

RCTC

**RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION**



RCTC 91 EXPRESS LANES FUND FINANCIAL STATEMENTS

(Enterprise Fund of the Riverside County Transportation Commission)



FISCAL YEAR ENDED JUNE 30, 2020



RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Financial Statements
For the Year Ended June 30, 2020

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**RIVERSIDE
COUNTY
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COMMISSION**

Independent Auditor's Report







Independent Auditor's Report

Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the RCTC 91 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the RCTC 91 Express Lanes Fund of the Commission, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the RCTC 91 Express Lanes Fund and do not purport to, and do not, present fairly the financial position of the Commission as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Riverside, California
October 30, 2020

RCTC

**RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION**

Management's Discussion & Analysis





RCTC 91 Express Lanes Fund Management's Discussion and Analysis For the Year Ended June 30, 2020

As management of the RCTC 91 Express Lanes Fund (the Fund), an enterprise fund of the Riverside County Transportation Commission, we offer readers of the Fund financial statements this narrative overview and analysis of the Fund's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider information on financial performance presented in conjunction with the financial statements that begin on page 9.

Financial Highlights

- At the end of fiscal year (FY) 2019/20, the total net position (deficit) of the Fund was (\$276,232,056) and consisted of net investment (deficit) in capital assets of (\$320,213,988) and restricted net position of \$43,981,932.
- Net position (deficit) of (\$276,232,056) during FY 2019/20 reflects the position after the third full year of toll operations. The eight-mile stretch between Interstate 15 and the Orange/Riverside County line and a tolled direct connector reached substantial completion and opened to motorists on March 20, 2017.
- In FY 2019/20, total operating revenues of \$56,440,369 include toll, violation penalty, and account fee revenues and Orange County Transportation Authority (OCTA) reimbursements. Total operating expenses of \$24,536,873 include roadway and toll systems maintenance, customer service, back office operations, other support costs, and depreciation and amortization.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements are comprised of the Fund financial statements and notes to the financial statements.

The statement of net position presents information on all of the Fund's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the Fund's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information on the cash flows related to operating, noncapital financing, capital and related financing, and investing activities.

The Fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13-25 of this report.

91 Express Lanes Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Fund's financial position. At June 30, 2020, the Fund's net position reflected a deficit of \$276,232,056. Our analysis below focuses on net position and changes in net position of the Fund's financial activities.

**RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

**RCTC 91 Express Lanes Fund
Net Position**

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| Current and other assets | \$ 62,006,444 | \$ 28,035,318 |
| Restricted assets | 81,168,497 | 76,380,134 |
| Capital assets, net | 275,566,724 | 295,855,214 |
| Total assets | <u>418,741,665</u> | <u>400,270,666</u> |
| Deferred outflows of resources | 937,279 | 277,686 |
| Total assets and deferred outflows of resources | <u>419,678,944</u> | <u>400,548,352</u> |
| Current liabilities | 4,139,061 | 5,236,536 |
| Long-term liabilities | 691,699,524 | 669,865,188 |
| Total liabilities | <u>695,838,585</u> | <u>675,101,724</u> |
| Deferred inflows of resources | 72,415 | 42,928 |
| Total liabilities and deferred inflows of resources | <u>695,911,000</u> | <u>675,144,652</u> |
| Net position | | |
| Net investment in capital assets | (320,213,988) | (299,852,425) |
| Restricted | 43,981,932 | 25,256,125 |
| Total net position (deficit) | <u>\$ (276,232,056)</u> | <u>\$ (274,596,300)</u> |

FY 2019/20 represents the third full year of toll operations for the Fund. Total assets and deferred outflows of resources increased \$19,130,592, or 5%, due to increases in cash and investments. Total liabilities and deferred inflows of resources increased \$20,766,348, or 3%, primarily due to increases in toll supported long-term debt related to accreted and compounded interest.

The Fund's net investment in capital assets reflects a deficit of \$320,213,988 and represents (116%) of the total net position (deficit) in FY 2019/20. The Fund's net position reflects its investment in capital assets (i.e., land and land improvements; buildings; toll infrastructure; equipment, furniture and fixtures; transponders; and toll facility franchise), less any related outstanding debt used to acquire these assets. The Fund uses these capital assets, which include intangible assets, to provide improved mobility for the Fund customers and commuters along the State Route (SR)-91 corridor.

Restricted net position, representing resources subject to external restrictions on how they may be used, was \$43,981,932 and represents 16% of the total net position at June 30, 2020.

**RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The analysis below focuses on the changes in net position.

**RCTC 91 Express Lanes Fund
Changes in Net Position**

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| Operating revenues | | |
| Toll, penalties, and fees | \$ 56,440,369 | \$ 58,423,461 |
| Total operating revenues | <u>56,440,369</u> | <u>58,423,461</u> |
| Operating expenses | | |
| Management and operational services | 10,288,241 | 9,664,844 |
| Administrative overhead | 912,800 | 566,500 |
| Other operating expenses | 960,208 | 748,548 |
| Professional services | 1,341,747 | 1,089,555 |
| General and administrative | 249,768 | 624,915 |
| Depreciation and amortization | 10,784,109 | 10,680,681 |
| Total operating expenses | <u>24,536,873</u> | <u>23,375,043</u> |
| Operating income | <u>31,903,496</u> | <u>35,048,418</u> |
| Nonoperating revenues (expenses) | | |
| Investment income | 3,896,708 | 2,764,137 |
| Interest expense | (28,855,679) | (27,956,792) |
| Loss on sale of capital assets | (6,569,606) | (3,707,333) |
| Total nonoperating revenues (expenses) | <u>(31,528,577)</u> | <u>(28,899,988)</u> |
| Income before transfers | 374,919 | 6,148,430 |
| Transfers from (to) the Commission, net | <u>(2,010,675)</u> | <u>(2,977,396)</u> |
| Change in net position | (1,635,756) | 3,171,034 |
| Total net position at beginning of year (deficit) | (274,596,300) | (277,767,334) |
| Total net position at end of year (deficit) | <u>\$ (276,232,056)</u> | <u>\$ (274,596,300)</u> |

