

Measure M2 Plan of Finance

Background

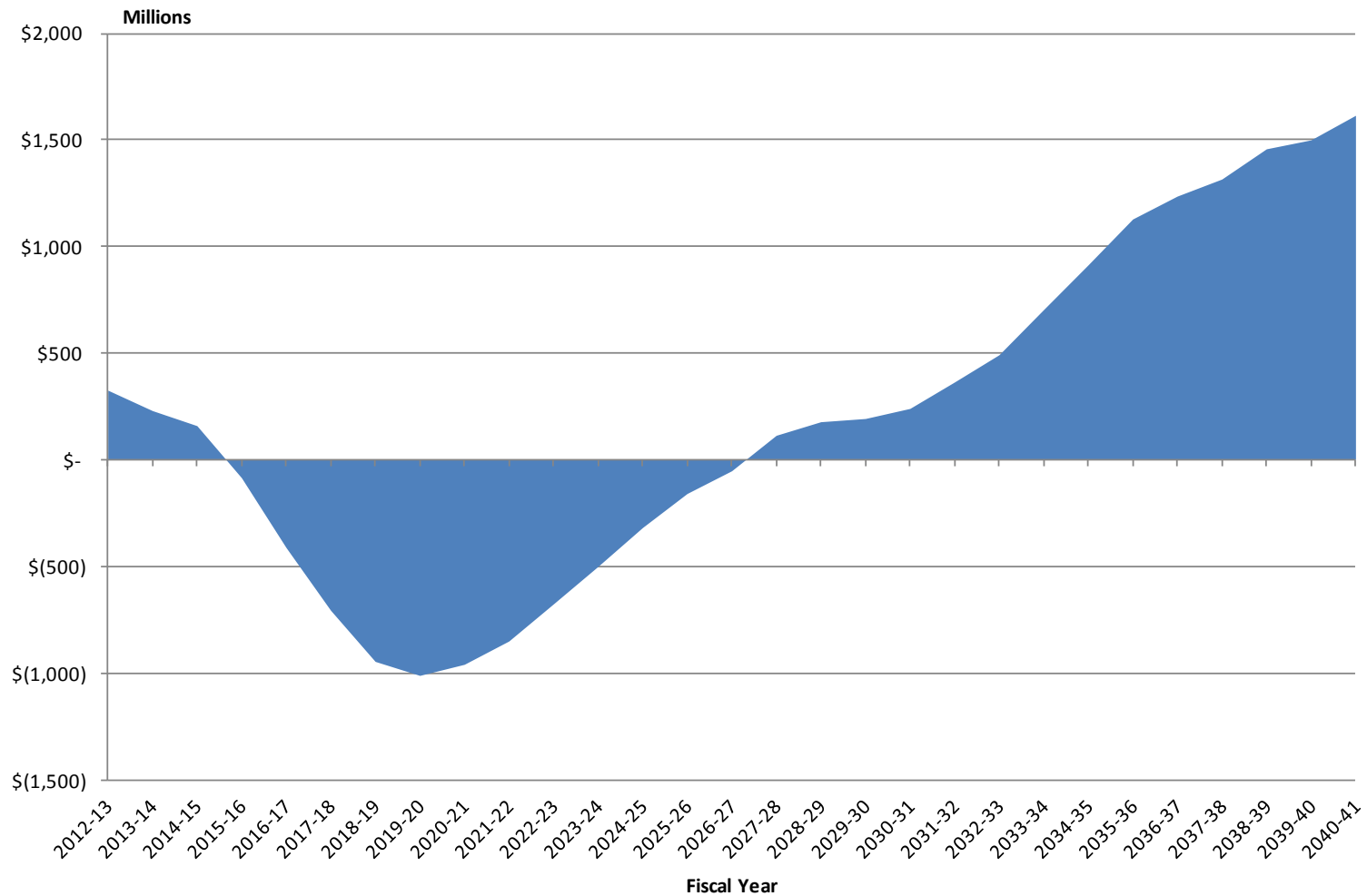
- Measure M2 Early Action Plan developed in 2007
- Plan of Finance approved in 2007 and 2010
 - Tax-exempt commercial program established in 2008
 - Taxable and tax-exempt bonds issued in December 2010
- Measure M2 M2020 Plan approved in September 2012

M2020 Plan Assumptions

- Revenues (from FY 2012-13 through FY 2019-20)
 - 2012 three university forecast projecting \$2.6 billion
 - Other local, state, and federal funding totaling \$1.3 billion
- Expenditures (from FY 2012-13 through FY 2019-20)
 - Freeway program totaling \$2.6 billion
 - Streets and roads program totaling \$1.2 billion
 - Transit program totaling \$1.1 billion
 - Environmental program totaling \$56 million

