

# 91 Express Lanes Swap Termination with JP Morgan Chase Bank, N.A.

# *Background*

- State of California granted California Private Transportation Company, LLC a 35-year Franchise Agreement to own and operate the 91 Express Lanes
- Toll road opened in December 1995
- Acquired by Orange County Transportation Authority (OCTA) in 2002 for \$207.5 million
- OCTA took over operations in January 2003
- OCTA removed non-compete provisions of the Franchise Agreement after ownership
- Adopted congestion management toll policy in July 2003
- Restructured debt profile in November 2003

# Debt History

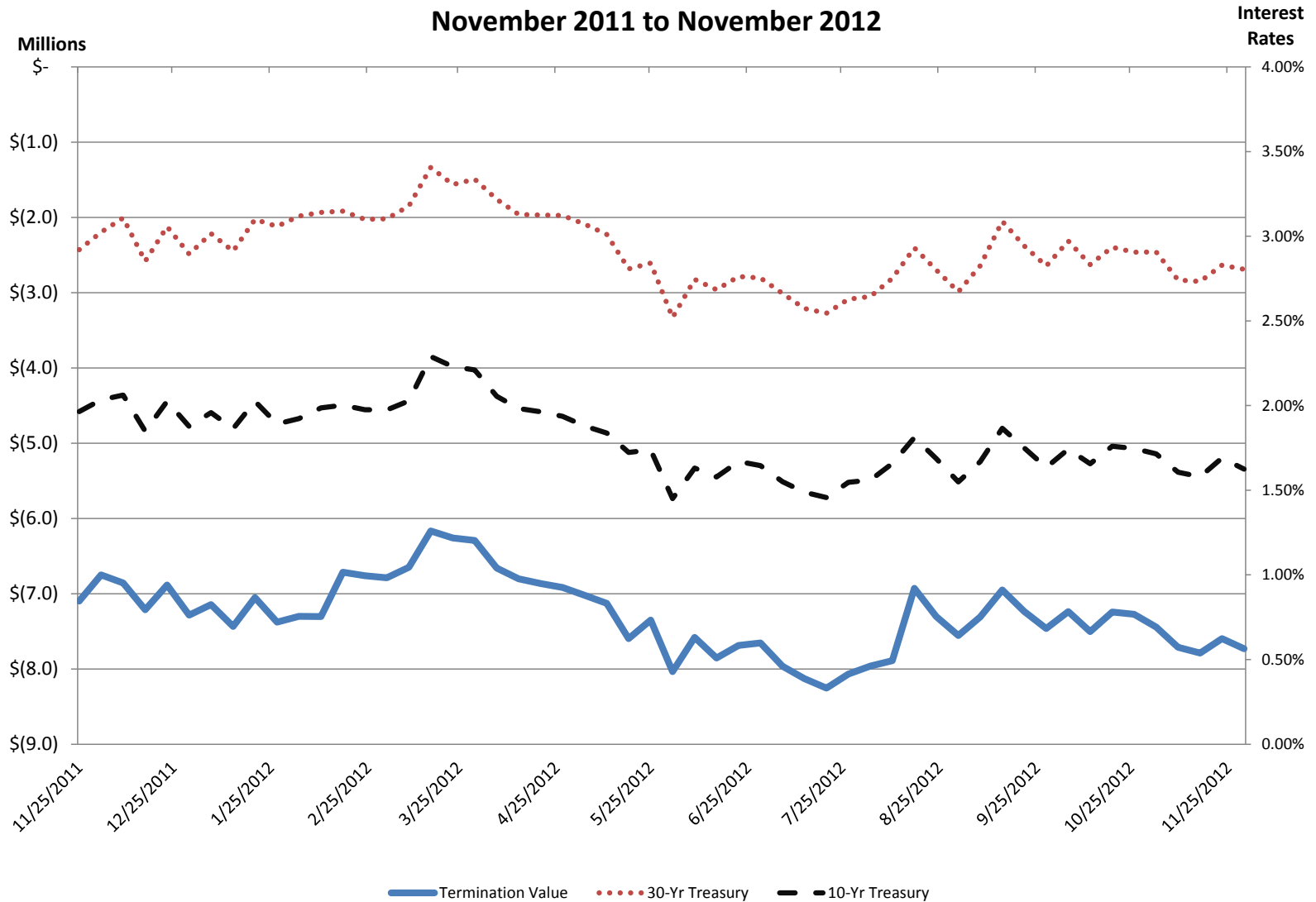
- Issued \$195.265 million in bonds in November 2003
  - \$95.265 million in Series A fixed-rate bonds
  - \$100 million in Series B variable-rate demand bonds (VRDBs)
  - Series B VRDBs swapped to synthetic fixed-rate of 4.06% with two counterparties (Lehman Brothers and Bear Stearns)
- Entered into a \$100 million private placement transaction with the Orange County Treasurer in December 2008
  - Two-year term – matured in December 2010
- Entered into a second \$100 million private placement transaction with the Orange County Treasurer in December 2010
  - Two-year, eight month term – matures on August 15, 2013

# Swap Update

- \$75 million Lehman Brothers swap transferred to Lehman Brothers subsidiary – Lehman Brothers Commercial Bank (renamed Woodlands Bank)
  - Counterparty payments between OCTA and Woodlands ceased in September 2008
  - OCTA terminated swap in March 2011 for \$4.9 million plus true-up payment
- \$25 million Bear Stearns swap acquired by JP Morgan in 2008
  - Swap functioning as designed with counterparty payments flowing between OCTA and JP Morgan
  - Termination currently valued at \$7.7 million

# Recent Termination Value

## Historical Termination Value Comparison to Treasury Rates November 2011 to November 2012



# *Financing Issues*

- On August 15, 2013, Series B bonds privately placed with Orange County Treasurer will mature
- Series A bonds have a first optional call date on August 15, 2013
- Interest rates remain at historic lows
- Staff will recommend in 2013 to restructure Series A and B bonds and issue fixed-rate bonds
- Options for JP Morgan swap include:
  - Terminate now
  - Terminate with the restructuring of debt in 2013

# Recommendations

- Finance and Administration Committee recommendation on November 28, 2012
  - Authorize staff to negotiate a termination of the interest rate swap with JP Morgan at no more than market rate less five basis points, not to exceed \$8 million, and authorize the Chief Executive Officer to execute a termination agreement between the two parties
  - Amend the Orange County Transportation Authority Fiscal Year 2012-13 budget to accommodate the termination and fund the termination payment to JP Morgan

# *Next Steps*

- If approved by Board of Directors (Board), terminate JP Morgan swap now
- Provide Board an update on termination cost in January 2013
- Return to the Board by May 2013 with a restructuring strategy for 91 Express Lanes Series A and B bonds
- Restructure 91 Express Lanes debt by August 15, 2013