The Fund's total operating revenues decreased \$1,983,092, or 3%, due to decreased traffic volumes from March through June 2020 resulting from the COVID-19 pandemic. As a result of the COVID-19 pandemic, the 91 Express Lanes temporarily suspended account fees and stopped the escalation of outstanding violations to the collection agency, which are scheduled to resume October 1, 2020. Total operating expenses increased \$1,161,830, or 5%, due to increases in operations costs, professional services, and depreciation. Nonoperating expenses, net increased \$2,628,589, or 9%, primarily due to increased investment income offset by the loss on the sale of excess land purchased for the 91 Project. Net transfers from the Commission decreased by \$966,721 as a result of the transfer of surplus funds to fund the 91 Corridor Operations and 15/91 Express Lanes Connector projects. Total traffic volume on the RCTC 91 Express Lanes Fund during FY 2019/20 was approximately 36,207,200 trips compared to 37,900,600 trips in FY 2018/19.

RCTC 91 Express Lanes Fund
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Capital Assets

As of June 30, 2020, the Fund had \$275,566,724, net of accumulated depreciation and amortization, invested in a broad range of capital assets including: land and land improvements; buildings; toll infrastructure comprised of communication equipment and computer hardware and software; equipment, furniture and fixtures; toll facility franchise; and transponders. The decrease of \$20,288,490, or 7%, was due to the sale of excess land and the depreciation and amortization of the Fund's toll infrastructure, toll facility franchise, and other capital assets.

RCTC 91 Express Lanes Fund
Capital Assets, Net of Depreciation

| | 2020 | 2019 |
|------------------------------------|-----------------------|-----------------------|
| Land and land improvements | \$ 29,215,720 | \$ 38,736,133 |
| Toll infrastructure | 10,247,830 | 15,729,648 |
| Toll facility franchise | 234,779,131 | 239,801,144 |
| Transponders | 178,652 | 269,416 |
| Buildings | 1,124,381 | 1,280,972 |
| Equipment, furniture, and fixtures | 21,010 | 37,901 |
| Total capital assets, net | <u>\$ 275,566,724</u> | <u>\$ 295,855,214</u> |

More detailed information about the Fund's capital assets is presented in note 4 to the financial statements.

Debt Administration

As of June 30, 2020, the Fund had \$690,987,132 outstanding in toll revenue bonds, including a toll revenue bond in the form of a Transportation Innovation Finance and Infrastructure Act (TIFIA) loan. The increase of \$21,692,561, or 3%, is due to the compounded and accreted interest on the toll-supported long-term debt.

RCTC 91 Express Lanes Fund
Outstanding Debt

| | 2020 | 2019 |
|------------------------|-----------------------|-----------------------|
| Toll revenue bonds | \$ 204,647,796 | \$ 199,423,911 |
| TIFIA loan | 486,339,336 | 469,870,660 |
| Total outstanding debt | <u>\$ 690,987,132</u> | <u>\$ 669,294,571</u> |

Additional information on long-term debt can be found in note 6 to the financial statements.

RCTC 91 Express Lanes Fund Management's Discussion and Analysis For the Year Ended June 30, 2020

Economic and Other Factors

The Fund makes up \$28,896,900 or 5% of Commission's FY 2020/21 revenue budget. In FY 2020/21, toll and non-toll revenues are forecasted to decrease by 58% over the FY 2019/20 budget. This decrease is based on estimated toll transactions and current traffic and revenue data resulting from impacts of the COVID-19 pandemic beginning in March 2020. The RCTC 91 Express Lanes have exceeded initial expectations and the Commission's traffic consultant updated the investment grade and traffic and revenue study in December 2018. The average projected long-term rate of growth for toll road revenues beyond FY 2020/21 is 4.9%.

The majority of expenses related to the Fund within FY 2020/21 budget are on-going general costs related to day-to-day operations of the toll facility. As a fully electronic toll facility, motorists pay tolls through the convenient use of FasTrak® transponders that automatically deduct toll charges from a prepaid account.

Under a cooperative agreement entered into with OCTA in December 2011, the RCTC 91 Express Lanes are jointly operated with the OCTA 91 Express Lanes and collectively referred to as the 91 Express Lanes. The Commission and OCTA agreed on the use of the same initial operator, cost and revenue sharing, toll policies, business rules, interoperability of technology, and shared marketing activities. The joint operation allows for the sharing of costs and a seamless customer experience.

Contacting 91 Express Lane's Management

This financial report is designed to provide a general overview of the Fund's finances for all those with an interest in the government's finances and to demonstrate the Fund's accountability for the money it receives. Questions concerning any of the information provide in this report or requests for additional information should be addressed to the Chief Financial Officer, Finance Department at the Riverside County Transportation Commission, 4080 Lemon Street, 3rd Floor, P.O. Box 12008, Riverside, CA 92502-2208.





