

91 Express Lanes Debt Restructuring

Background

- Series B bonds that mature in December 2030 (currently placed with Orange County Treasurer's office) have a mandatory tender date on August 15, 2013
- Series A fixed-rate bonds maturing annually through 2021 have a first optional call date on August 15, 2013
- \$155.5 million in bonds outstanding (\$149.9 million on August 15, 2013)
 - Series A: \$55.5 million
 - Series B: \$100 million
- Interest rates remain at historic lows

91 Express Lanes Borrowing Decisions

- Short-term repayment versus longer-term repayment
 - Impacts excess revenues available for SR-91 corridor improvement projects
- Borrow internally versus externally
 - Borrowing internally releases debt service and supplemental reserve funds upfront and lowers the cost of issuance/fees
- Tolerance for risk

Short-term versus Longer-term Repayment

- Short-term repayment produces less debt service; however excess revenues are less in the short-term

<i>(\$ in Millions)</i>	6-Year Maturity	10-Year Maturity	12-Year Maturity	15-Year Maturity	17-Year Maturity
Debt Service - Principal	124.30	124.30	124.30	124.30	124.30
Debt Service - Interest	7.97	16.84	21.86	29.67	34.99
Total Debt Service	132.27	141.14	146.16	153.97	159.29
Cumulative Excess Revenues in 2019	21.23	67.42	78.96	90.51	95.95
Cumulative Excess Revenues in 2025	236.80	227.93	222.91	242.20	251.38
Cumulative Excess Revenues in 2031	536.61	527.74	522.72	514.91	509.59

- Consequence of short-term debt is less flexibility; longer-term repayment schedules provide greater flexibility

Borrowing Internally versus Externally

Internal Loan

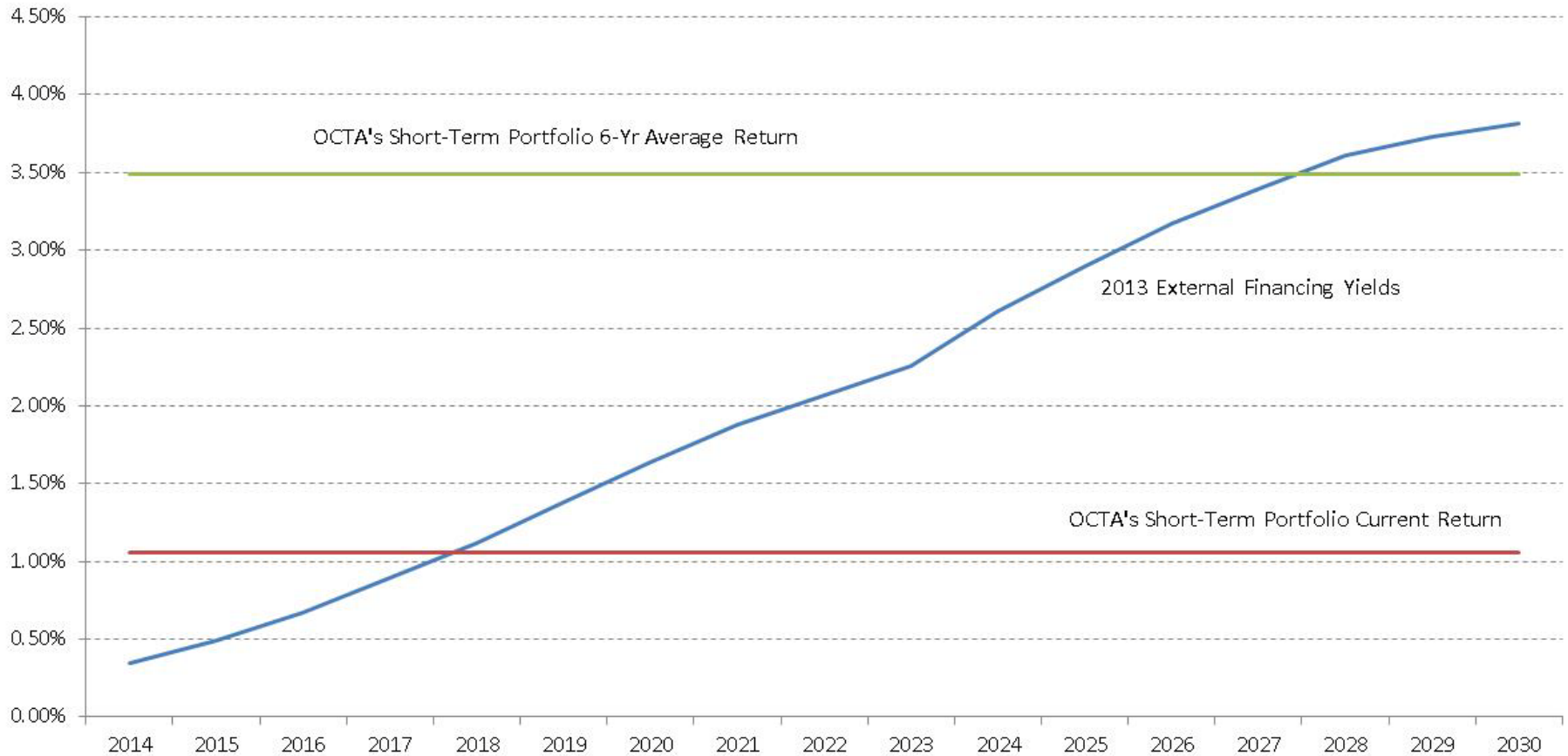
Debt Balance on 8/15/13	\$ 149,900,000
Release of Debt Service Reserve Fund	\$ (12,900,000)
Release of Supplemental Reserve Fund	\$ (12,700,000)
<u>Funds Needed:</u>	<u>\$ 124,300,000</u>

