COMMISSIONERS: PLEASE GIVE SPECIAL ATTENTION TO THE TWO BOLD PARAGRAPHS AND ATTACHMENT 2 IN THIS AGENDA ITEM.

RIVERSIDE COUNTY TRANSPORTATION COMMISSION

DATE:	May 10, 2017
TO:	Riverside County Transportation Commission
FROM:	Theresia Trevino, Chief Financial Officer
THROUGH:	Anne Mayer, Executive Director
SUBJECT:	Interstate 15 Express Lanes Project and 91 Project Completion Plans of Finance

BUDGET AND IMPLEMENTATION COMMITTEE AND STAFF RECOMMENDATION:

After many years of planning and development related to the Interstate 15 Express Lanes Project (I-15 Express Lanes), the Commission is now poised to begin final design and construction following the award of a design-build contract to Skanska-Ames, a Joint Venture, in April. A preliminary Plan of Finance for the I-15 Express Lanes has been presented previously to the Commission, and the final I-15 Express Lanes Plan of Finance is ready for approval.

Additionally, substantial completion for the State Route 91 Corridor Improvement Project (91 Project) occurred on March 20, and the RCTC 91 Express Lanes and other general purpose improvements are now open to traffic. In 2014, the 91 Project cost increased from the $1.312 million financed in July 2013 to $1.407 billion—primarily as a result of an increase in right of way acquisition costs. Accordingly, the Commission developed the 91 Project Completion Plan of Finance.

The following staff recommendations are related to the plans of finance for the I-15 Express Lanes and 91 Project and include issuance of sales tax revenue bonds for the I-15 Express Lanes and 91 Project and execution of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan with the U.S. Department of Transportation (USDOT) for the I-15 Express Lanes or, in the alternative to a TIFIA loan, the issuance of toll revenue bonds or short-term bridge financing.

This item is for the Commission to:

1) Approve the 91 Project Completion Plan of Finance regarding the issuance of the 2017 Series A Sales Tax Revenue Bonds (2017 Bonds);
2) Approve the I-15 Express Lanes Plan of Finance regarding the issuance of the 2017 Bonds and receipt of a TIFIA loan from the USDOT or, in the alternative to a TIFIA loan, the issuance of toll revenue bonds or short-term bridge financing;
3) Adopt Resolution No. 17-006, "*Resolution Authorizing the Issuance and Sale of Not to Exceed $218,760,000 Aggregate Principal Amount of Riverside County Transportation Commission Sales Tax Revenue Bonds (Limited Tax Bonds) in One or More Series, Including the Execution and Delivery of a Seventh Supplemental Indenture, a Purchase Contract, an Official Statement, and a Continuing Disclosure Agreement, and the Authorization of a*

Toll Revenue Bond Financing of the I-15 Express Lanes Project in an Amount Not To Exceed $165,000,000, Including the Execution and Delivery of a Master Indenture, a First Supplemental Indenture and a Loan Agreement Relating to Transportation Infrastructure Finance and Innovation Act Program Credit Assistance, and the Taking of All Other Actions Necessary in Connection Therewith";

4) Approve the draft form of the Official Statement for the issuance of 2017 Bonds for the I-15 Express Lanes and 91 Project in a not to exceed amount of $218,760,000 and authorize the Executive Director to revise, approve, and execute the printing and distribution of the Official Statement;
5) Approve the draft form of the Continuing Disclosure Agreement related to the 2017 Bonds between the Riverside County Transportation Commission and Digital Assurance Certification, L.L.C., as dissemination agent, and authorize the Executive Director to revise, approve, and execute the final Continuing Disclosure Agreement;
6) Approve the draft form of the Seventh Supplemental Indenture for the 2017 Bonds between the Riverside County Transportation Commission and U.S. Bank National Association (US Bank), as Trustee, and authorize the Executive Director to revise, approve, and execute the final Seventh Supplemental Indenture;
7) Approve the draft form of the Bond Purchase Agreement between the Riverside County Transportation Commission and Bank of America Merrill Lynch (BofAML) and Goldman, Sachs & Co. (Goldman), as Underwriter Representative acting on behalf of itself and Barclays Capital Inc. (Barclays), Academy Securities (Academy), and Fidelity Capital Markets. (Fidelity), (collectively the Underwriters), for the 2017 Bonds and authorize the Chief Financial Officer to revise, approve, and execute the final Bond Purchase Agreement;
8) Approve the draft form of the Master Indenture between the Riverside County Transportation Commission and US Bank, as Trustee, related to the Toll Revenue Bonds for the I-15 Express Lanes and authorize the Executive Director to revise, approve, and execute the final Indenture;
9) Approve the draft form of the First Supplemental Indenture for the I-15 Express Lanes TIFIA loan between the Riverside County Transportation Commission and US Bank, as Trustee, and authorize the Executive Director to revise, approve, and execute the final First Supplemental Indenture;
10) Approve the draft form of the TIFIA Loan Agreement between the Riverside County Transportation Commission and the USDOT for an amount not to exceed $165 million and authorize the Executive Director to revise, approve, and execute the final TIFIA Loan Agreement; and
11) Approve the estimated costs of issuance to be paid from the bond proceeds and execution of related agreements, as required.