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Financial Statements





RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Net Position
June 30, 2020

| | |
|---|-------------------------|
| Assets | |
| Current assets: | |
| Cash and investments | \$ 60,767,378 |
| Receivables | |
| Accounts | 626,837 |
| Interest | 395,472 |
| Due from other Commission funds | 6,084 |
| Prepaid expenses | 167,237 |
| Total current assets | <u>61,963,008</u> |
| Noncurrent assets: | |
| Restricted cash and investments | 81,168,497 |
| Net other post-employment benefits assets | 43,436 |
| Capital assets, net | |
| Nondepreciable | 29,215,720 |
| Depreciable and amortizable | 246,351,004 |
| Total noncurrent assets | <u>356,778,657</u> |
| Total assets | <u>418,741,665</u> |
| Deferred outflows of resources | |
| Pension benefits | 894,523 |
| Other post-employment benefits | 42,756 |
| Total assets and deferred outflows of resources | <u>419,678,944</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 1,562,418 |
| Interest payable | 1,976,606 |
| Due to other Commission funds | 585,068 |
| Other liabilities | 434 |
| Compensated absences liability | 14,535 |
| Total current liabilities | <u>4,139,061</u> |
| Noncurrent liabilities: | |
| Net pension liabilities | 673,906 |
| Compensated absences liability | 38,486 |
| Bonds payable - due in more than one year | 690,987,132 |
| Total noncurrent liabilities | <u>691,699,524</u> |
| Total liabilities | <u>695,838,585</u> |
| Deferred inflows of resources | |
| Pension benefits | 32,832 |
| Other post-employment benefits | 39,583 |
| Total liabilities and deferred inflows of resources | <u>695,911,000</u> |
| Net position | |
| Net investment (deficit) in capital assets | (320,213,988) |
| Restricted for express lanes | 43,981,932 |
| Total net position (deficit) | <u>\$ (276,232,056)</u> |

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Revenues, Expenses and Change in Fund Net Position
For the Year Ended June 30, 2020

| | |
|--|--------------------------------|
| Operating revenues | |
| Tolls, penalties, and fees | \$ 56,440,369 |
| Operating expenses | |
| Management and operational services | 10,288,241 |
| Administrative overhead | 912,800 |
| Other operating expenses | 960,208 |
| Professional services | 1,341,747 |
| General and administrative expenses | 249,768 |
| Depreciation and amortization | 10,784,109 |
| Total operating expenses | <u>24,536,873</u> |
| Operating income | <u>31,903,496</u> |
| Nonoperating revenues (expenses) | |
| Investment income | 3,896,708 |
| Interest expense | (28,855,679) |
| Loss on sale of capital assets | (6,569,606) |
| Total nonoperating revenues (expenses) | <u>(31,528,577)</u> |
| Income before transfers | 374,919 |
| Transfers | |
| Transfers out to Commission governmental funds | (2,010,675) |
| Total transfers | <u>(2,010,675)</u> |
| Change in net position | (1,635,756) |
| Net position (deficit) at beginning of year | <u>(274,596,300)</u> |
| Net position (deficit) at end of year | <u><u>\$ (276,232,056)</u></u> |

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Cash Flows
For the Year Ended June 30, 2020

| | |
|--|------------------------------|
| Cash flows from operating activities | |
| Receipts from customers and users | \$ 56,666,151 |
| Payments to vendors | (12,049,889) |
| Payments to employees | (733,014) |
| Payments for RCTC interfund services used | (1,531,184) |
| Reimbursements received for shared costs | 452,808 |
| Net cash provided by operating activities | <u>42,804,872</u> |
| Cash flows from noncapital financing activities | |
| Transfers of surplus funds to governmental activities | (3,083,067) |
| Net cash used for noncapital financing activities | <u>(3,083,067)</u> |
| Cash flows from capital and related financing activities | |
| Interest paid on long-term debt | (7,119,938) |
| Reimbursement from other governments for acquisition of capital assets | 862,000 |
| Proceeds from sale of capital assets | 2,943,152 |
| Net cash used for capital and related financing activities | <u>(3,314,786)</u> |
| Cash flows from investing activities | |
| Interest received | 3,819,795 |
| Net cash provided by investing activities | <u>3,819,795</u> |
| Net increase in cash and cash equivalents | 40,226,814 |
| Cash and cash equivalents at beginning of year | 101,488,556 |
| Cash and cash equivalents at end of year | <u><u>\$ 141,715,370</u></u> |
| Reconciliation of cash and cash equivalents to statement of net position | |
| Cash and investments | \$ 60,767,378 |
| Less: fair value adjustment | (220,505) |
| | <u>60,546,873</u> |
| Restricted cash and investments | 81,168,497 |
| Total cash and cash equivalents | <u><u>\$ 141,715,370</u></u> |

See notes to financial statements

RCTC 91 Express Lanes Fund
(Enterprise Fund of the Riverside County Transportation Commission)
Statement of Cash Flows, Continued
For the Year Ended June 30, 2020

| | |
|---|-----------------------------|
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | |
| Operating income | \$ 31,903,496 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities | |
| Depreciation and amortization expense | 10,784,109 |
| Change in assets and liabilities | |
| (Increase) Decrease in other receivables, net | 675,739 |
| (Increase) Decrease in due in from other Commission funds | (6,084) |
| (Increase) Decrease in prepaid assets | 34,065 |
| Increase (Decrease) in pension and post-employment benefit liabilities, net of deferred items | (534,597) |
| Increase (Decrease) in accounts payable | 628,696 |
| Increase (Decrease) in due to other Commission funds | (681,180) |
| Increase (Decrease) in deposits payable | (96) |
| Increase (Decrease) in compensated absences liability | (1,829) |
| Increase (Decrease) in other liabilities | 2,553 |
| Total adjustments | <u>10,901,376</u> |
| Net cash provided by operating activities | <u><u>\$ 42,804,872</u></u> |
| | |
| Noncash capital, financing and investing activities | |
| Amortization of bond discount | \$ 73,073 |
| Accreted and compounded interest | 21,619,488 |
| Net increase in the fair value of investments | 125,702 |

See notes to financial statements

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 1. Reporting Entity

After more than a decade of work, which includes approximately three years of construction, the Riverside County Transportation Commission (Commission) achieved substantial completion on the SR-91 Corridor Improvement (91 Project) on March 20, 2017, including express lane and general purpose lane improvements. In achieving substantial completion, the RCTC 91 Express Lanes opened to traffic and tolling commenced. The RCTC 91 Express Lanes cover an eight-mile stretch on State Route 91 (SR-91) between Interstate 15 (I-15) and the Orange/Riverside County line and a tolled direct connector.