External Debt Issuance

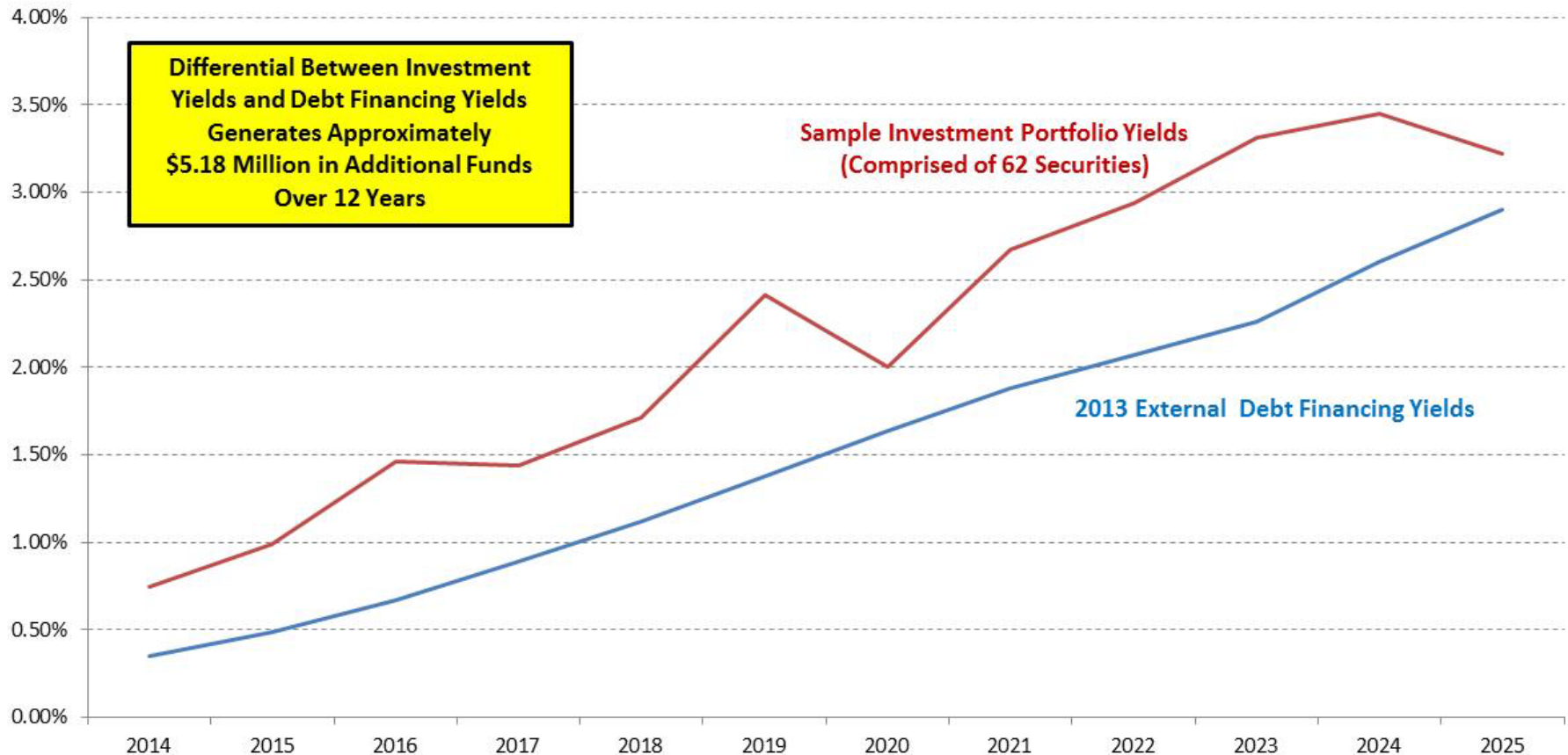
Debt Balance on 8/15/13	\$ 149,900,000
Release of Supplemental Reserve Fund	\$ (12,700,000)
<u>Funds Needed:</u>	<u>\$ 137,200,000</u>

