



November 10, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Update on the Loan Agreements with the Cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board

Overview

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. This report provides the annual update on the status of each of these agreements as requested by the Board of Directors.

Recommendation

Receive and file as an information item.

Background

City of Anaheim

In July 2012, the Orange County Transportation Authority (OCTA) entered into a purchase and sale agreement with the City of Anaheim (Anaheim) selling real property valued at \$32.5 million to enable the construction of the Anaheim Regional Transportation Intermodal Center. Anaheim provided \$1 million as a down payment into escrow, with the remaining \$31.5 million to be paid over a 13-year period. The interest rate on the loan is set at a fixed-interest rate of two percent, with the interest portion of the loan to be paid in the final two years of the loan period.

Anaheim uses its Measure M2 (M2) Local Fair Share (LFS) funds to repay the loan, and the funds have been automatically deducted from Anaheim's bimonthly LFS payments since July 2012. The remaining principal balance is \$4.7 million, and the accrued interest is \$3.7 million as of September 30, 2021. The loan repayments will continue to be deducted from bimonthly M2 LFS payments until the loan balance reaches zero in fiscal year (FY) 2024-25. Should Anaheim become ineligible to receive LFS, or if the LFS funds are insufficient to meet the scheduled payment, California Highway Users Tax Account funds would be utilized to make the payments.

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City of Buena Park (Buena Park)

In April 2016, OCTA entered into a purchase and sale agreement with the City of Buena Park selling excess parcel remnants valued at \$1.04 million, from the Interstate 5 Freeway Widening Project. Buena Park provided \$514,000 as a down payment. Per the agreement, Buena Park will pay the balance over a five-year period until April 2021, with the balance secured by a deed of trust. In April 2017, Buena Park began making annual principal payments of \$105,200 plus interest. The interest calculation is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. The interest rate for FY 2018-19 was 2.13 percent and for FY 2019-20 was 0.40 percent. The City of Buena Park made their final payment in April 2021.

City of Placentia

In February 2010, OCTA entered into a loan agreement with the City of Placentia (Placentia) for \$4.1 million so Placentia could repay the California Department of Transportation for ineligible expenditures on rail grade separation projects. The loan amount of \$4.1 million is to be repaid over a 19-year period that began July 1, 2011 and continues through May 1, 2030. The remaining balance is \$1.9 million as of September 30, 2021, and is estimated to be paid by May 2026. The loan is anticipated to be paid in full ahead of schedule due to actual interest rates being lower than the rate assumed at the time the loan agreement was executed in February 2010. The initial assumption was that the interest rate for the life of the loan would be four percent. However, the actual interest rate on the loan is based on OCTA's actual short-term investment portfolio earnings rate for the prior 12-month period, and resets annually. Actual interest rates since the inception of the loan have been below 2.5 percent with the current interest rate at 0.35 percent.

Placentia uses its M2 LFS funds to repay the loan, and the funds are automatically deducted from Placentia's bimonthly LFS payments. The agreement allows OCTA to withhold 30 percent of Placentia's LFS funds beginning in FY 2011-12. Placentia's contribution increases by one percentage point each FY thereafter until the advance is fully repaid. Placentia's current contribution is 40 percent of their LFS payments. Should Placentia become ineligible to receive LFS, Placentia would be required to pledge other appropriate funding to repay the full amount of the advance and interest thereon.

West Orange County Water Board (WOCWB)

In October 2017, OCTA entered into a reimbursement agreement with the WOCWB for up to \$4.7 million for the relocation of a pipeline facility necessary to facilitate the Interstate 405 Widening Project. An amendment to the agreement was approved by the OCTA Board of Directors (Board) on November 27, 2017, to increase the loan amount by \$1.3 million to accommodate the final project cost received by the WOCWB.

Per the terms identified in the agreement, the WOCWB will make quarterly payments with the interest rate being equal to the State of California Surplus Money Investment Fund (SMIF). The SMIF interest rate on the September 2021 payment was 0.277 percent. The term of the loan has been structured to not exceed ten years. OCTA began receiving quarterly payments from the WOCWB in June 2018. In April 2020, the WOCWB returned unused principal of \$198,741 as required in the loan agreement upon project completion. The remaining balance is \$2.7 million as of September 30, 2021. The WOCWB will continue making quarterly payments until the loan has been fully repaid in March 2028.

Discussion

OCTA continues to withhold payments from M2 LFS funds to repay the loans established with the cities of Anaheim and Placentia. The 14th quarterly payment from the WOCWB has also been received. OCTA will continue to follow the terms identified in all loan agreements by withholding payments and invoicing responsible parties as applicable. The beginning balance, amount collected, and outstanding balance for each loan as of September 30, 2021, can be found on Attachment A.

Summary

The Orange County Transportation Authority Board of Directors authorized loan agreements with the cities of Anaheim, Buena Park, Placentia, and the West Orange County Water Board. The City of Buena Park has fully paid their loan. Each entity has been making payments per their respective agreements.

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Attachment

A. Status of Loan Agreements as of September 30, 2021

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