The RCTC 91 Express Lanes Fund (Fund) is reported as a major enterprise fund in the Commission's basic financial statements. The accompanying financial statements present the net position, changes in net position, and cash flows of the Fund only. They do not purport to, and do not, present the overall financial position of the Commission or its changes in net position as of June 30, 2020.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the Fund are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Basis of Accounting: The financial statements of the Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues consisting substantially of tolls and fees, are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Toll revenue is recognized when the customers utilize the toll road facility and payment is collected.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal and ongoing operations. The principal operating revenues of the Fund are charges to customers for use of the toll facility. Operating expenses for the Fund include the cost of services, administrative expenses, and depreciation and amortization on capital and intangible assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Violations: Violations consist of uncollected violation tolls and penalties. Unpaid violations of \$75,593,997 as of June 30, 2020 are not recognized as revenue until payment is received. If violations and penalties remain owed for more than 90 days, they are turned over to the collection agency. Unpaid violations remain recorded for a period of four years in accordance with the statute of limitations, at which time, they will be deemed uncollectible.

Cash and investments: The Commission maintains cash and investments in accordance with the Investment Policy adopted by the Board of Commissioners in March 2019. The Investment Policy complies with the California Government Code (Code). Investments of bond proceeds as permitted by the applicable debt documents are maintained with U.S. Bank as trustee. Separate investment accounts are maintained for the proceeds of bond issues, with the earnings for each bond issue accounted for separately. The Fund participates in the Riverside County Pooled Investment Fund (RCPIF). Cash from other Commission revenue sources is commingled for investment purposes in the RCPIF, with investment earnings allocated to the different accounts based on average daily account balances.

The Commission holds investments that are measured at fair value on a recurring basis. Investments in U.S. Treasury obligations, U.S. agency securities, corporate notes, mortgage and asset-backed securities, and municipal bonds are carried at fair value based on quoted market prices, except for money market investments, which are carried at amortized cost which approximates fair value. The RCPIF is carried at fair value based on the value of each participating dollar as provided by RCPIF.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies, Continued

Cash and cash equivalents: For the purpose of the statement of cash flows, the Commission considers all short-term investments with an initial maturity of three months or less to be cash equivalents. All deposits, commercial paper notes, money market funds, negotiable certificates of deposit, and the Fund's share of the RCPIF represent cash and cash equivalents for cash flow purposes.

Restricted cash and investments: Investments set aside in the Senior Lien Obligations Reserve Fund, Senior Lien Capitalized Interest Fund, Residual Fund Scheduled Retained Balance Fund, and Toll Revenue Fund are pursuant to the terms of the 2013 Indenture and their use is limited by applicable debt terms and conditions.

Permitted investments per the debt indentures include government obligations, State of California and local agency obligations, banker's acceptances, commercial paper notes, negotiable certificates of deposit, repurchase agreements, money market funds, other mutual funds, investment agreements, RCPIF, and variable and floating rate securities.

Receivables: Accounts receivables include amounts due from other California toll road agencies related to their customers' use of the RCTC 91 Express Lanes, as well as amounts owed from the Orange County Transportation Authority (OCTA) in accordance with a cooperative agreement.

Capital assets: Capital assets include land and land improvements; toll infrastructure; buildings; equipment, furniture and fixtures; toll facility franchise; and transponders. Capital assets are defined by the Fund as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of three years. It is also the Fund's policy to capitalize transponder purchases, as they are considered a significant class of assets even though individually under \$5,000. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Type | Useful Life |
|-----------------------------------|--------------------|
| Buildings | 10 years |
| Equipment, furniture and fixtures | 3 to 5 years |
| Toll facility franchise | 50 years |
| Toll infrastructure | 5 to 10 years |
| Transponders | 5 years |

In May 2012 the Commission entered into a toll facility agreement with California's Department of Transportation (Caltrans) and obtained authority to toll the SR-91 from the Orange County/Riverside County line to I-15 for 50 years commencing as of the first day on which the RCTC 91 Express Lanes open for public use and toll operations. The RCTC 91 Express Lanes opened on March 20, 2017.

Deferred outflows of resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. As of June 30, 2020, the Fund has deferred outflows of resources related to pension and other post-employment benefits (OPEB).

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies, Continued

Due to other Commission funds: During the course of operations, transactions occur between Commission governmental funds involving goods provided and services rendered.

Compensated absences: Vacation hours accumulated and not taken at year-end is reported as a long-term liability, net of current portion, in the Fund.

Sick leave is recorded as an expense when taken by the employee. Employees with continuous five years of service have the option of being paid for sick leave accumulated in excess of 240 hours at a rate of 50% (i.e., one hour's pay for every two hours in excess of 240). Any sick leave in excess of 240 hours is accrued at fiscal year-end, and a liability is reported in the Fund.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deduction from Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Post-employment benefits other than pensions: For purposes of measuring the net OPEB asset, deferred outflows/inflows of resources related to the OPEB asset and OPEB expense, information about the fiduciary net position of the Commission's OPEB plan, and additions to/deductions from the OPEB fiduciary net position have been determined on the same basis as they are reported by California Employers' Retiree Benefit Trust administered by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money markets and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which is reported at cost.

Deferred inflows of resources: In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources, or revenue, until then. The Fund has deferred inflows of resources related to pension and other post-employment benefits.

Risk management: The Fund purchases commercial property insurance including business interruption, earthquake, and flood coverage related to the toll facility.

Net position: Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is classified into two categories:

- *Net investment (deficit) in capital assets* consists of capital and intangible assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets and excludes unspent debt proceeds.
- *Restricted net position* represents restricted assets less liabilities related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants). The statement of net position includes restricted net position for the portion of net toll revenues restricted by the 2013 Master Indenture for toll operations.

The deficit in net investment in capital assets will be reduced by future toll revenues for the payment of outstanding toll obligations.

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies, Continued

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumption that affect certain reported amounts and disclosures during the reporting period. As such, actual results could differ from those estimates.

