

Sperry Capital Inc.

July 3, 2018

Ms. Jennifer Matano
Treasury/Public Finance Manager
Orange County Transportation Authority
550 South Main Street
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RE: Summary of June 2018 New York Meetings

Dear Jen:

OCTA's June 2018 update trip to New York to meet with credit analysts from Moody's, Standard & Poor's, Fitch Ratings (the "rating agencies") and Bank of America was once again very successful. Since OCTA's first Measure M1 bond issues sold in 1992, Board members and staff have clearly established their credibility emphasizing OCTA's "Promises Made, Promises Kept" philosophy. The representatives from rating agencies and Bank of America that we met with were clearly impressed with OCTA's continuing success in managing its unique multi-modal transportation responsibilities and large capital projects.

The credit analysts from the rating agencies and Bank of America we met with this year thanked OCTA for its ongoing commitment to provide annual updates in today's challenging economic and political environment. All were complimentary of the quality of the June 2018 Update PowerPoint and the presentations made by OCTA's Board of Directors and staff.

OCTA met with the following firms in New York on June 21st and 22nd:

Moody's	Moody's currently rates OCTA's Measure M2 Sales Tax Revenue Bonds Aa2, 91 Express Lanes Bonds A1 and the TIFIA loan Baa2. In addition, Moody's provides an annual TIFIA loan credit rating confirmation
Fitch Ratings	Fitch currently rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and 91 Express Lanes Bonds A with a Positive Outlook
S&P Global	S&P currently rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and 91 Express Lanes Bonds AA-
Bank of America, N.A.	Bank of America, N.A. currently provides OCTA with a \$900 million line of credit that is required by the TIFIA lender until OCTA issues M2 bonds equal to \$900 million necessary to complete the I-405 Improvement Project funding requirements

In addition, OCTA took the opportunity while in New York to meet with Stantec. Stantec provides the traffic and revenue forecasts for the 91 Express Lanes and the 405 Express Lanes. OCTA did not make a presentation to Stantec, however Stantec's Steven Abendschein and Sheldon Mar presented updated information on the 91 Express Lanes and Riverside County Transportation Commission's ("RCTC") 91 Express Lanes extension to the OCTA Board members and staff present for the rating agency presentations.



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Chairwoman Lisa Bartlett, Vice-Chair Tim Shaw, Director Andrew Do, CEO Darrell Johnson, and Executive Director of Finance and Administration Andy Oftelie, joined you in representing OCTA at the New York meetings. I attended the meetings as well.

The Treasury/Finance and Toll Roads departments, with support from many departments throughout OCTA, worked diligently in May and June to update and prepare the comprehensive spiral bound PowerPoint presentation, titled “June 2018 Update,” which was presented to the credit analysts in New York as well as to the three credit analysts that participated by conference call. The June 2018 Update presentation book was organized as follows:

	Presentation Participants and Overview	i through iii
I.	Orange County Transportation Authority	I-1 through I-4
II.	Measure M2 Sales Tax Program	II-1 through II-5
III.	91 Express Lanes	III-1 through III-9
IV.	Major Initiatives Update, Streetcar, Bus & I-405 Improvement Project	IV-1 through IV-9
V.	Agency Update	V-1 through V-7
VI.	Orange County Economy	VI-1 through VI-10
VII.	Debt Programs and Financing Plans	VII-1 through VII-7
	Appendix	

The Appendix to the June 2018 Update presentation book contained profiles of each of the OCTA representatives at the meetings.

Thursday, June 21

Moody’s: We arrived at Moody’s for a 9:00 a.m. meeting. Moody’s was represented by Maria Matesanz, Michael Mulvaney, Kurt Krummenacker, and Vika Shenderovich from their New York office and Sunny Zhu called in from San Francisco. Maria is an infrastructure specialist and has led the Moody’s OCTA credit review team for over 15 years. Moody’s office at 7 World Trade Center overlooks the main World Trade Center site.

After introductions, Chairwoman Bartlett started with an overview of the key challenges facing OCTA: “The 405 project is the largest construction project underway in California. As you know, the I-405 corridor is one of the most congested corridors in the country. The I-405 Improvement Project will widen the 405, create the 405 Express Lanes and re-build and widen 18 bridges in the corridor. We are anxious to complete the 405 Project on time to enhance regional mobility.” Chairwoman Bartlett also described the continued success of the 91 Express Lanes, the improving Orange County economy as well as progress on the OC Streetcar project and the OC Bus 360° initiatives.

