

Transportation Infrastructure Finance and
Innovation Act Loan Approval
for the
Interstate 405 Improvement Project

Background

- In April 2015, the Board of Directors approved the Interstate 405 Improvement Project which included the construction of the 405 Express Lanes
- Board of Directors directed staff to utilize the most effective financing available
- In November 2016, the Toll Agreement with Caltrans was approved and the Design-Build contractor (OC 405 Partners) was selected
- Estimated project costs total \$1.9 billion

Sources of Funds for Project Costs*

Source of Funds	Amount in Millions
M2 Sales Tax: Pay-As-You-Go	\$244.581
M2 Sales Tax: Debt Issuances (2019 and 2021)**	893.000
Federal Funds	45.648
State Funds (SHOPP and TCIF)	89.771
Toll Revenues: TIFIA Loan	627.000
Total	\$1,900.000

* As of June 1, 2017

** Utilizing the Line of Credit to satisfy the TIFIA request for committed funds at closing

Financing Milestones

- February 2016 – Submitted Letter of Interest
- July 2016 – Received indicative “BBB-” rating from S&P Global
- January 2017 – Executed Design-Build contract and issued Notice-to-Proceed No. 1
- May 2017 – Received Credit Review Team approval
- May 2017 – Submitted formal TIFIA Application
- May 2017 – Approved a Line of Credit provided by Bank of America N.A.
- June 2017 – Received secondary approval from Credit Review Team

Key Provisions of TIFIA Loan Agreement

- Loan is payable solely from net revenues from 405 Express Lanes
- Interest payments are deferred for five years from substantial completion
- Principal payments are deferred for ten years from substantial completion
- Requires a minimum 1.35 times debt service coverage ratio
- Completion bonds allowed, up to 15 percent of loan amount
- Reserve accounts are funded with net revenues
 - Debt service reserve, Operations and Maintenance, and Major Maintenance
- Excess net revenues are kept in a Distribution Lock-Up fund for seven years after substantial completion
 - After seven years, 50 percent of excess net revenues are used to pay down the TIFIA loan

Recommendations

- Approve the substantially final form of the TIFIA Loan Agreement between OCTA and the USDOT in the amount of approximately \$627 million, the substantially final form of the Master Trust Indenture and Supplemental Indenture by and between OCTA and the Trustee, and authorize the CEO to negotiate and execute a final TIFIA Act Loan Agreement, Master Indenture, and Supplemental Indenture
- Authorize the Chairman, Vice-Chair, CEO, Executive Director of Finance and Administration, and the Treasurer to sign all documents related to the TIFIA loan, including the TIFIA Loan Agreement and Bond, the Master Indenture, Supplemental Indenture, and any certificates, notices, receipts or agreements in connection with the foregoing

USDOT – United States Department of Transportation

Next Steps

- Seek OCTA Board of Directors approval on June 26, 2017
- Receive investment grade ratings for the project in late June 2017
- Council on Credit and Finance expected approval on June 28, 2017
- Secretary of Transportation expected approval during early July 2017
- Loan closing in July 2017
- Issue Notice-to-Proceed No. 2 to OC 405 Partners after loan closing