Note 3. Cash and Investments

Cash and investments are comprised of the following at June 30, 2020:

| | |
|----------------------------|-----------------------|
| Cash in bank | \$ 145,362 |
| Investments | |
| With RCPIF | 60,622,016 |
| With Trustee | 81,168,497 |
| Total investments | 141,790,513 |
| Total cash and investments | <u>\$ 141,935,875</u> |

Total cash and investments are reported in the financial statements as:

| | |
|-----------------------------------|-----------------------|
| Unrestricted cash and investments | \$ 60,767,378 |
| Restricted cash and investments | 81,168,497 |
| Total cash and investments | <u>\$ 141,935,875</u> |

Fair Value Hierarchy: The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active; and Level 3 inputs are significant unobservable inputs (the Commission does not value any of its investments using Level 3 inputs).



RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 3. Cash and Investments, Continued

The following is a summary of the fair value hierarchy of the fair value of investments of the Fund as of June 30, 2020:

| Investments by fair value level: | June 30, 2020 | Fair Value Measurements Using | |
|--|-----------------------|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Investments subject to fair value hierarchy: | | | |
| Mortgage and asset-backed securities | \$ 30,727,113 | \$ - | \$ 30,727,113 |
| U.S. Treasury obligations | 25,925,908 | 25,925,908 | - |
| Money market mutual funds | 14,197,031 | 14,197,031 | - |
| U.S. agency securities | 2,230,032 | - | 2,230,032 |
| Corporate notes | 4,913,792 | - | 4,913,792 |
| Commercial paper notes | 1,499,676 | - | 1,499,676 |
| Negotiable certificates of deposit | 400,164 | - | 400,164 |
| Municipal bonds | 1,274,781 | - | 1,274,781 |
| Total investments measured at fair value | 81,168,497 | \$ 40,122,939 | \$ 41,045,558 |
| Investments not subject to fair value hierarchy: | | | |
| RCPIF | 60,622,016 | | |
| Total investments | <u>\$ 141,790,513</u> | | |

Investments classified in Level 1 of the value hierarchy, valued at \$40,122,939 are valued using quoted prices in active markets.

Mortgage and asset-backed securities totaling \$30,727,113, U.S. agency securities totaling \$2,230,032, corporate notes totaling \$4,913,792, commercial paper notes totaling \$1,499,676, negotiable certificates of deposit totaling \$400,164, and municipal bonds totaling \$1,274,781, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.



RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 3. Cash and Investments, Continued

As of June 30, 2020, the Fund has the following investments:

| Investments | Fair Value | Principal | Interest Rate Range | Maturity Range | Weighted Average Maturity (Years) |
|--------------------------------------|----------------------|----------------------|---------------------|----------------------------|-----------------------------------|
| RCPIF | \$ 60,622,016 | \$ 60,401,511 | 0.050% - 2.724% | 07/01/20 - 06/30/25 | 1.104 |
| Held by Trustee | | | | | |
| Negotiable certificates of deposit | 400,164 | 400,010 | 0.095% | N/A | 0.038 |
| Commercial paper notes | 1,499,676 | 1,498,274 | 0.141% - 0.185% | 7/20/20 - 9/8/20 | 0.124 |
| Corporate notes | 4,913,792 | 4,853,050 | 0.340% - 5.472% | 7/1/20 - 5/11/23 | 1.328 |
| Money market mutual funds | 14,197,031 | 14,197,031 | 0.010% | N/A | 0.000 |
| Mortgage and asset-backed securities | 30,727,113 | 29,957,915 | (0.464%) - 3.023% | 7/20/20 - 9/16/55 | 7.970 |
| Municipal bonds | 1,274,781 | 1,270,000 | 0.180% - 1.474% | 4/1/22 - 10/1/51 | 14.214 |
| U.S. agency securities | 2,230,032 | 2,150,623 | 0.171% - 0.872% | 8/12/21 - 11/16/28 | 2.897 |
| U.S. Treasury obligations | 25,925,908 | 25,246,633 | 0.822% - 0.287% | 7/31/20 - 1/15/29 | 2.032 |
| Total Investments | <u>\$141,790,513</u> | <u>\$139,975,047</u> | | | |
| | | | | Portfolio weighted average | 3.301 |

The weighted average maturity is calculated using the investment's effective duration weighted by the investment's fair value.

As of June 30, 2020, mortgage and asset-backed securities totaled \$30,727,113. The underlying assets are consumer receivables that include credit cards, auto/equipment, and home loans. The securities have a fixed interest rate and are rated Aaa/AA+ at least two of the three nationally recognized statistical rating organizations.

Deposits and withdrawals in the RCPIF are made on the basis of \$1.00 (cost basis) and not fair value. Accordingly, the Fund's investment at June 30, 2020 is uncategorized, not defined as Level 1, Level 2, or Level 3 input.

Interest rate risk: While the Commission does not have a formal policy related to the interest rate risk of investments, the Commission's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. In accordance with the Commission's investment policy, restricted investments are invested in accordance with the maturity provisions of the specific bond indenture, which may extend beyond five years.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Commission's investment policy requires that a third party bank trust department hold all securities owned by the Commission. All trades are settled on a delivery versus payment basis through the Commission's safekeeping agent.

The Fund has deposits with a bank balance of \$145,362 with a financial institution; bank balances over \$5,000,000 are swept daily into a money market account. Of the bank balance, up to \$250,000 is federally insured under the Federal Depository Insurance Corporation with balances in excess of

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 3. Cash and Investments, Continued

\$250,000 collateralized in accordance with the Code; however, the collateralized securities are not held in the name of the Commission.

