



SAN MATEO COUNTY
**Transportation
Authority**

US 101 Express Lanes: Update on Variable Rate Bond



Board of Directors – May 2, 2024

OVERVIEW

- **Background**
- **Variable Rate Outlook**
- **Debt Service**
- **Future Briefings**



BACKGROUND

In 2020 TA issued \$100M variable rate bonds:

- Support JPA's \$581M cost for US 101 Express Lanes (EL)
- Secured by Measures A & W sales tax

Why variable rate bonds?

- Lowest cost
- 20-year average historical interest rate: 1.1%
- Initial rates: 0.07%
- Prepayment flexibility



RATE OUTLOOK

- Variable rate currently averaging 3.5%, at the upper end of original expectations
- Variable rate debt comes with the risk of volatile interest rates; however, earnings on assets held act as a “hedge” in that investment returns move in line with interest rates and offset interest rate moves
- Rates expected to moderate as the Federal Reserve continues to combat inflation



DEBT SERVICE

- Interest costs approximately \$3.5M per year (with current rates)
- Toll revenue is sufficient to fund debt service, operational expenses, and system reserves
- Current and future year projections suggest toll revenue will continue to cover bond debts and expenses



FUTURE BRIEFINGS

- Limited changes in quarterly updates now that Express Lanes are in steady-state operations
- **Staff Recommendation:**
 - Consent item quarterly to provide regular updates on variable rates as the Fed works to bring inflation under control
 - Staff presentation on bonds and lane operations once (March) or twice a year (March and September) going forward, now that revenues are sufficient to cover costs



Questions?