	<u>Total</u>		<u>Total</u>		<u>Total</u>		<u>Release</u>		<u>Cost of</u>		<u>Total</u>
	<u>Principal</u>		<u>Interest</u>		<u>Debt Service</u>		<u>of Reserves</u>		<u>Issuance/Fees</u>		<u>Cost</u>
12-Year Repayment - Internal Loan	\$ 124,300,000	\$	21,856,083	\$	146,156,083		\$	50,000	\$	146,206,083	
12-Year Debt - External	\$ 137,200,000	\$	23,228,673	\$	160,428,673	\$	(12,900,000)	\$	875,000	\$ 148,403,673	
15-Year Repayment - Internal Loan	\$ 124,300,000	\$	29,666,267	\$	153,966,267		\$	50,000	\$	154,016,267	
15-Year Debt - External	\$ 137,200,000	\$	32,202,281	\$	169,402,281	\$	(12,900,000)	\$	875,000	\$ 157,377,281	
17-Year Repayment - Internal Loan	\$ 124,300,000	\$	34,986,794	\$	159,286,794		\$	50,000	\$	159,336,794	
17-Year Debt - External	\$ 137,200,000	\$	39,144,199	\$	176,344,199	\$	(12,900,000)	\$	875,000	\$ 164,319,199	

Borrowing Internally – At What Rate?



Today's Investment versus Issuance Yields



Tolerance for Risk

- 91 Express Lanes is a separate Enterprise fund
- OCTA internal funds available for a loan include Orange County Transit District funds (OCTD) and Commuter and Urban Rail Endowment funds (CURE)
- Combined OCTD and CURE projected balances as of June 30, 2013 totals approximately \$450 million
- If an internal loan from OCTD and CURE funds were provided to the 91 Express Lanes, then 28% of the combined assets from these two funds would be invested in the 91 Express Lanes
- Future risks include:
 - Fluctuations in 91 Express Lanes traffic and revenues
 - Changes in revenue/expenditure assumptions for OCTD and CURE

Why Issue Public Offering of Debt for 17 Years?