BACKGROUND INFORMATION:

The 2009 Measure A Expenditure Plan (Expenditure Plan) approved by Riverside County voters in November 2002, identified improvements related to I-15 to be implemented with Measure A Western Riverside County (Western County) highway funds. As staff began planning highway projects for the first 10 years of the new measure, construction costs had been increasing significantly. Although the Expenditure Plan contemplated the need for state and federal funding to supplement Measure A revenues for highway projects, it was apparent innovative financing techniques would be necessary to fund some of the highway projects and the Measure A debt limitation would need to be increased.

Accordingly, in early 2006 following a competitive procurement, the Commission engaged a strategic partnership advisory team knowledgeable in the area of transportation economics, federal transportation funding tools, and corporate equity investment evaluation to evaluate the feasibility of public/private partnerships and public delivery options to build additional transportation capacity and/or to speed the delivery of planned projects. The SR-91 and I-15 corridors were identified by this team as projects with strong user demand that could be financed using toll revenues. In December 2006, the Commission approved the 10-Year Western Riverside County Highway Delivery Plan (10-Year Delivery Plan), which identified improvements including toll, or express, lanes on the SR-91 and I-15. Other general purpose improvements were also included in the 10-Year Delivery Plan.

In the following years, the Commission hired engineering firms to commence development of separate project report/environmental documents following competitive procurements. The Commission also obtained state and federal tolling authority as well as design-build authority for both projects. Due to the recession that occurred shortly after the approval of the 10-Year Delivery Plan, the Commission also reprioritized and recalibrated these projects in order to maintain financial feasibility. The scope of each of these projects is as follows:

- The 91 Project connects with the Orange County Transportation Authority 91 Express Lanes at the Orange County/Riverside County line using a two-mile mixing area and continues approximately eight miles to the 15/91 interchange in Riverside County. The 91 Project involved widening pavement on the outside of the existing SR-91 to reposition general purpose lanes and repurpose the existing high occupancy vehicle lane to accommodate two tolled express lanes in the median in each direction. It also involved constructing one new general purpose lane in each direction from SR-71 to I-15, ultimately providing two tolled express lanes and five general purpose lanes in each direction. The 91 Project also included the restriping of lanes and construction of a two-lane (one lane in each direction) direct tolled connector approximately 2.8 miles long providing the 91 Express Lanes with access/egress to I-15 South.

  Other improvements included reconstruction with geometric improvements of five local interchanges; construction of new and widened bridges, retaining walls, sounds walls, and aesthetics improvement; addition of a collector-distributor system with braided ramps in the vicinity of the 15/91 interchange; addition of auxiliary lanes and other operational improvements; restriping of lanes; and installation of an electronic toll collection and enforcement system.

- The I-15 Express Lanes consists of one to two tolled express lanes in each direction on I-15 between Cajalco Road and SR-60 through the cities of Corona, Norco, Eastvale, and Jurupa Valley and portions of unincorporated Riverside County, a distance of approximately 15 miles. The project includes sign modifications, installation of new signs, and construction of retaining walls and sound walls. Eleven bridges are to be widened. Roadway improvements are anticipated to be constructed within the existing Caltrans right of way with the majority of the improvements occurring within the existing I-15 median. An electronic toll enforcement and collection system will also be installed. The I-15 Express Lanes is expected to open to tolled vehicular traffic in July 2020.

Through separate competitive procurements, the Commission hired Parsons Transportation Group (Parsons) as the project and construction manager for the 91 Project and I-15 Express Lanes to assist the Commission in the preparation for design-build, toll systems integration and installation, and toll operator procurements and contracts as well as to oversee the design and construction work during the design-build phase. Some of the preparation activities consisted of developing and negotiating various agreements required in connection with the design-build phase as well as operations of the toll lanes following the completion of construction. For the 91 Project, the Commission awarded a design-build contract to Atkinson/Walsh, a Joint Venture, and approved an agreement for the operations and maintenance of the 91 Express Lanes to Cofiroute USA, LLC in May 2013 and authorized the award of an electronic toll and traffic management systems integration and installation contract to Cofiroute in January 2014. For the I-15 Express Lanes, the Commission awarded a toll services provider contract to Kapsch Traffic Com North America in January 2017 and a design-build contract to Skanska-Ames, a Joint Venture, in April 2017.