Credit risk: The Commission's investment policy as well as the specific bond indentures set minimum acceptable credit ratings for investments from any of the three nationally recognized statistical rating organizations. The following table is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each category's fair value at June 30, 2020; securities denoted as NR are not rated by one of the nationally recognized statistical rating organizations.

| Investments | Moody's | S&P | % of Portfolio |
|--|---------|----------|----------------|
| RCPIF | Aaa-bf | AAA/f/S1 | 42.75% |
| Negotiable certificates of deposit | P1 | NR | 0.28% |
| Commercial paper notes | | | |
| Notes | P2 | A2 | 0.50% |
| Notes | P2 | A2 | 0.56% |
| Corporate | | | |
| Notes | A1 | A+ | 0.14% |
| Notes | A1 | AA- | 0.18% |
| Notes | A2 | A | 0.21% |
| Notes | A2 | A- | 0.65% |
| Notes | A3 | A | 0.36% |
| Notes | A3 | A- | 0.26% |
| Notes | A3 | BBB+ | 0.82% |
| Notes | Aa1 | AA | 0.20% |
| Notes | Aa2 | AA | 0.10% |
| Notes | Aa3 | A | 0.09% |
| Notes | Aaa | NR | 0.28% |
| Notes | Baa1 | A- | 0.18% |
| Money market mutual funds | | | |
| Funds | Aaa | AAA | 10.01% |
| Mortgage and asset backed securities | | | |
| Securities | Aa1 | AA | 0.06% |
| Securities | Aaa | AA+ | 20.33% |
| Securities | Aaa | AAA | 0.23% |
| Securities | Aaa | NR | 0.62% |
| Securities | NR | AAA | 0.43% |
| Municipal bonds | | | |
| Bay Area Toll Authority | A1 | AA- | 0.08% |
| Collin County, Texas | Aaa | AAA | 0.12% |
| Colorado Housing and Finance Authority, Inc. | Aaa | AAA | 0.32% |
| El Dorado Irrigation District | Aa3 | AA- | 0.11% |
| North Dakota Housing Finance Agency | Aa1 | NR | 0.07% |
| State of New York Urban Development Corpora-tion | Aa1 | NR | 0.13% |
| University of New Jersey, Rutgers | Aa3 | A+ | 0.07% |

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 3. Cash and Investments, Continued

| Investments | Moody's | S&P | % of Portfolio |
|------------------------|---------|-----|----------------|
| U.S. agency securities | | | |
| Notes | Aaa | AA+ | 1.57% |
| U.S. Treasuries | | | |
| Treasury | NR | NR | 18.29% |
| Total | | | <u>100.00%</u> |

Concentration of credit risk: The Commission's investment policy places a limit of 10% on the amount of investment holdings with any one non-U.S. Government or non-federal agency issuer. As of June 30, 2020, the Commission did not have investments in any one issuer that represents more than 5% of the Commission's total investments.

Note 4. Capital Assets

| | Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|--------------------------|------------------------|-----------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 38,736,133 | \$ - | \$ (9,520,413) | \$ 29,215,720 |
| Total capital assets not being depreciated | <u>38,736,133</u> | <u>-</u> | <u>(9,520,413)</u> | <u>29,215,720</u> |
| Capital assets being depreciated and amortized: | | | | |
| Toll infrastructure | 27,899,996 | - | - | 27,899,996 |
| Transponders | 453,818 | - | - | 453,818 |
| Buildings | 1,607,626 | 16,032 | - | 1,623,658 |
| Equipment, furniture, and fixtures | 60,695 | - | - | 60,695 |
| Toll facility franchise | <u>250,692,492</u> | <u>-</u> | <u>-</u> | <u>250,692,492</u> |
| Total capital assets being depreciated and amortized | <u>280,714,627</u> | <u>16,032</u> | <u>-</u> | <u>280,730,659</u> |
| Less accumulated depreciation and amortization for: | | | | |
| Toll infrastructure | (12,170,348) | (5,481,818) | - | (17,652,166) |
| Transponders | (184,402) | (90,764) | - | (275,166) |
| Buildings | (326,654) | (172,623) | - | (499,277) |
| Equipment, furniture, and fixtures | (22,794) | (16,891) | - | (39,685) |
| Toll facility franchise | <u>(10,891,348)</u> | <u>(5,022,013)</u> | <u>-</u> | <u>(15,913,361)</u> |
| Total accumulated depreciation | <u>(23,595,546)</u> | <u>(10,784,109)</u> | <u>-</u> | <u>(34,379,655)</u> |
| Total capital assets being depreciated and amortized, net | <u>257,119,081</u> | <u>(10,768,077)</u> | <u>-</u> | <u>246,351,004</u> |
| Capital assets, net | <u>\$ 295,855,214</u> | <u>\$ (10,768,077)</u> | <u>\$ (9,520,413)</u> | <u>\$ 275,566,724</u> |

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 4. Capital Assets, Continued

On May 14, 2012, the Commission entered into a toll facilities agreement with Caltrans providing the Commission with authorization to toll the SR-91 from Orange/Riverside County line to I-15 for 50 years commencing as of the first day on which the RCTC 91 Express Lanes open for public use and toll operations. The agreement also set forth the Commission's leasehold rights to Caltrans' right of way and Caltrans' oversight role in the operations and maintenance of the RCTC 91 Express Lanes.

Note 5. Interfund Transactions

Due from/to other Commission funds: The composition of balances related to due from other funds and due to other funds of the Commission at June 30, 2020 is as follows:

| Payable Fund | Receivable Fund | Amount | Explanation |
|---|---------------------------------------|---------------------|--|
| RCTC 91 Express Lanes Enterprise fund | Commission's General fund | \$ (33,300) | Administrative cost allocation |
| RCTC 91 Express Lanes Enterprise fund | Commission's General fund | (36,230) | Fringe benefits allocation |
| RCTC 91 Express Lanes Enterprise fund | Commission's Special Revenue fund | (4,004) | 15/91 Express Lanes Connector project reimbursements |
| RCTC 91 Express Lanes Enterprise fund | Commission's Special Revenue fund | (511,534) | 91 Corridor Operations project reimbursements |
| Commission's Special Revenue fund | RCTC 91 Express Lanes Enterprise fund | 6,084 | I-15 Express Lanes project reimbursements |
| Total due from (to) other Commission funds, net | | <u>\$ (578,984)</u> | |