- Locks in historic levels of long-term interest rates and provides savings over 2003 debt structure
- Provides flexibility for the use of near-term excess revenues
- Preserves ability to invest internal funds in longer duration alternatives
- Allows OCTA to evaluate other loan options for internal funds such as a headquarters acquisition

Staff Recommendations

- Begin restructuring process and refund Series A and Series B bonds with long-term fixed-rate bonds
- Develop new open lien bond indenture
- Keep 2030 final maturity date
- Use any reduction in reserve fund requirements to pay down principal balance of debt
- Select the following five firms to serve on the proposed refinancing transaction:
 - Barclays (Senior Underwriter)
 - Bank of America Merrill Lynch (Co-Senior Underwriter)
 - De La Rosa & Co.
 - Goldman, Sachs & Co.
 - Stifel Nicolaus & Company

Next Steps

- May 2013: Seek Board of Directors approval
- May/Jun 2013: Draft financing documents
- Jun 2013: Meet with rating agencies
- Jul 2013: Seek final approval for financing documents from Finance and Administration Committee and Board of Directors
- Jul/Aug 2013: Issue new debt



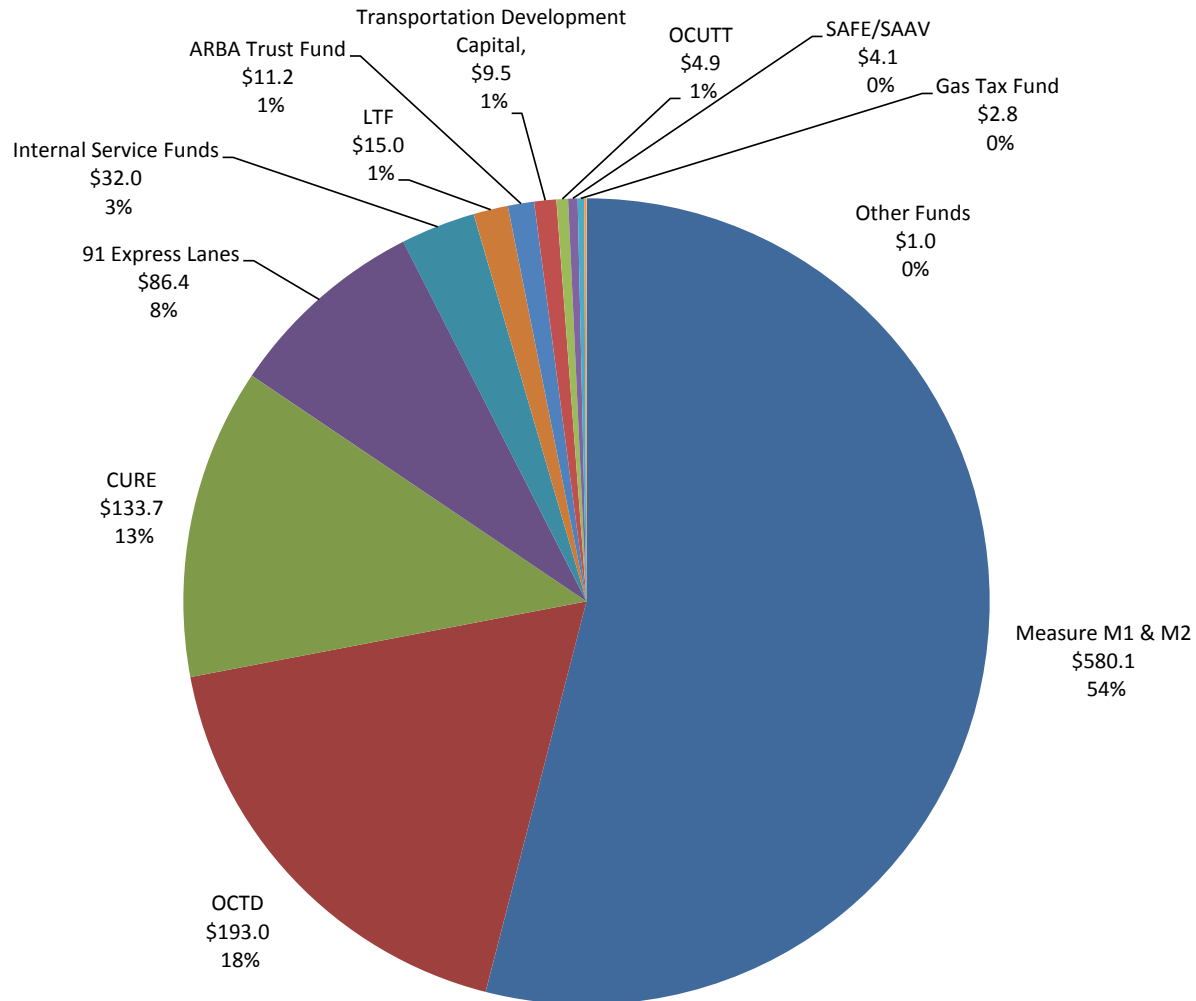
Draft 2013 SR-91 Implementation Plan

Project No.	Project Summary (Implementation Year)	Cost (\$M)
By Year 2015		