While project development activities were underway, staff also conducted various financing activities required to finance the project costs related to the design-build phase.

- Bond underwriting teams for each project were appointed following competitive procurements for underwriter services in connection with future long-term debt financings. The initial tasks for the senior underwriting team included the development of a financial model and evaluation of potential financing structures, including TIFIA loans and toll revenue bonds.
- Following separate competitive procurements for traffic and revenue studies, Stantec Consulting Services (Stantec) was awarded contracts to prepare the investment-grade traffic and revenue studies for the 91 Project and the I-15 Express Lanes and to assist in the development of a toll policy for each project. A traffic and revenue study is required for the successful financing of toll-supported debt, including toll revenue bonds and a TIFIA loan.
- The Commission submitted letters of interest for credit assistance to TIFIA for both projects. In July 2013 TIFIA approved a loan for the 91 Project in the approximate amount of $421 million. For the I-15 Express Lanes, the Commission advanced to the creditworthiness stage in January 2016 and is currently completing the creditworthiness assessment and negotiations for the terms and conditions of a TIFIA loan.

- A preliminary Plan of Finance for the I-15 Express Lanes was presented to the Commission in November 2015 and November 2016, and the Commission approved $110 million in federal Congestion Mitigation and Air Quality (CMAQ) and/or Surface Transportation Block Grant (STBG) funds for design-build costs related to the I-15 Express Lanes.
- Competitive procurements for investment management services related to the project financings were conducted. Logan Circle Partners, L.P. was awarded investment management services agreements in May 2013 for the 91 Project and in April 2017 for the I-15 Express Lanes.
- US Bank serves as the trustee for administration of the sales tax bonds and the toll-supported debt. Typically, the trustee fulfills its duties on behalf of the bond investors and TIFIA in accordance with the trust indentures over the life of the outstanding debt unless there is cause for termination and appointment of a successor trustee.

In July 2013, the Commission completed the financing for the $1.312 billion 91 Project with the issuance of sales tax bonds and toll revenue bonds and the execution of a TIFIA loan. In spring 2014, the capital cost estimates for the 91 Project were reviewed and revised for a total estimated cost of $1.407 billion. The $95 million estimated cost increase was primarily related to higher than anticipated right of way acquisition costs. Subsequent annual reviews of the 91 Project costs, including spring 2017, resulted in no changes to the $1.407 billion cost estimate, which also includes contingencies. As a result of substantial completion, a Plan of Finance for the completion of the 91 Project is now required.

The toll-supported debt is not subject to the 2009 Measure A debt limit as these bonds or loans are secured by a lien on toll revenues; however, the initial Measure A debt limit of $500 million constrained the ability to issue additional sales tax revenue bonds secured by a lien on 2009 Measure A revenues. In November 2010, a majority of the voters in Riverside County increased the 2009 Measure A debt limit to $975 million. As of June 1, 2017, the projected amount of sales tax debt is $776,240,000, excluding an authorized but unissued $40 million of commercial paper notes:

Debt Description	Balance at 6/1/16	October 2016 Refunding	Principal Payments	March 2017 Issuance	Anticipated Balance at 6/1/17
Bonds:					
2009 A, B, C	$ 139,100,000	$ (63,900,000)	$ (4,400,000)	$ -	$ 70,800,000
2010 A, B	150,000,000	-	-	-	150,000,000
2013 A	462,200,000	-	-	-	462,200,000
2016 A	-	76,140,000	(2,900,000)	-	73,240,000
Subtotal-Bonds					
Commercial Paper	20,000,000	(20,000,000)	-	20,000,000	20,000,000
Total Outstanding Debt	$ 771,300,000	$ (7,760,000)	$ (7,300,000)	$ 20,000,000	$ 776,240,000

Staff combined the I-15 Express Lanes and 91 Project Plans of Finance as a single financing to achieve financing efficiencies.

