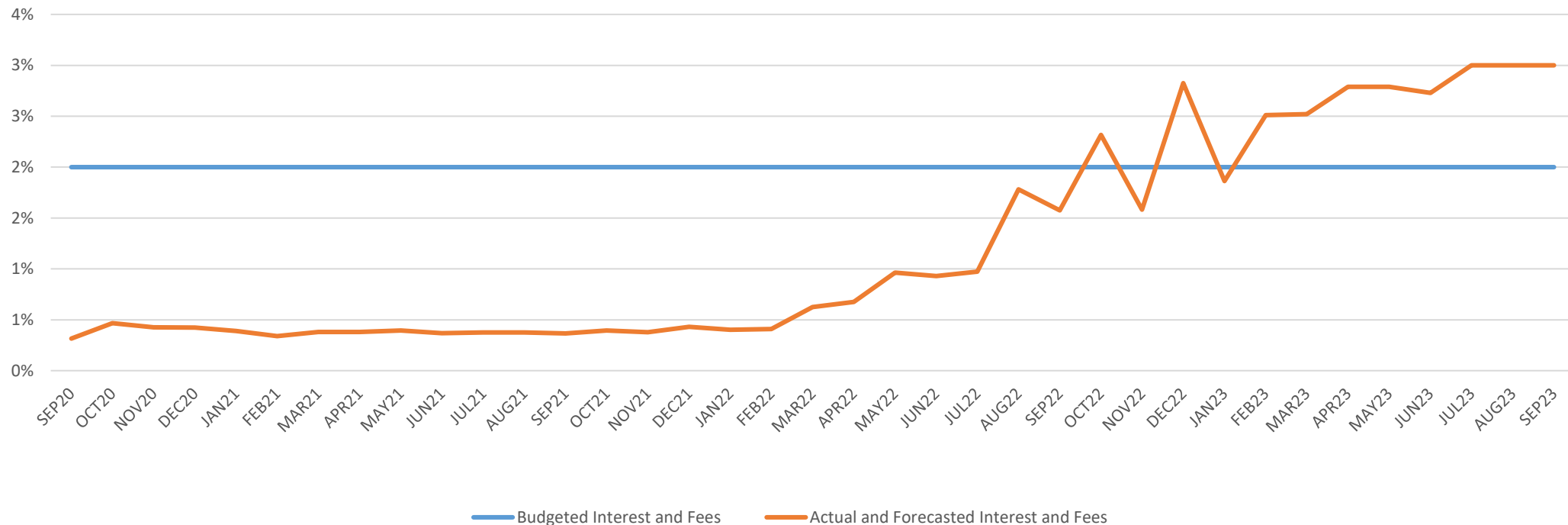
- Inflation hit its highest point since 1981 last year, but CPI has dropped from 9.06% in June 2022 to 3.0% in June 2023
- Federal Reserve Board – further tightening expected in 2023 (Core inflation still 4.8%)
 - June FOMC – Current Level 5.00 to 5.25%
 - Wall Street 2023 year-end expectations: 5.25-5.75% (with possible one to two .25% hikes still likely)
- US Treasury Benchmark Yields (as of 7/11/23)
 - 2 yr – 4.88%
 - 10 yr – 3.99%
 - 30 yr – 4.03%

Interest rate increases, as reflected in bond rates are significantly below rate increases in rest of the economy.



Outlook on \$6M Capitalized Interest Fund

Capitalized Interest Fund
Budgeted Cost Vs. Actual and Forecasted Cost



Capitalized Interest Fund fully expected to cover bond interest through 3/2/2024 due to VRDO rates well below 4% threshold.



Summary and Recommendation

Summary:

Calling bonds with existing TA holdings limits flexibility. Current TA holdings are earning above the current VRDO rate. Capitalized Interest funds still anticipated to last past 3/3/2024 and be used to call principal prior to end of FY 2023/24*.

*Cap-Interest funds remaining at 3/3/2024 must be used to call outstanding bonds and it is expected that a final construction payment will be made this fall, with remaining non-equity program project funds also used to call outstanding bonds.