Funding Requirements

M2 Cash Balances - With No Future Debt Issuances



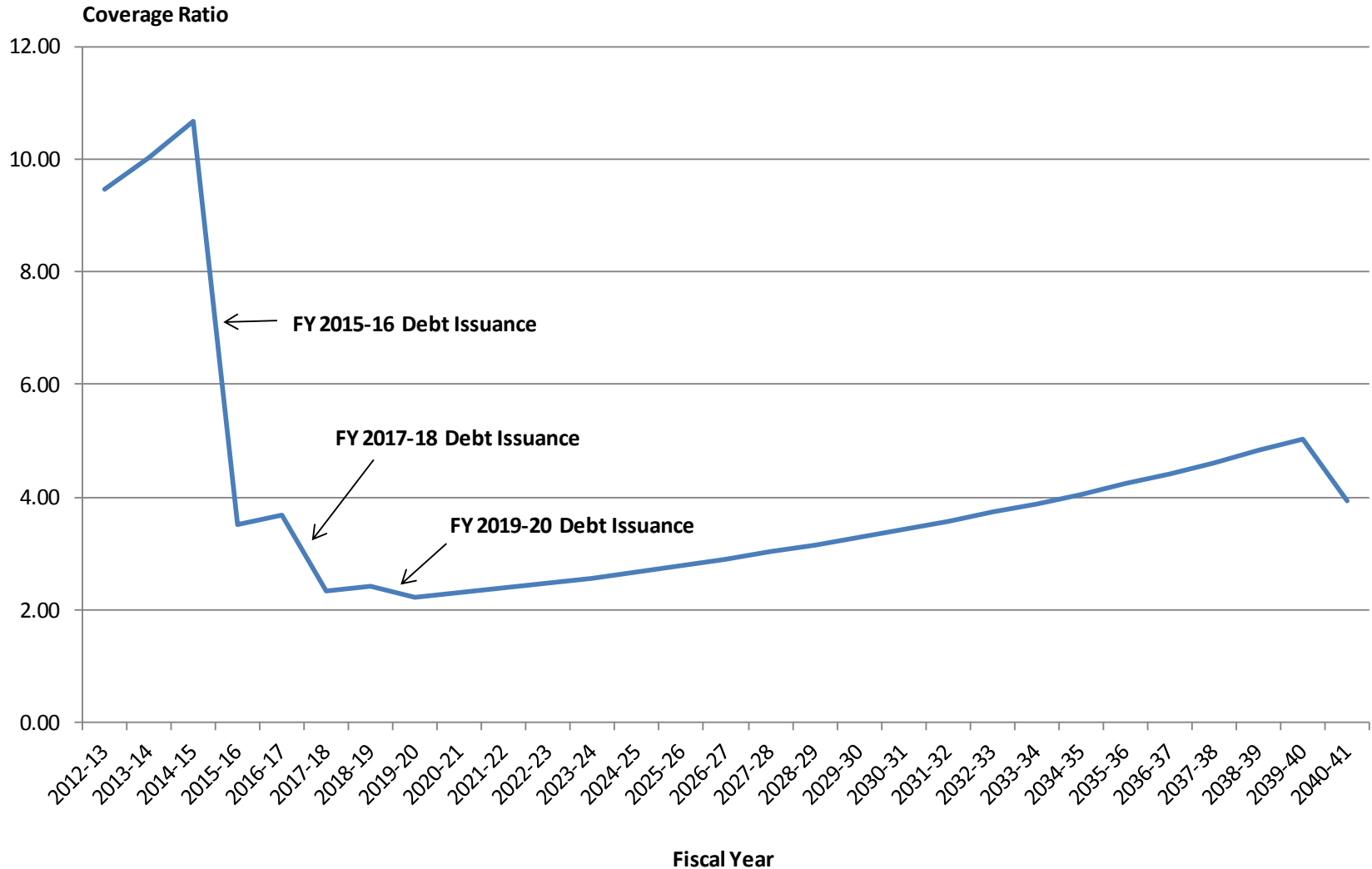
Plan of Finance Recommendations

- Utilize pay-as-you-go funding through the end of FY 2014-15
- Issue fixed-rate M2 sales tax revenue bonds in:
 - FY 2015-16 (\$600 million for freeways and \$100 million for transit)
 - FY 2017-18 (\$600 million for freeways)
 - FY 2019-20 (\$200 million for freeways)
- Retain \$50 million tax-exempt commercial paper program
- Evaluate Transportation Infrastructure Finance and Innovation Act (TIFIA) funding for M2020 Plan projects

Debt Issuance Summary

| | <u>FY 2015-16</u> | <u>FY 2017-18</u> | <u>FY 2019-20</u> |
|---------------------------|-------------------|-------------------|-------------------|
| Issuance Date | 7/1/2015 | 7/1/2017 | 7/1/2019 |
| Par Amount + Premium | \$ 755,783,132 | \$ 651,816,574 | \$ 218,143,351 |
| Bond Proceeds | \$ 700,000,000 | \$ 600,000,000 | \$ 200,000,000 |
| Debt Service Service Fund | \$ 48,928,750 | \$ 45,915,815 | \$ 16,185,783 |
| Cost of Issuance | \$ 8,656,000 | \$ 7,749,250 | \$ 2,603,438 |
| True Interest Cost | 4.11% | 4.46% | 4.48% |
| Average Life | 15.47 years | 14.14 years | 12.83 years |
| Max Annual Debt Service | \$ 48,928,750 | \$ 45,915,815 | \$ 16,185,783 |
| Total Interest | \$ 532,532,811 | \$ 437,478,392 | \$ 133,500,231 |

Debt Service Coverage Ratios



Alternate Scenarios

- Alternative 1 – Baseline scenario with stress tests
- Alternative 2 – TIFIA funding
 - Debt service savings of \$71.3 million over traditional debt
- Alternative 3 – Fixed guideway projects receive no federal funding
 - Requires other funding sources
 - Requires additional bond issuances
 - Requires local city match
 - Requires delay in project schedules

Next Steps

- Return to the Board of Directors within 120 days with a recommendation on TIFIA funding
- Update rating agencies on the Plan of Finance
- Monitor key inputs into the Plan of Finance to assure successful delivery of the M2020 Plan