Plan of Finance

I-15 Express Lanes

The financing team has maintained a quantitative model of the financing for the I-15 Express Lanes since 2015. The most recent version of the model was updated in March to refine market-based assumptions and reflect updated estimates of overall I-15 Express Lanes capital and operating expenses as a result of recent procurement activities. The projected total capital costs for the I-15 Express Lanes, excluding financing reserves, is approximately $454.6 million. Approximately $93.8 million of predevelopment costs is expected to have been incurred through financial close; these costs have been funded with available Measure A sources on a pay-as-you-go basis or financed through the Commission's commercial paper program or prior sales tax revenue bond financings. Accordingly, the I-15 Express Lanes costs to be financed approximate $360.8 million. The financing will also include approximately $30 million in proceeds to retire outstanding commercial paper notes and $14 million for a ramp up reserve fund for operation and maintenance of the I-15 Express Lanes based on financial modeling requirements. Therefore, the total I-15 Express Lanes Plan of Finance is in the approximate amount of $403.9 million; however, it is preliminary and subject to change.

91 Project Completion

As previously noted, a Completion Plan of Finance for the 91 Project is needed for approximately $95 million of projected costs through final completion. Approximately $53 million of this amount is related to contingencies, which may or may not be utilized. Assuming that the Commission's $60 million commercial paper program will be maintained after this financing, staff proposes the issuance of commercial paper notes to pay for 91 Project costs related to the use of available contingency. These commercial paper notes would likely be retired at a later date through the issuance of long-term sales tax bonds. Accordingly, the amount that must be currently financed is approximately $42 million.

The commercial paper program availability and the completion bonds proceeds aggregate $93,709,531 and cover 98.3 percent of the 91 Project costs to be financed. The remaining $1.6 million, if required, will be paid from available Measure A revenues on a pay-as-you-go basis.

Combined Plans of Finance

Current financing assumptions for the I-15 Express Lanes include the issuance of senior lien sales tax revenue bonds in the form of current interest bonds, a TIFIA loan secured by a senior lien on toll revenues, and federal CMAQ and STBG funds. As a result of using the commercial paper program to finance I-15 Express Lanes costs through financial close and refinancing the outstanding commercial paper notes with premium sales tax bonds, additional sales tax bonds can be issued to fund the 91 Project completion costs. The following is a summary of the most current estimate of sources and uses for the combined I-15 Express Lanes and 91 Project financing:

Sources[1]:		
Sales Tax Bonds		
Par Amount	$	158,760,000
Premium		17,460,964
TIFIA Loan		151,424,726
CMAQ/STBG Funds		110,000,000
Total Sources	**$**	**437,645,690**

Uses[1]:		
I-15 ELP		
Bonds Proceeds Construction Fund Deposit	$	98,511,433
TIFIA Construction Draws		151,424,726
CMAQ/STBG Reimbursements		110,000,000
Ramp-Up Fund Deposit		14,000,000
Repayment of RCTC Commercial Paper		30,000,000
91 Project		
Bonds Proceeds Construction Fund Deposit		33,709,531
Total Uses	**$**	**437,645,690**

[1] Amounts are subject to change

Based on the projected amount of sales tax bonds to be issued for the I-15 Express Lanes and 91 Project and maintaining the commercial paper program for 91 Project completion, the Measure A sales tax debt limitation will be fully utilized, as indicated below.

Measure A Sales Tax Debt Limitation		$ 975,000,000
Total Outstanding Debt, projected as of June 1, 2017	$ 776,240,000	
Issuance of Commercial Paper in June, as reimbursement to Commission for I-15 ELP costs	10,000,000	
Total Outstanding Debt, projected prior to financial close	786,240,000	
Combined I-15 ELP and 91 Project Financing:		
Issuance of Sales Tax Bonds	158,760,000	
Retirement of Outstanding Commercial Paper	(30,000,000)	
Total Outstanding Debt, projected after I-15 ELP financing requirements	$ 915,000,000	(915,000,000)
Total Debt Capacity Available for Commercial Paper Program and 91 Project Completion		$ 60,000,000

Additional debt capacity will be available as sales tax bond principal maturities are paid in future years; however, any additional debt issuances will need to be evaluated based on projected Measure A revenues.

Sales Tax Revenue Bonds and Commercial Paper Program

The 2017 Bonds are proposed to be issued as fixed, long-term callable current interest bonds with projected interest coupon rates ranging from 3 percent to 5 percent (projected yields of 1.52 percent to 4.13 percent) and principal maturities beginning in June 2018 through June 2039.

Actual interest rates for the bonds will be determined in July during the pricing of the bonds. A debt service reserve fund requirement for the 2017 Bonds is not anticipated (consistent with the other outstanding sales tax revenue bonds).

The 2017 Bonds are expected to be issued at a premium, i.e., bondholders are willing to accept a lower yield for higher coupon rates. Premium can only be utilized to pay debt service and will be used to retire the outstanding commercial paper at financial close. Accordingly, the bonds are projected to provide approximately $176.2 million in bond proceeds.

