



September 8, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Bond Anticipation Notes (Interstate 405 Improvement Project), Series 2021 Approval of Standby Bond Purchase Agreement

Overview

To facilitate the issuance of Bond Anticipation Notes by the Orange County Transportation Authority, authorization is required by the Orange County Local Transportation Authority for the execution and delivery of a Standby Bond Purchase Agreement.

Recommendations

- A. Adopt Resolution No. 2021-077 authorizing the execution and delivery of a Standby Bond Purchase Agreement to facilitate the issuance of Bond Anticipation Notes by the Orange County Transportation Authority.
- B. Authorize staff to take all other actions necessary in connection with the execution and delivery of said Standby Bond Purchase Agreement.

Background

On October 26, 2020, the Orange County Transportation Authority (OCTA) Board of Directors (Board) authorized staff to pursue a rate reset on its 2017 Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan that supports the Interstate 405 (I-405) Improvement Project to achieve debt service savings. It was also determined that additional debt service savings could be realized if OCTA pursued short-term interim financing during the construction period instead of immediately drawing on the TIFIA loan. On June 14, 2021, the Board approved the issuance of Bond Anticipation Notes (I-405 Improvement Project), Series 2021 (2021 BANs) as a short-term interim financing to support the construction of the I-405 Improvement Project, and the selection of an underwriting team. Prior to execution of the transaction, staff was directed to return to the Board for approval of the financing documents required to execute the closing of the transaction.

Discussion

The United States Department of Transportation Build America Bureau Credit Programs Office (Bureau) has provided OCTA with an anticipated closing date of September 9, 2021, to reset the interest rate on OCTA's 2017 TIFIA Loan. Based on that anticipated closing date, staff is seeking approval of the Standby Bond Purchase Agreement by the Orange County Local Transportation Authority (OCLTA). The Standby Bond Purchase Agreement obligates OCLTA to purchase the 2021 BANs if OCTA was unable or delayed in drawing under the reset TIFIA Loan to repay the BANs. The savings benefit from using short-term BANs to fund eligible I-405 Project costs versus using the 2021 TIFIA Reset Loan is estimated to be approximately \$20 million.

The financing documents for the 2021 BANs have been submitted to S&P Global Ratings (S&P) and Moody's Investor Services (Moody's) for their review and ratings on the 2021 BANs. OCTA met with the rating agencies on August 19, 2021, to provide an update on OCTA and discuss the I-405 Improvement Project and sales tax history and forecasts, in addition to the proposed financing. It is anticipated that the ratings from S&P and Moody's will be released before September 8, 2021.

Legal Documents

To proceed with the issuance and sale of the 2021 BANs, and in connection with the approval of several financing documents by OCTA, OCLTA will execute the Standby Bond Purchase Agreement. The authorizing resolution and Standby Bond Purchase Agreement are summarized below.

Resolution - The resolution (Attachment A) is the legal document which authorizes the execution and delivery of a Standby Bond Purchase Agreement to facilitate the issuance of Bond Anticipation Notes by OCTA and taking all other actions necessary in connection with the execution and delivery of the Standby Bond Purchase Agreement. The Resolution also notes that in order to accomplish the issuance of the proposed 2021 BANs, OCTA is required to provide the document summarized below.

Standby Bond Purchase Agreement - The Standby Bond Purchase Agreement is the agreement between OCLTA and OCTA obligating OCLTA to purchase OCTA's bonds in the event the BANs trustee needs additional amounts after submitting the TIFIA Loan draw request to pay off the BANs at their maturity. OCLTA agrees that, among other sources, it will use best efforts to issue Measure M2 (M2) Sales Tax Revenue Bonds, including subordinate lien

M2 bonds, to finance its purchase of the OCTA refunding bonds. This document is included as Attachment B.

Next Steps

If the Board approves the financing documents and OCLTA approves the Standby Bond Purchase Agreement for the proposed 2021 BANs, the financing team will release the Preliminary Official Statement (POS) to the investment community. Investors will review the POS and determine their level of interest in the bonds and whether they require additional information from staff and the financing team.

Following the release of the POS, an investor presentation will be posted online during the week of September 13, 2021. The presentation will focus on the details of the transaction, including the legal structure. The presentation will be recorded by staff and the financing team. Investors will have the option to contact staff or the underwriting team to request additional information or follow-up meetings.

On September 20, 2021, staff will meet with investors and answer any “due diligence” questions prior to pricing the transaction. Staff will meet with the financing team to review final structuring as it relates to recommended coupons and interest rate levels.

Once the 2021 BANs are sold, staff will be provided a list of investors and presented a final spreadsheet detailing the costs of the transaction. OCTA’s Chief Financial Officer will execute the purchase contract and the transaction is expected to close by September 30, 2021. On the closing date, all legal documents are executed, and funds are exchanged between parties.

Summary

Staff is seeking approval of the Standby Bond Purchase Agreement by the Orange County Local Transportation Authority to facilitate the issuance of the 2021 Bond Anticipation Notes.

Attachments

- A. Orange County Local Transportation Authority Resolution No. 2021-077
- B. Standby Bond Purchase Agreement

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