

Measure M2 Plan of Finance



Background

- Measure M2 Early Action Plan approved in October 2007
- \$400 million tax-exempt commercial paper (TECP) program established in February 2008
- Issued \$100 million in TECP to date

TECP Program

- Variable rate short-term debt
- Supported by letter of credit
 - Expires November 2011
- Three options prior to expiration
 - Secure new letter of credit
 - Pay off TECP debt with M2 sales tax revenues
 - Refund TECP program with fixed-rate long-term debt

Financing Requirements

Freeway Program Environmental Mitigation	\$ 55 million
Streets and Roads Program Grade Separations	\$ 120 million
Transit Program Project T - ARTIC High-Frequency Metrolink Service Transit Extensions to Metrolink	\$ 120 million
Environmental Cleanup Program Tier 2 Projects	\$ 19 million
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Total	\$ 314 million

Financing Options

- Conventional tax-exempt debt
- Build America Bonds (BABs)
 - Allows state and local governments to sell taxable bonds and receive 35% subsidy from the Treasury
 - Established in February 2009
 - Over \$129 billion of BABs issued to date
 - Generates substantial savings at the long end of the yield curve

Financing Options

	<u>Conventional Tax-Exempt</u>	<u>Build America Bonds</u>
Size	\$ 392.0	\$ 392.0
Yield	3.77%	3.39%
Annual Debt Service	\$23.9 M per year	\$22.5 M per year

Recommendations

- Refund \$75 million of TECP program before December 31, 2010
- Authorize an issuance of sales tax revenue bonds by December 31, 2010 for M2 projects

Next Steps

Board of Directors Meeting (Potential Approval of Debt Issuance)	October 25
Development of Financing Documents	October/November
Finance and Administration Committee Meeting (Potential Approval of Draft Final Documents)	November 17
Rating Agency/Investor Presentations	Late November
Board Meeting (Potential Approval of Final Documents)	December 13
Bond Pricing	December 15
Transaction Closing	December 23