Transfers to/from other Commission funds: During 2020, transfers to/from other Commission funds were as follows:

| Transfer Out | Transfer In | Amount | Explanation |
|---|-----------------------------------|---------------------|---|
| RCTC 91 Express Lanes Enterprise fund | Commission's Special Revenue fund | \$ 2,006,671 | Transfer of surplus funds to fund the 91 Corridor Operations project |
| RCTC 91 Express Lanes Enterprise fund | Commission's Special Revenue fund | 4,004 | Transfer of surplus funds to fund the 15/91 Express Lanes Connector project |
| Total transfers out to other Commission funds | | <u>\$ 2,010,675</u> | |

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 6. Long-Term Obligations

The following is a summary of changes in long-term debt obligations for the year ended June 30, 2020:

| | Balance June 30, 2019 | Additions / Accretion | Reductions | Balance June 30, 2020 | Due Within One Year |
|--------------------------------|--------------------------|--------------------------|------------|--------------------------|------------------------|
| Toll revenue bonds: | | | | | |
| 2013 Bonds | \$ 201,425,284 | \$ 5,150,812 | \$ - | \$ 206,576,096 | \$ - |
| Toll revenue bonds discount | (2,001,373) | - | 73,073 | (1,928,300) | - |
| Total bonds payable, net | 199,423,911 | 5,150,812 | 73,073 | 204,647,796 | - |
| TIFIA loan | 469,870,660 | 16,468,676 | - | 486,339,336 | - |
| Compensated absences liability | 54,850 | 606 | (2,435) | 53,021 | 14,535 |
| Total long-term obligations | \$ 669,349,421 | \$ 21,620,094 | \$ 70,638 | \$ 691,040,153 | \$ 14,535 |

In July 2010, the Commission authorized the issuance and sale of not to exceed \$900 million of toll revenue bonds related to the 91 Project. In March 2020, the Commission authorized the issuance and sale of not to exceed \$725 million of toll revenue refunding bonds related to the RCTC 91 Express Lanes.

2013 Toll Revenue Bonds, Series A (Current Interest Obligation):

Outstanding

In July 2013, the Commission issued \$123,825,000 principal amount of serial current interest bonds (CIBs) at a discount of \$2,433,315 to fund a portion of the 91 Project, pay capitalized interest during construction, fund a debt service reserve fund, fund an initial amount for an operations and maintenance fund, and pay costs of issuance. The CIBs consist of a serial bond maturing on June 1, 2044 in the amount of \$39,315,000 at an interest rate of 5.75% and a term bond due on June 1, 2048 in the amount of \$84,510,000 with annual sinking funds payments of \$42,255,000 on June 1, 2047 and June 1, 2048 at an interest rate of 5.75%.

\$ 123,825,000

In accordance with the bond maturity schedule, the approximate annual debt service requirements to maturity for the 2013 Toll Revenue Bonds CIBs payable throughout the term of the bonds are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|-----------------------|----------------------|-----------------------|
| 2021 | \$ - | \$ 7,119,900 | \$ 7,119,900 |
| 2022 | - | 7,119,900 | 7,119,900 |
| 2023 | - | 7,119,900 | 7,119,900 |
| 2024 | - | 7,119,900 | 7,119,900 |
| 2025 | - | 7,119,900 | 7,119,900 |
| 2026-2030 | - | 35,599,700 | 35,599,700 |
| 2031-2035 | - | 35,599,700 | 35,599,700 |
| 2036-2040 | - | 35,599,700 | 35,599,700 |
| 2041-2045 | 39,315,000 | 33,339,100 | 72,654,100 |
| 2046-2048 | 84,510,000 | 12,148,500 | 96,658,500 |
| | <u>\$ 123,825,000</u> | <u>\$ 187,886,20</u> | <u>\$ 311,711,200</u> |

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 6. Long-Term Obligations, Continued

2013 Toll Revenue Bonds, Series B (Capital Appreciation Obligation):

Outstanding

In July 2013, the Commission issued \$52,829,600 principal amount of serial capital appreciation bonds (CABs) to fund a portion of the 91 Project, pay capitalized interest during construction, fund a debt service reserve fund, fund an initial amount for an operations and maintenance fund, and pay costs of issuance. The CABs will not pay current interest as interest will be compounded commencing December 2013 semiannually and paid at maturity. Therefore, the CABs will increase in value, or accrete, by the accumulation of such compounded interest from its initial principal amount to the maturity value in installments ranging from \$3,440,000 to \$34,220,000 on various dates from June 1, 2022 through June 1, 2043. Interest rates and yield to maturity range from 5.30% to 7.15%. During 2020, the accretion amount was \$5,150,812; the aggregate accretion through June 30, 2020 is \$29,921,493.

\$ 82,751,096

In accordance with the bond maturity schedule, the approximate annual debt service requirements to maturity for the 2013 Toll Revenue Bonds CABs payable throughout the term of the bonds are as follows:

| Year Ending June 30 | Principal | Accreted Interest | Total |
|---------------------|----------------------|----------------------|-----------------------|
| 2022 | \$ 2,396,700 | \$ 1,423,300 | \$ 3,820,000 |
| 2023 | 3,098,000 | 2,231,900 | 5,329,900 |
| 2024 | 3,739,200 | 3,245,900 | 6,985,100 |
| 2025 | 4,364,200 | 4,450,800 | 8,815,000 |
| 2026-2030 | 17,069,900 | 27,500,100 | 44,570,000 |
| 2031-2035 | 10,369,800 | 28,340,100 | 38,709,900 |
| 2036-2040 | - | - | - |
| 2041-2043 | 11,791,800 | 78,458,300 | 90,250,100 |
| | <u>\$ 52,829,600</u> | <u>\$145,650,400</u> | <u>\$ 198,480,000</u> |

TIFIA Loan Agreement:

Outstanding

In July 2013, the Commission executed a TIFIA loan of up to \$421,054,409, which proceeds financed a portion of the costs for the 91 Project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence on December 1, 2021, which is five years after substantial completion of the 91 Project, through June 1, 2051. The interest rate of the TIFIA loan is 3.47%.

