



**June 9, 2021**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

**Subject:** Establishment of Interstate 405 Improvement Project Custody Subaccounts

**Overview**

The 2017 Transportation Infrastructure Finance and Innovation Act loan for the Interstate 405 Improvement Project required the Orange County Local Transportation Authority to secure a line of credit to show committed local funds to the project. Rather than continuing the use of a line of credit to show committed local funds to the project, staff is proposing to set aside \$500 million of Measure M2 funds to show committed local funds, which could save the agency approximately \$3.4 million over the next two years.

**Recommendations**

- A. Approve by resolution authorizing the establishment of a subaccount to be used solely to pay for the Interstate 405 Improvement Project.
- B. Approve the establishment of one or more Interstate 405 Improvement Project custody subaccounts.
- C. Approve the use of \$500 million of Measure M2 funds to fund the Interstate 405 Improvement Project custody subaccounts no later than June 28, 2021.
- D. Restrict withdrawals from the Interstate 405 Improvement Project custody subaccounts to be made solely for Interstate 405 Improvement Project construction costs.

**Background**

In July 2017, the Orange County Local Transportation Authority (OCLTA) secured a line of credit from the Bank of America N.A. (Bank of America) for \$900 million to satisfy a requirement of the Transportation Infrastructure Finance

and Innovation Act (TIFIA) loan for the Interstate 405 Improvement Project (Project). The line of credit was structured in two commitment tranches, the OCLTA 2019 Credit Agreement, in an amount of \$400 million, and the OCLTA 2021 Credit Agreement, in an amount of \$500 million. The 2019 Credit Agreement was terminated in 2019 when OCLTA issued its Measure M2 (M2) Sales Tax Revenue Bonds, Series 2019, to finance the project. The remaining line of credit of \$500 million remains open with Bank of America.

### ***Discussion***

Orange County Transportation Authority (OCTA) staff proposed to the Build America Bureau (Bureau), the agency which oversees OCTA's TIFIA loan, to deposit \$500 million of M2 funds into subaccounts under its existing custody account arrangement with US Bank to show committed local funds to the project. The Bureau has agreed with OCTA's approach contingent upon an OCTA Board of Directors (Board) resolution on the use of the funds (Attachment A). OCTA would be required to deposit the funds with US Bank and the funds would be used solely for Project construction costs. In addition, any amounts expended from the subaccounts would correspondingly reduce the amount of committed funds required by the Bureau in the future. OCTA would be able to invest the funds per OCTA's Investment Policy and this action would have no impact on OCTA's ability to fund M2 projects based on current revenue and expenditure assumptions. The current line of credit costs the agency approximately \$1.7 million annually. The term of any new line of credit would be for approximately two years, so this approach could save the agency approximately \$3.4 million in line of credit fees and expenses.

### ***Summary***

Staff is requesting Board approval to use \$500 million in M2 funds to establish Project custody subaccounts to show committed local funds as required by OCTA's TIFIA loan. Creating the subaccounts will eliminate the requirement for a line of credit, which could save OCTA approximately \$3.4 million over the next two years.

***Attachment***

- A. Resolution of the Board of Directors of the Orange County Transportation Authority Authorizing the Establishment of a Subaccount to be Used Solely to Pay for the Interstate 405 Improvement Project

**Prepared by:**



Robert Davis  
Department Manager  
Treasury/Public Finance  
(714) 560-5675

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649