1	Metrolink Short-Term Expansion Plan (2014)	66
2	SR-91 WB Lane at Tustin Avenue (2015)	45.2
SUBTOTAL		111.2
By Year 2025		
3	Initial Phase CIP: Widen SR-91 by One GP Lane in Each Direction East of County Line, CD Roads and I-15/SR-91 Direct South Connector, Extension of Express Lanes to I-15 and System/Local Interchange Improvements (2017)	1,345
4	Express Bus Improvements Between Orange County and Riverside County (2017)	9.5
5	SR-71/SR-91 Interchange Improvements (2018)	122.7
6	SR-241/SR-91 Express Lanes Connector (2018)	135-180
7	SR-91 between SR-57 and SR-55 (2025)	253-425
SUBTOTAL		1,865 – 2,082

Project No.	Project Summary (Implementation Year)	Cost (\$M)
By Year 2035		
8	Fairmont Boulevard Improvements (Post-2025)	76.8
9	Metrolink Service and Station Improvements (2030)	335
10	Ultimate CIP: Widen SR-91 by One GP Lane in Each Direction from SR-241 to SR-71, I-15/SR-91 Direct North Connector, Extension of Express Lanes on I-15 and SR-91 Improvements East of I-15 (2035)	TBD
SUBTOTAL		412+
By Post-2035		
11	Elevated 4-Lane Facility (MIS Corridor A) from SR-241 to I-15 (Post-2035)	2,720
12	Anaheim to Ontario International Airport Maglev High Speed Rail (Post-2035)	2,770 – 3,200
13	Irvine-Corona Expressway (ICE) 4-Lane Facility from SR-241/SR-133 to I-15/Cajalco Road (Post-2035)	8,855
SUBTOTAL		14,350 – 14,780