Vice-Chair Shaw presented Section III of the June 2018 Update on the 91 Express Lanes: “We are celebrating the 15th year of the ownership of the 91 Express Lanes. Traffic volumes have grown from 9.5 million in calendar year 2002 to 15.8 million in calendar year 2017. The 91 Express Lanes have provided over 199.5 million safe, reliable and predictable trips for 91 Express Lanes commuters.”

Director Do provided an update for the 4.1-mile OC Streetcar project, “We anticipate awarding the construction contract in the fall of this year. The OC Streetcar will revitalize key population centers. We visualize customers taking the trolley line to the Metrolink station and points north and south.”

Mr. Johnson highlighted the recent organizational changes at OCTA, “In order to better position OCTA for the future delivery of major initiatives like the OC Streetcar and the I-405 improvement Project, we’ve made two key changes. We have created a new Chief Operating Officer position and Jennifer Bergener, a long-time OCTA employee, has been appointed to the new position. All transit operations have been consolidated under one division and report to Jennifer. In addition, a new Express Lanes Programs department was created, and Kirk Avila has been appointed as its General Manager.”

Mr. Oftelie presented information on the Orange County economy and demographics: “The Orange County unemployment rates are near record lows and labor force participation is above pre-Great Recession levels.” He highlighted the recent employment sector changes and noted that the current employment diversification is a positive credit factor. He also briefed the credit analysts on population trends and median housing costs.

Ms. Matesanz asked if the M2 sales tax collections have tracked the recent forecasts. Mr. Oftelie replied, “MuniServices has noted slower growth in their five-year projections. When the three universities provide their long-term forecasts, we expect our sales tax forecast to decline to approximately \$13.1 billion. However, we are confident we can still deliver our M2 freeway project commitments.”

You presented Section VII. Debt Programs and Financing. The credit analysts were impressed with the performance of the 91 Express Lanes as well as the projected debt service coverage ratios for M2 sales tax revenue bonds which reflected future planned M2 sales tax revenue bonds sales.

At the end of the meeting Chairwoman Bartlett thanked Moody’s for hosting OCTA’s annual update meeting. Ms. Matesanz responded by thanking OCTA for the June 2018 Update: “Your update was very thorough as always. The 405 project is off to good start. The 91 Express Lanes continues to surpass our projections and the its debt service coverage ratios present a very strong story. We plan to review the 91 Express Lanes based upon this information.”

Fitch Ratings: We arrived at Fitch for an 11:30 a.m. meeting and working lunch. Fitch was represented by Cherian George, Tanya Langman and Henry Flynn from Fitch’s New York office and Scott Monroe from Fitch’s San Francisco office. OCTA enjoyed a lively two-hour dialogue with the Fitch credit analysts during the June 2018 Update presentation.

Chairwoman Bartlett introduced the OCTA team and summarized the highlights of the presentation and outlined the six 2018 Board initiatives, “We are committed to delivering our capital projects, maximizing funding opportunities, developing sustainable transportation plans, modernizing transit services, continuing our focus on fiscal responsibility and strengthening our regional partnerships. We are working very closely with LA Metro and RCTC to increase regional mobility in preparation for the 2028 Olympics.”

Vice-Chair Shaw emphasized the success of the 91 Express Lanes increasing mobility in the SR 91 corridor over the past 15 years. He discussed the positive traffic volume impact of the 91 Express Lanes extension, “Monthly traffic volumes have increased over 10% since the March 2017 opening. The biggest monthly traffic volumes for OCTA have been in the westbound morning commute.” Fitch’s Mr. George was very impressed with the success of RCTC’s 91 Express Lanes extension impact on OCTA’s 91 Express Lanes, “I have to agree now that the traffic and revenue forecast was right, and we were wrong.” Fitch recently raised their credit rating to A with a Positive Outlook and is carefully reviewing the 91 Express Lanes fiscal year 2018 performance.

Director Do updated Fitch on the I-405 Improvement Project features, construction and expenses to date. Mr.

George asked if the bridges were on schedule. Director Do replied, “Yes, the early start of right-of-way purchases is helping to eliminate pressures that might have been an issue.”

Mr. George also asked about the November initiative to repeal SB 1. Mr. Johnson replied, “Although early polling suggests that 50% of voters want to keep SB 1, polling suggests that 38% of voters are still undecided. We expect that the Republican supporters of the repeal ballot and the Democrat proponents of mandating SB 1 to each raise between \$40 million and \$50 million for campaign ads. It’s going to be close.”

Mr. Oftelie presented Section VI. Orange County Economy, “Orange County’s unemployment is at record low levels, our employment sections are diverse and median housing prices are above the recent Great Recession levels. Our population growth is slowing after significant growth in the 1970s and 1980s. However, all indicators are positive, but growing at a slower pace than in the past.”