A portion of the sales tax bond proceeds will be used to pay costs of issuance, including underwriter's discount. The total costs of issuance for the sales tax bonds and the TIFIA loan are estimated not to exceed $6.1 million, or 1.9 percent. The Commission's policy limits such costs to 2 percent. A portion of the 2017 Bonds proceeds will also be used to retire all of the outstanding commercial paper notes, which amount is projected to be $30 million outstanding as of July 19.

The credit and liquidity support for the Commission's commercial paper program is a $60,750,000 irrevocable direct draw letter of credit and reimbursement agreement with State Street Bank and Trust Company (State Street), which expires in October 2017. Shortly after this proposed plan of finance is executed, staff will begin to either negotiate an extension with State Street or procure a substitution of the letter of credit and reimbursement agreement with another bank.

Projected debt service coverage of the total outstanding sales tax debt based on projected Measure A sales tax revenues is expected to exceed the Commission's 2 times coverage policy for the sales tax supported debt.

TIFIA Loan

TIFIA loans may finance up to half of a project's eligible costs; however, USDOT practice is to generally limit TIFIA loans to 33 percent of project's eligible costs. Based on the current I-15 Express Lanes Plan of Finance and eligible project costs, a $151.4 million TIFIA loan is anticipated, subject to completion of the creditworthiness assessment by TIFIA's financial team. The TIFIA loan interest rate assumed in the financial model is currently estimated at 3.55 percent and is tied to the rate on a 30-year U.S. Treasury Bond plus 1 basis point (0.01 percent). The TIFIA loan interest rate as of May 1 is 2.96 percent; the actual interest rate for the TIFIA loan will be determined in July upon the execution of the TIFIA Loan Agreement. Interest on the TIFIA loan will be payable beginning in June 2025.

During the first five years of repayment, only interest payments are required on the TIFIA loan. To the extent that payments of interest result in debt service coverage of at least 1.3 times, the debt service is considered mandatory debt service. Mandatory debt service is required to be paid, and failure to pay results in a default under the TIFIA Loan Agreement. The TIFIA loan will also include payments beginning June 2026 that fully fund all interest and result in total annual TIFIA loan payments that are approximately level for the term of the TIFIA loan. The additional payments are considered scheduled debt service. Payment of scheduled debt service is only required if revenues are sufficient to allow its payment. The mandatory TIFIA loan principal maturities are projected to begin in June 2030 through June 2055, which is about 15 years before the expiration of toll authority.

The TIFIA loan includes the following key provisions:

- The TIFIA loan will have a senior lien on toll revenues;
- Minimum 1.3x coverage for all senior and subordinated toll revenue supported debt;
- Additional bonds secured by toll revenues can be issued if a minimum 1.5x coverage requirement is met and the TIFIA lender approves;
- Completion bonds may be issued should that prove necessary due to unexpected cost increases or delays;
- An estimated $14 million ramp up reserve fund for initial years' operations will be funded from a combination of sales tax bond proceeds, up to a 5 percent working capital limit per federal tax regulations, and Commission Measure A contributions;
- An estimated $18 million TIFIA loan reserve will be established from the proceeds of a Measure A loan (Initial Loan) of $3 million per year beginning with FY 2018/19 through FY 2023/24 to the extent that net toll revenues, after funding higher priorities in the flow of funds, are not available;
- A contingent Measure A loan (Contingent Backstop Loan) will be provided during FY 2024/25 through FY 2038/39 to an annual maximum amount of $3.85 million and up to a cumulative total of $38.5 million from Measure A receipts as needed to pay operation and maintenance costs and debt service not covered by net toll revenues;
- Repayment of the Commission's Initial Loan and Contingent Backstop Loan is projected to be at an interest rate of 4 percent and subject to meeting certain blocked, or restricted, payment conditions; and
- Net toll revenues remaining after payment on the TIFIA loan, any toll revenue bonds issued on a parity or subordinated basis to the TIFIA loan, and the Commission's Initial Loan and Contingent Backstop Loan will be applied equally to prepayment of the TIFIA loan and to release to the Commission for other projects in the corridor.

The Commission's commitment of Measure A funds related to the Initial Loan and Contingent Backstop Loan is included in Section 52.04 of the Seventh Supplemental Sales Tax Indenture (Seventh Supplemental Indenture). The TIFIA loan reserve amount and requirement for the Contingent Backstop Loan are based on quantitative modeling efforts to achieve an investment grade rating under a rating case from Fitch Ratings (Fitch); the rating case assumed default scenarios in which projected toll revenues were subjected to extreme stress, both through initial additional reduction by 25 percent (from already stressed projections) and through reduction of the annual rate of growth in toll revenues. An investment grade rating is a requirement for the TIFIA loan.

