

Authorize the Issuance of Bond
Anticipation Notes as a
Short-term Interim Financing to Support
the Construction of the Interstate 405
Improvement Project and Selection of
Underwriting Team

Background

- In July 2017, OCTA secured a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for the I-405 Improvement Project (Project) in the amount of \$628.9 million
- The interest rate is fixed at 2.91 percent for the life of the loan
- OCTA has made draws on the TIFIA loan of \$287 million
- The balance on the loan as of June 30, 2020, is \$302.7 million including capitalized interest

Interest Rate Reset on 2017 TIFIA Loan

- Staff has been working with the Build America Bureau (Bureau) since August 2020 to lower the interest rate on the 2017 TIFIA loan
- The Bureau notified OCTA on May 20, 2021, that the interest rate reset has been approved
- Tentative closing date on the loan is June 22, 2021
- Interest rate will be determined at the time of closing and will be the 30-year Treasury rate plus one basis point

Use of Bond Anticipation Notes

- Bond Anticipation Notes (BANs) are a short-term financing vehicle used during the construction of projects
- BANs would allow OCTA to take advantage of lower short-term interest rates by using BANs instead of drawing on OCTA's TIFIA loan
- BANs for projects with TIFIA loans have three-year yields less than one percent
- The interest rate on OCTA's 2017 TIFIA loan is 2.91 percent and current 30-year Treasury rates are approximately 2.31 percent

BANs Process and Estimated Savings

- OCTA is not required to draw on the TIFIA loan until one year after substantial completion of the Project, which is scheduled for October 2024
- OCTA can issue BANs in the amount of the TIFIA loan which is \$628.9 million
- OCTA would use BANs to pay for construction costs
- In October 2024, OCTA would use the TIFIA loan proceeds to pay off the BANs
- Estimated savings would be \$25 million based on today's short-term rates

Selection of Underwriting Team

- OCTA will require an underwriting team to support the issuance of BANs
- A request for proposals was issued to OCTA's existing Board of Directors (Board)-approved underwriting pool
- The evaluation committee recommended four firms, including Bank of America Securities, Barclays Capital, Inc., Citigroup Global Markets, Inc., and Wells Fargo Securities
- Bank of America Securities was recommended as senior manager and Barclays Capital, Inc. was recommended as co-senior manager

Recommendations

- Authorize staff to pursue the Issuance of BANs as a short-term interim financing to support the construction of the Project
- Authorize staff to utilize a third-party bridge loan pending issuance of the BANs if to do so will generate additional savings over using cash to repay the 2017 TIFIA loan.
- Authorize the selection of Bank of America Securities, Barclays Capital, Inc., Citigroup Global Markets, Inc. and Wells Fargo Securities, from the OCTA's underwriting pool to assist with the issuance
- Authorize the selection of Bank of America Securities to serve as senior manager and Barclays Capital, Inc. to serve as co-senior manager for the issuance
- Direct staff to return to the Board for approval of the financing documents required to execute the closing of the transaction

Next Steps

- If the Board approves the recommendations, then staff will work with the financing team to develop the documentation required for the issuance of the BANs
- Staff would return to the Board for the approval of the financing documents in the early August timeframe