Recommendations

Recommendation:

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



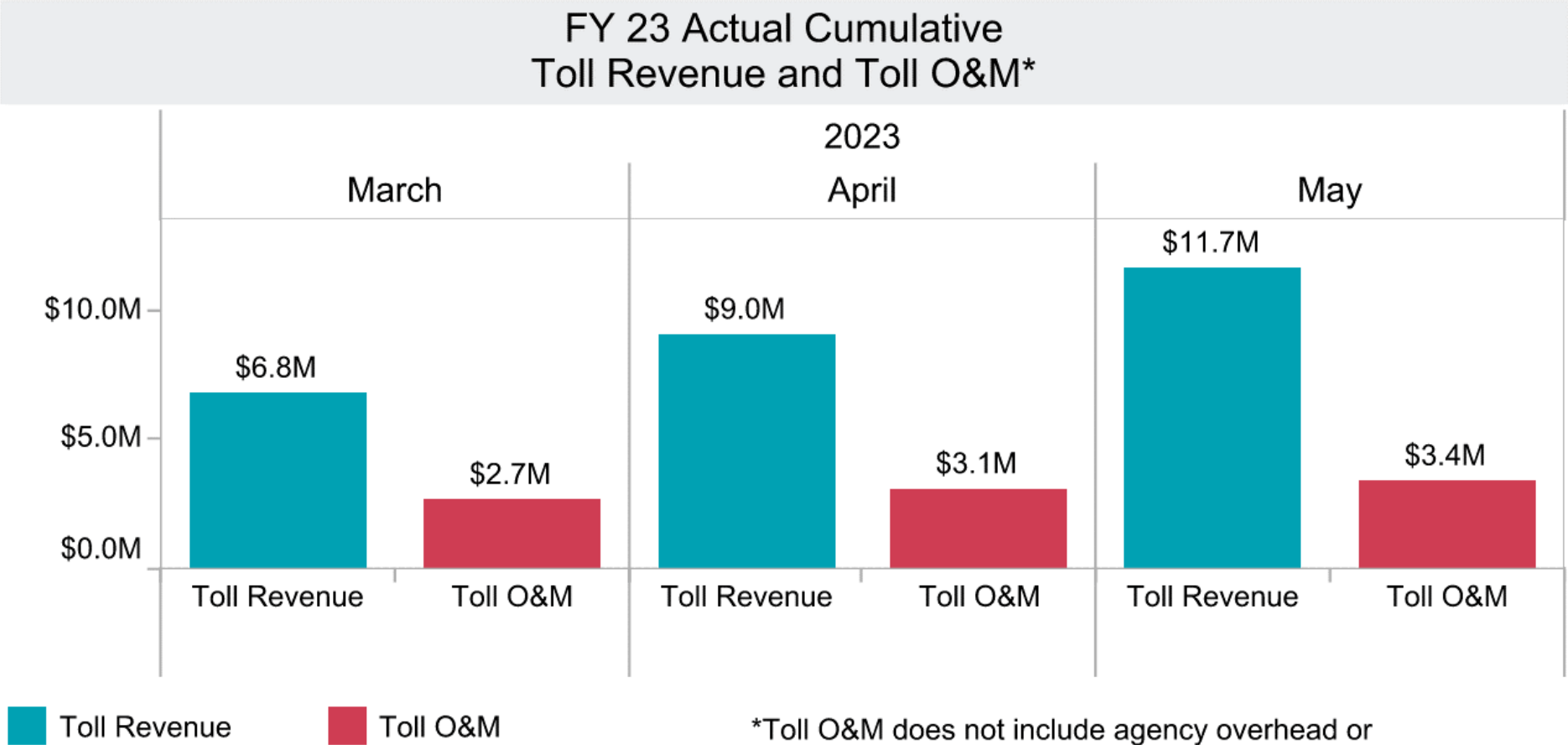
Questions?



US101 Express Lanes: Operations Update



Actual Cumulative Toll Revenue & Toll O&M



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



Actual Toll Revenue and Expenses

July 1, 2022 through May 2023 Toll Revenue	\$11,657,584
July 1, 2022 through May 2023 Expenses	
Operations and Maintenance Costs*	\$3,366,832
Other Agency Costs**	\$2,531,503
Toll Revenue over Expenses	\$5,759,249

- Performance to date puts us on track to no longer need additional loans from SMCTA and C/CAG
- Positions SMCEL-JPA to begin paying down operating advances and interests on \$100M bond loan

*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



FY24 Toll Revenues Outlook

- FY24 Adopted Toll Revenues Budget: \$20.2 Million
 - Budget based on revenue collected per mile on southern segment
 - Approximately \$1.7M per month on average
- Actual full corridor Toll Revenues (excluding violations, fees and penalties) have increased month to month in the first three months of operations:
 - March Revenue: \$1.44 Million
 - April Revenue: \$2.12 Million
 - May Revenue: \$2.46 Million



Questions?