Under the Seventh Supplemental Indenture, Measure A sales tax revenues will be accumulated by the sales tax bonds trustee and deposited in the I-15 Trust Fund up to the annual maximum. If net toll revenues are not sufficient to fund the annual cap amounts of $3 million for the Initial Loan and $3.85 million for the Contingent Backstop Loan, such amounts will be transferred by the sales tax trustee to the toll trustee.

Flow of Funds for Toll Operations

Toll operations for the I-15 Express Lanes will be provided by Kapsch. Toll revenues and other non-toll related revenues will be deposited by Kapsch on a daily basis with the trustee. These revenues will be required to fund certain costs and reserves in order of priority. Article V of the draft Toll Revenue Bonds Master Indenture and First Supplemental Indenture (Toll Indentures) list the priority of the flow of funds, as follows; however, this is subject to completion of TIFIA negotiations:

- Operations and maintenance fund, including ramp up reserve;
- Rebate fund;
- Senior Lien obligations (including TIFIA mandatory) interest fund;
- Senior Lien obligations (including TIFIA mandatory) principal fund;
- Senior Lien obligations (including TIFIA) debt service reserve fund replenishment, if required;
- Scheduled TIFIA debt service interest obligations fund;
- Repair and rehabilitation fund;
- Scheduled TIFIA debt service principal obligations fund;
- Second Lien obligations debt service payments and reserve fund (reserved);
- Subordinate obligations debt service payments and reserve fund (reserved;
- Holding fund, subject to blocked payment conditions;
- Commission loan payments;
- Capital expenditures (reserved);
- Residual fund to be shared with TIFIA on a 50/50 basis; and
- Surplus account for Commission's share of residual fund.

Events of default identified in Section 7.01 of the draft Toll Indentures, and subject to completion of TIFIA negotiations, are as follows:

- Default in payment of any interest or principal on any bond when due;
- Default in observance or performance of any other covenant or agreement of Commission contained in the Indentures for a period of 30 days after written notice; and
- Occurrence and continuance of a bankruptcy-related event of the Commission.

Should an event of default occur, the Toll Indentures specify the application of revenue and other funds after a default.

Alternative Financing Plans

Assuming the successful execution of a TIFIA loan, the current quantitative model does not anticipate the issuance of toll revenue bonds given the difference in borrowing costs. The financial team has been negotiating the terms of a TIFIA loan with the USDOT for several months. Staff is pleased to report the Commission's financial team reached general agreement on substantially all key business terms and conditions. The financing schedule anticipated that TIFIA staff would present the I-15 Express Lanes loan package assessment to a USDOT internal credit review team in mid-May, which would be followed by an invitation from the USDOT to submit an application for a loan shortly thereafter. The Commission is preparing such an application based on the current status of TIFIA negotiations, such that the application will be ready for submittal to TIFIA immediately upon receipt of the invitation. The application will then be reviewed by the TIFIA credit review team in early June. If the application is satisfactory, the credit review team will then recommend approval of the loan to the TIFIA Council on Credit and Finance (TIFIA Council). At a meeting in late June, the TIFIA Council is expected to submit a final recommendation for loan approval to the USDOT Secretary.

In late March, TIFIA staff advised the Commission that key positions on the TIFIA Council had not yet been appointed by the President or confirmed by the Senate. The Deputy Secretary of the USDOT usually serves as the chair of the TIFIA Council. A Deputy Secretary has been nominated and approved by a House committee; however, his nomination is awaiting Senate confirmation; staff does not have a prediction as to when confirmation will occur. No other TIFIA Council positions have been nominated for appointment by the President. Without USDOT leadership positions filled, and no expectation the positions will be filled in time to meet the key milestones necessary to maintain I-15 Express Lanes's schedule, a degree of uncertainty exists regarding how the next few months will unfold with regard to the TIFIA loan. In the meantime, TIFIA and Commission financial teams continue to proceed with the creditworthiness assessment phase of the TIFIA loan as if the loan and project remain on schedule. The Commission's government relations team engaged Representative Ken Calvert (CA-42) to assist with communicating with the Presidential Administration regarding the urgency for decision-making at the USDOT.

Accordingly, the Commission's financial team has developed at least one alternative plan of finance in which the TIFIA loan would be replaced by the issuance of toll revenue bonds; however, the proceeds from the issuance of toll revenue bonds are projected to approximate $114 million requiring an increase in Measure A bonds and related premium of $55.9 million and $7.1 million, respectively. Therefore, the plan of finance would increase approximately $25.6 million from $403.9 million to $429.5 million. If additional sales tax bonds of $55.9 million are issued, this would require the termination of the commercial paper program and the use of available Measure A funds, including possible internal loans, to finance the 91 Project completion costs. This alternative is not desirable but must be considered.