\$ 486,339,336

The TIFIA loan is a toll revenue bond that is subordinate to the senior toll revenue bonds.

In accordance with the TIFIA loan maturity schedule, the approximate mandatory annual debt service requirements to maturity for the TIFIA loan payable throughout the term of the loan are as follows:

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 6. Long-Term Obligations, Continued

| Year Ending June 30 | Mandatory | | |
|----------------------------|----------------|----------------|----------------|
| | Principal | Interest | Total |
| 2022 | \$ - | \$ 1,921,000 | \$ 1,921,000 |
| 2023 | - | 1,921,000 | 1,921,000 |
| 2024 | - | 1,924,000 | 1,924,000 |
| 2025 | - | 1,919,000 | 1,919,000 |
| 2026-2030 | 50,000 | 41,117,000 | 41,167,000 |
| 2031-2035 | 28,991,000 | 86,968,000 | 115,959,000 |
| 2036-2040 | 132,279,000 | 74,338,000 | 206,617,000 |
| 2041-2045 | 99,107,000 | 55,153,000 | 154,260,000 |
| 2046-2050 | 233,347,000 | 26,550,000 | 259,897,000 |
| 2051 | 9,564,000 | 330,000 | 9,894,000 |
| Total | 503,338,000 | \$ 292,141,000 | \$ 795,479,000 |
| Future compounded interest | (16,998,664) | | |
| Total TIFIA loan | \$ 486,339,336 | | |

In connection with the issuance of the 2013 Toll Revenue Bonds consisting of the CIBs and CABs, a debt service reserve of \$17,665,460 and an operations and maintenance fund of \$3,137,666 were established. Upon opening of the RCTC 91 Express Lanes in March 2017, the operations and maintenance fund was transferred from the trustee to the Commission for operations. Additionally, the toll indenture and TIFIA loan agreement require the Commission to establish a subordinate obligations reserve fund of \$20,000,000 no later than July 1, 2019. The \$20,000,000 reserve was funded in June 2019 from the proceeds of the sale of excess properties on the SR-91 and surplus revenues.

Note 7. Commitments and Contingencies

Cooperative agreements: The RCTC SR-91 Express lanes are jointly operated with the existing OCTA 91 Express Lanes and collectively referred to as the 91 Express Lanes.

Under the Orange-Riverside Cooperative Agreement, which was entered into in December 2011, the Commission and OCTA agreed on the use of the same initial toll operator, cost and revenue sharing, toll policies, business rules, interoperability of technology, and marketing activities as well as OCTA review of design plans and construction activities for the 91 Project.

In May 2013 the Commission entered into a three-party agreement with OCTA and the third-party toll operator, for the operations of the 91 Express Lanes. This will ensure streamlined and consistent intercounty travel for motorists on the OCTA 91 Express Lanes in Orange County and RCTC 91 Express Lanes in Riverside County. The third-party operator provides operating services to the Commission in the annual amount of \$6,942,600 plus inflation for three initial years with two one-year extension options, subject to Board of Commissioners approval. The third-party operator is responsible for the day-to-day operations of the toll facility; another contractor is responsible for maintaining the roadside toll collection system under a separate agreement with the Commission. The agreement with the third-party operator expires on December 31, 2021, as amended in September 2019.

In November 2019, the Commission awarded an agreement to the third-party operator to develop and install a new back office system and to provide express lane operator services, including the back office

RCTC 91 Express Lanes Fund
Notes to Financial Statements
June 30, 2020

Note 7. Commitments and Contingencies, Continued

and customer services center. The third-party operator has a separate contract with OCTA. Each contract has a five-year term, plus two 3-year options, to operate both the OCTA and RCTC 91 Express Lanes. The operating term begins July 2021.

Purchase commitments: The Fund has entered into other agreements in the ordinary course of business with companies and other governmental agencies related to operations and maintenance. These agreements, which are significant, are funded with available and future revenues.

Note 8. Pensions and Other Post-Employment Benefits Other Than Pensions

The Fund participates in the Commission's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System and the Commission's OPEB. Employees of the Fund are employees of the Commission as a whole. The required note disclosures regarding pension plans and OPEB are included in the Commission's financial statements. Please see those financial statements for information about the pension plans and OPEB as a whole.

The net pension liability of \$673,906 and net OPEB asset of \$43,436, reported by the Fund, represent the Fund's proportional share of the Commission's net pension liability of \$8,921,123 and net OPEB asset of \$575,000. The Fund's net pension liability and net OPEB asset each represent 7.55% of the Commission's net pension liability and net OPEB asset, respectively. For the year ended June 30, 2020, the Fund's contributions recognized as part of pension and OPEB expenses were \$529,400 and (\$5,200), respectively.

Note 9. Pronouncements Issued, Not Yet Effective

In May 2020, the Commission adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. In light of the COVID-19 pandemic and effective immediately, this statement provides temporary relief to governments and other stakeholders with a delay in the effective dates of several GASB statements. The GASB pronouncements issued prior to June 30, 2020 that have an effective date that may impact future financial presentations include:

- GASB Statement No. 87, *Leases*, effective for the fiscal year that ends June 30, 2022;
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 31, 2021;
- GASB Statement No. 91, *Conduit Debt Obligations*, effective for fiscal years beginning after December 31, 2022;
- Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*, effective for the fiscal year that ends June 30, 2021; and
- Implementation Guide No. 2019-3, *Leases*, effective for the fiscal year that ends June 30, 2022.







RCTC

**RIVERSIDE
COUNTY
TRANSPORTATION
COMMISSION**

**Riverside County
Transportation Commission**

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