S&P Global: We arrived at 2:30 p.m. for the S&P meeting at their offices at 55 Water Street. S&P was represented by Peter Murphy and Adam Torres in New York and Todd Spence via telephone from Dallas. The OCTA team gave the S&P credit analysts a two-hour update.

After Chairwoman Bartlett introduced the OCTA team she provided S&P with an overview of the I-405 Improvement Project, the 91 Express Lanes, Orange County’s improving economic environment, the fiscal year 2019 budget and the OC Streetcar project. She added, “In addition, we are working closely with elected officials in Los Angeles as well as with LA Metro to increase regional mobility between Los Angeles County and Orange County before the 2028 Olympics.”

Vice-Chair Shaw presented Section III. 91 Express Lanes. S&P was very interested in the impact of the new 91 Express Lanes in Riverside County. Vice-Chair Shaw replied, “Please look at the chart on page III-4 that shows the weekly traffic volumes before the extension and the strong growth that occurred after the RCTC 91 Express Lanes extension.” Mr. Johnson added, “Approximately 50% of the 91 Express Lanes customers starting in Orange County going eastbound and starting in Riverside County going westbound stay in the Express Lanes through both counties.”

Director Do explained that Orange County’s changing demographics have impacted bus ridership and provided S&P with an overview of OC Bus 360: “OCTA has been extremely successful using analytics to find ways to provide services and improve transit efficiencies. We have shifted 160,000 revenue hours to improve frequencies on high demand corridors. As a result, ridership is up 15% on those corridors.”

Mr. Johnson summarized the OCTA’s fiscal year 2019 \$1.306 billion budget and noted the strong 91 Express Lanes revenues picture.

Mr. Oftelie provided the S&P credit analysts with key facts on Orange County’s economy, employment sector diversification and population growth: “Orange County has definitely overcome the effects of the Great Recession. The results are positive, just not as robust as they have been in the past.”

You, Ms. Matano, summarized OCTA’s debt programs and financing plans with the charts, debt service coverage history and projections in Section VII of the June 2018 Update book.

Friday, June 22

Bank of America: OCTA met with Bank of America at their headquarters on the corner of 42nd Street and 6th

Avenue at 11:30 a.m. Friday morning. Bank of America was represented by Jeff Carey and Mitch Gold from their New York office and Bryon Rockwell and Kevin O'Brien from their Los Angeles office. The TIFIA lender required committed funds prior to financial close of the TIFIA loan. Bank of America provided OCTA with a \$900 million line of credit secured by M2 sales tax receipts to provide committed funds until OCTA sells M2 sales tax revenue bonds required to complete the funding of the I-405 Improvement Project.

After introductions, Chairwoman Bartlett used page I to introduce the OCTA team and page iii to provide Bank of America with an overview of the June 2018 Update presentation. Due to the Bank of America's line of credit, she noted that the I-405 Improvement Project Design-Builder joint-venture began construction on March 6 and that OCTA made the first draw of \$165 million on the TIFIA loan in April, "The 405 construction is moving on schedule." Chairwoman Bartlett then stated that, "Orange County's economic environment continues to be positive with the creation of new jobs, very low unemployment, positive sales tax growth and increasing home prices."

Director Do discussed the status of the I-405 project and stated that "the project is on track and expenses incurred through April 2018 totaled \$360 million, representing 19% of the project budget. In addition, right-of-way acquisitions are currently on schedule with 76% of agreements reached and lawsuits have been settled, coming in under budget, for the cities of Seal Beach and Long Beach."

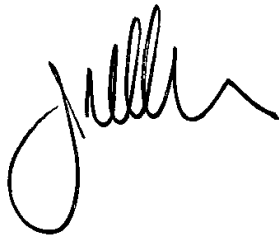
Mr. Carey asked about the impact of the Supreme Court's Thursday Wayfair decision on future M2 sales tax collections. Mr. Oftelie replied, "Although we haven't seen the details of the ruling, our initial estimates are that OCTA's annual M2 sales tax receipts could grow by between \$7 million and \$23 million a year."

Summary:

The June 2018 New York Update meetings were well received. The credit analysts at the rating agencies thanked OCTA for the detailed information in the June 2018 Update book and said that the information would be very useful for their respective 2018 surveillance reviews. All congratulated the Board and staff on their successful planning for the I-405 Improvement Project as well the continued financial, operating and policy success of the 91 Express Lanes.

I have attached a complete list of the rating agency and Bank of America representatives who participated in OCTA's June 2018 New York Update meetings, as well as the names of the Stantec representatives.

Sincerely,



James W. Martling
Principal