Staff is also considering a potential financing scenario under which the closing of the TIFIA loan is delayed beyond 2017, but can still be completed in a reasonable time. This would involve short-term bridge financing, such as notes, loan, or line of credit with a private lender – potentially one or more of the underwriting firms currently selected for the sales tax revenue bonds. The notes, loan, or draws on the line of credit would be repaid from proceeds of the TIFIA loan.

Staff anticipates a decision to pursue the current and at least one of the alternative plans of finance will need to be made in early May in order to maintain the schedule for financial close on July 19. Therefore, to provide flexibility to the Commission's management and financial teams, staff recommends the Commission authorize sales tax revenue bonds in an amount not to exceed $218,760,000 (maximum available capacity under Measure A debt limitation) and toll revenue bonds, including a TIFIA loan, in an amount not to exceed $165 million. If either the toll revenue bonds or short-term bridge financing scenario is employed, staff will likely return to the Commission in June for specific approval of the related documents applicable to the specific scenario.

The finance team will continue to update the quantitative financial model with current schedule estimates, interest rate assumptions, and final TIFIA negotiation and other matters. Such updates to the model through pricing of the bonds and financial close may result in some changes to the sales tax and toll revenue supported debt amounts in order to maximize the efficiency of the plan of finance. As a result, the staff recommendation for a maximum amount of toll bonds is slightly above the projected TIFIA loan amount and possible toll revenue bonds issuance.

Financing Team and Related Documents

The financing team that participated in the development of this proposed plan of finance, preparation, and negotiation of the required documents includes the following key members:

- Financial Advisor – Fieldman, Rolapp & Associates, Inc. (Fieldman);
- Bond Counsel – Orrick Herrington & Sutcliffe LLP;
- Disclosure Counsel – Norton Rose Fulbright US LLP;
- General and TIFIA Counsel – Best, Best & Krieger LLP;
- Senior Underwriters – BofAML, Goldman, and Barclays;
- Co-managing Underwriters – Academy Securities (a veteran-owned business) and Fidelity Capital Markets;
- Project and Construction Manager – Parsons;
- Traffic and Revenue Consultant – Stantec; and
- Trustee – US Bank.

The following is a summary of draft documents related to the I-15 Express Lanes Plan of Finance and completion of the 91 Project to be approved by the Commission:

2017 Bonds	TIFIA Loan
Resolution 17-006	
Official Statement	Master Indenture
Continuing Disclosure Agreement	First Supplemental Indenture
Seventh Supplemental Indenture	TIFIA Loan Agreement
Bond Purchase Agreement	

Drafts of the documents are included as attachments to this staff report for approval and consist of the following:

- Resolution No. 17-006 (draft) authorizing the issuance and sale of a not to exceed amount of sales tax revenue bonds including the execution and delivery of the Supplemental Indenture, Purchase Contract, Official Statement, and Continuing Disclosure Agreement; a toll revenue bond financing of a not to exceed amount including the execution and delivery of the Master Indenture, First Supplemental Indenture, and TIFIA Loan Agreement; and the taking of all other actions necessary in connection with this transaction (Attachment 1);
- Preliminary Official Statement (draft) for the 2017 Bonds (Attachment 2);
- Seventh Supplemental Indenture between the Commission and the trustee (draft) regarding the terms and conditions of the issuance of the 2017 Bonds (Attachment 3);
- Continuing Disclosure Agreement (draft) between the Commission and the dissemination agent for the 2017 Bonds (Attachment 4);
- Purchase Contract (draft) between the Commission and the underwriters regarding the purchase of the 2017 Bonds (Attachment 5);
- Master Indenture between the Commission and the trustee (draft) regarding the terms and conditions of the issuance of the I-15 Express Lanes Toll Revenue Bonds (Attachment 6);
- First Supplemental Indenture between the Commission and the trustee (draft) regarding the terms and conditions of the TIFIA loan (Attachment 7); and
- TIFIA Loan Agreement between the Commission and USDOT (draft) regarding the terms and conditions of the TIFIA loan (Attachment 8).

Staff recommends approval of the estimated costs of issuance of $6.1 million for the issuance of the 2017 Bonds and securing of a TIFIA loan as well as the execution of related professional services agreements or amendments to agreements. The costs of issuance consist of underwriting fees and expenses as well as other costs related primarily to issuer counsel, bond counsel, tax counsel, disclosure counsel, financial advisor, TIFIA, and rating agencies.