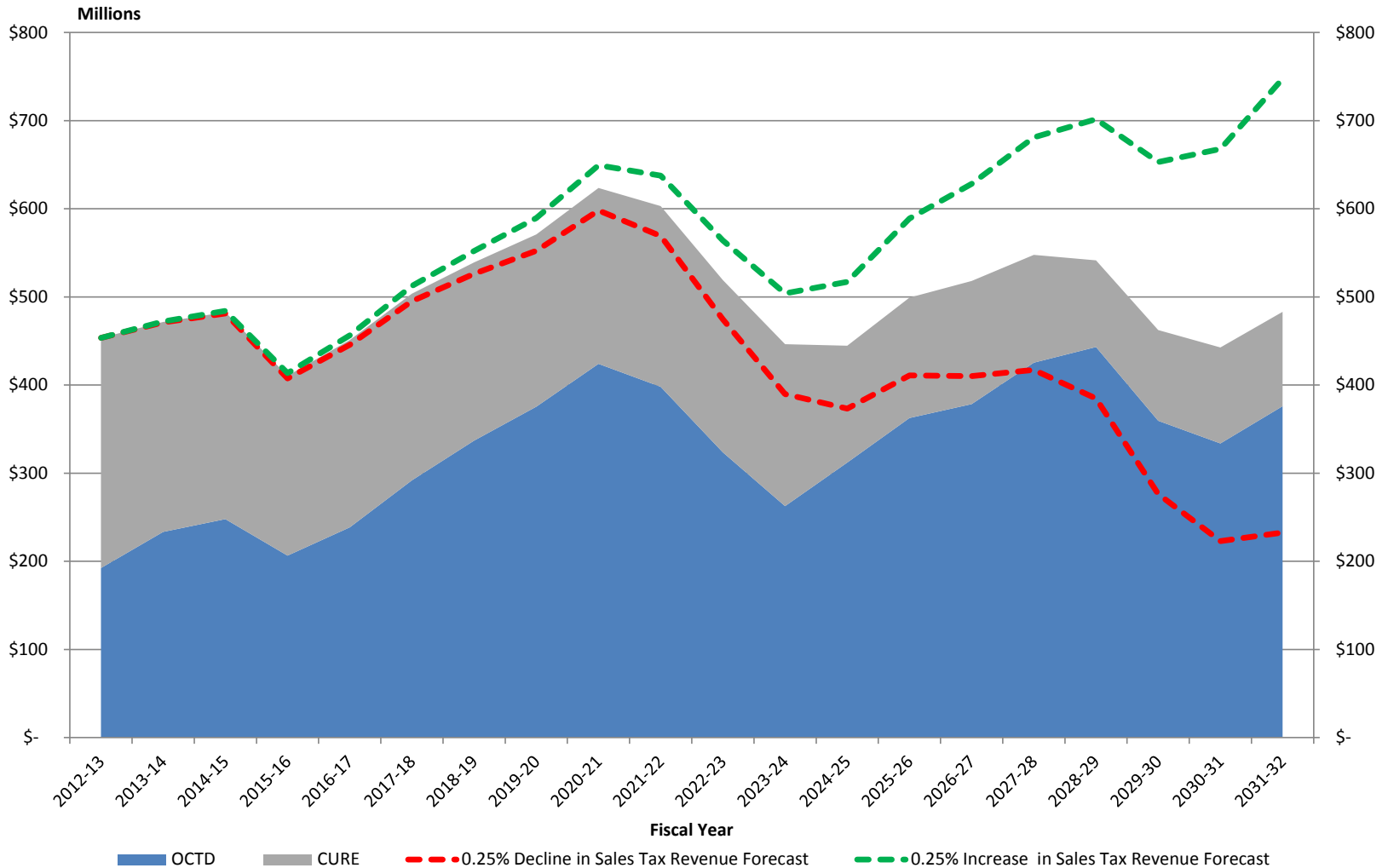
OCTA Funds Total \$1.07 Billion

Balances as of 2/28/13 (\$ millions)