As part of the action to authorize the issuance of the 2017 Bonds, the Commission will approve the form of the Preliminary Official Statement and authorize its distribution in connection with the sale of the bonds, as well as the preparation of a final Official Statement once the bonds have been priced. These offering documents are required under state and federal securities laws prohibiting the offer and sale of securities such as the 2017 Bonds, unless all matters that

would be material to an investor in the bonds have been adequately disclosed and there is no omission of material facts. Furthermore, under rules of the Securities and Exchange Commission, the underwriters cannot purchase the bonds unless they have received a substantially final offering document, which discloses all material information that they reasonably believe to be true and correct.

The Commissioners serving on the Board as the governing body of the issuer of the 2017 Bonds are expected to read and be familiar with the information described in the draft Preliminary Official Statement included with this staff report. The Commissioners may employ the services of experts to take the lead in the drafting and review of the Official Statement and to provide financial projections included in the Official Statement; however, the Commissioners have the duty to review the information and bring to the attention of those responsible for the preparation of the offering document any misstatements or omissions in the draft and to ask questions if they are unclear about the information or their role.

Staff encourages Commissioners to make a full review of the entire Preliminary Official Statement, as, under federal securities law, the Commission is responsible for the entire document. Particular attention, however, should be directed to the information presented under the following sections of the Preliminary Official Statement: "Plan of Finance," "The Sales Tax," "Riverside County Transportation Commission," "The I-15 Express Lanes Project," and "Risk Factors." Members of the financing team will be available at the Committee and Commission meetings to respond to the identification of any misstatements, omissions, or to such questions.

Anticipating approval for this transaction, the schedule of subsequent activities related to the financing is as follows:

TIFIA invitation to submit application	May 18
Submittal of TIFIA application	May 18
Posting of preliminary official statement	June 19
Investor roadshow and calls/meetings, if needed	June 19-30
TIFIA Council approval of TIFIA loan	June 21
Pricing activities	July 11-12
TIFIA Loan Agreement execution	July 18
Financing closing activities	July 18-19

Changes to these documents may be necessary as a result of continuing development by the financing team, meetings with the rating agencies, and continuing negotiations with TIFIA. Staff will discuss significant unresolved matters that may affect these documents at the Commission meeting. Since general legal counsel is a key member of the financing team, staff recommends the Executive Director or Chief Financial Officer be authorized to approve and execute the final documents, as applicable.

Financial Impact

Proceeds from the 2017 Bonds will be received upon issuance of the bonds; the TIFIA loan will be drawn upon monthly in connection with cost reimbursement requisitions. Costs of issuance, currently estimated at $6.1 million, will be paid from bond proceeds.

<table>
<tr><th colspan="6">Financial Information</th></tr>
<tr><td rowspan="2">In Fiscal Year Budget:</td><td>Yes</td><td rowspan="2">Year:</td><td>FY 2017/18</td><td rowspan="2">Amount:</td><td>$293,691,000 (revenues and other financing sources)
$6,100,000 (expenditures)</td></tr>
<tr><td>N/A</td><td>FY 2018/19+</td><td>$143,954,700 (revenues and other financing sources)</td></tr>
<tr><td>Source of Funds:</td><td colspan="2">Sales tax bond proceeds and 2009 Measure A Western County highway and bond financing sales tax revenues, toll revenue bonds/TIFIA loan, federal CMAQ and STBG funds</td><td>Budget Adjustment:</td><td colspan="2">No
N/A</td></tr>
<tr><td colspan="2">GL/Project Accounting No.:</td><td colspan="4">XX3027 000 59102 307 31 59102 (sales tax bond proceeds)
003027 000 59102 262 31 59102 (TIFIA loan)
003027 414 41403 262 31 41401 (CMAQ/STBG funds)
XX3027 96103 307 31 96103 (costs of issuance)</td></tr>
<tr><td colspan="2">Fiscal Procedures Approved:</td><td colspan="2"></td><td>Date:</td><td>04/17/2017</td></tr>
</table>

Attachments:
1) Resolution No. 17-006 (draft) (Available on the Website)
2) Preliminary Official Statement (draft) (Available on the Website)
3) Seventh Supplemental (Sales Tax) Indenture (draft) (Available on the Website)
4) Continuing Disclosure Agreement (draft) (Available on the Website)
5) Bond Purchase Contract (draft) (Available on the Website)
6) Master (Toll) Indenture (draft) (Available on the Website)
7) First Supplemental (Toll) Indenture (draft) (Available on the Website)
8) TIFIA Loan Agreement (draft) (Available on the Website)