OCTD and CURE Projections

Ending Cash Balances from 2012 Comprehensive Business Plan

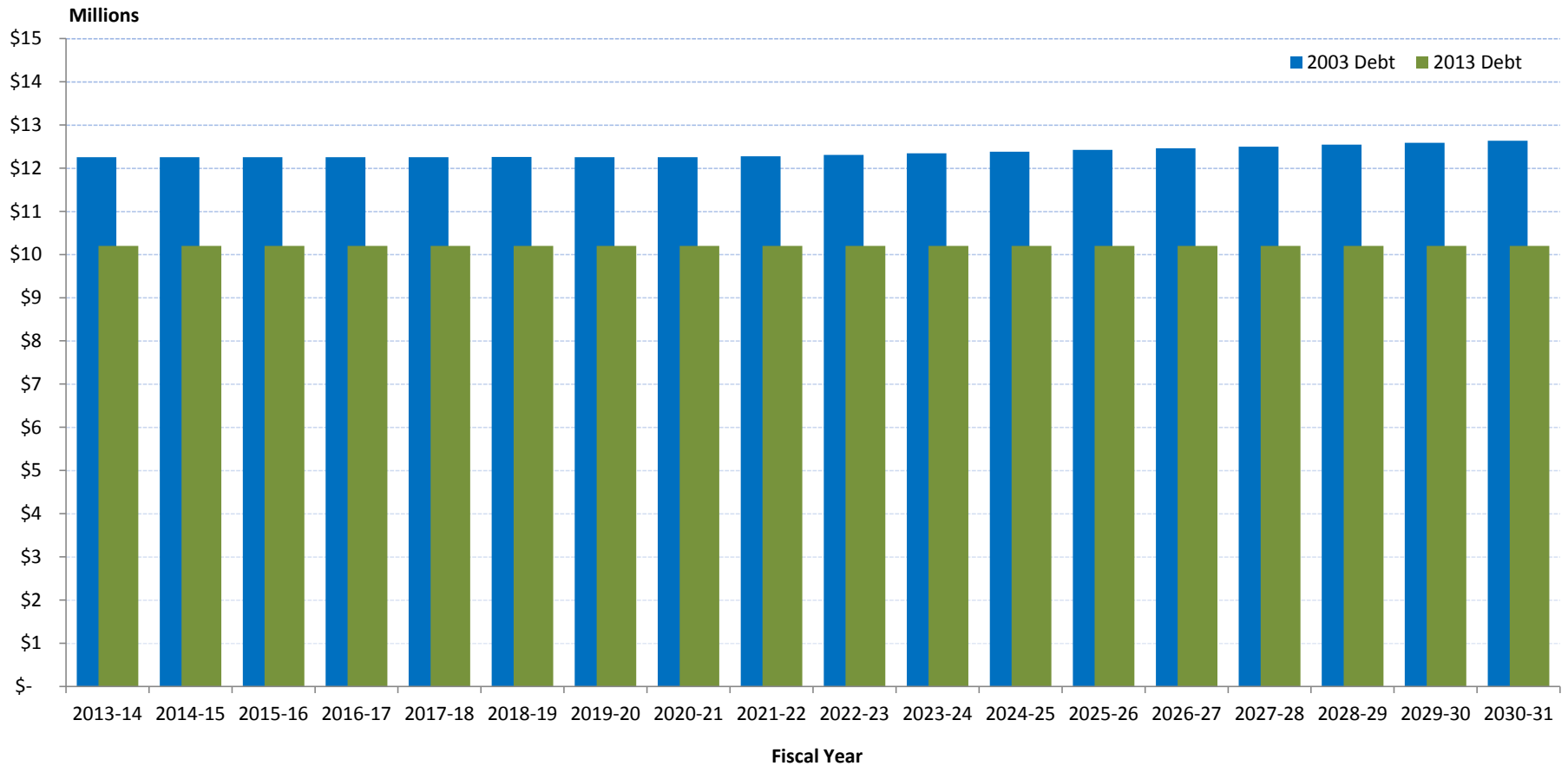


91 Express Lanes Projections*

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021-2026	2027-2031	Total (2014-2031)
(1) Total Revenues		39.19	40.34	43.15	43.76	44.76	47.75	49.93	366.01	408.98	1,083.88
(2) Capital/Operating Expenses		18.82	25.58	26.35	18.16	16.92	19.82	17.95	160.13	131.46	435.20
(3) Net Amount Available for Debt Service and Excess Revenues		20.37	14.76	16.80	25.60	27.83	27.93	31.98	205.88	277.52	648.68

Debt Service Comparison

Annual Debt Service Comparison Between 2003 Bonds and Proposed 2013 Bonds



Revenue and Debt Service Comparison

