
CALIFORNIA TRANSPORTATION FINANCING AUTHORITY

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Board Meeting Minutes

April 21, 2011
State Treasurer's Office
915 Capitol Mall, Room 587
Sacramento, CA 95814
11am

MEMBERS:

Bill Lockyer, Chair
State Treasurer

John Chiang
State Controller

Ana J. Matosantos, Director
Department of Finance

Bimla Rhinehart, Director
California Transportation Commission

Malcolm Dougherty, Acting Director
California Department of Transportation

Rebecca Long

I. Call to Order/Roll Call

Katie Carroll, Chairperson, called the meeting order at 11:10am. Members present included:

Katie Carroll for Bill Lockyer, State Treasurer
Rick Chivaro for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director of Department of Finance
Andre Boutros for Bimla Rhinehart, Executive Director for California Transportation Commission
Rebecca Long, Senate Rules Appointee
Cindy McKim, Director, California Department of Transportation

Staff present was Rohimah Moly, Executive Director of CTFA.

Ms. Carroll declared that a quorum was established.

II. Executive Director's Report

As this was the first board meeting, Ms. Moly did not have anything to report. Ms. Carroll asked Mark Paxson, Legal Counsel to CTFA, whether it would be OK to take up agenda items 3 and 4 together. He said yes.

Ms. Moly gave a presentation on the role and responsibilities of the California Transportation Financing Authority which included an overview of the AB 798, legislation that created CTFA, the purpose of the legislation, types of projects it can finance, who can apply, and types of revenues that can be pledged.

She explained the criteria for project evaluation when an applicant approaches CTFA for financing or approval of financing, and work required by CTFA carry out these responsibilities and its costs. These costs include staff review time and consultants such as a Financial Advisor and other consultants CTFA deems necessary to make thorough assessment and meets its duties specified in statute.

Going forward, CTFA must do the following: create an application process, determine the necessary information needed for CTFA to properly assess projects and develop an approval process. CTFA must also develop a fee structure that will allow the Authority to recover the costs associated with a

thorough assessment of an application but not pose a financial burden to applicants while be competitive with other issuing authorities.

Ms. Moly proposed setting up two fee structures: one for tolling projects and one for non-tolling projects. And within those two structures, there should be separate fees for issuing bonds and not issuing bonds.

There are multiple ways to charge fees and Ms. Moly outlined three ways to do so:

1. Non refundable fee based on percentage of project amount that would cover staff costs plus the direct costs of consultants.
2. Flat fee based on the expected costs of a thorough review of the application, which would include staff review and consultants.
3. Fee based on a percentage of the project amount within various ranges of project amounts. For example, for projects up to 100 million, the fee would be X, 101 million to 500 million would be charged Y and so forth.

Ms. Moly summarized the next steps: workshop these ideas, develop a draft proposal and reconvene for Board meeting on the draft proposal. The draft proposal will include the application and approval process because the statute calls for CTFA and CTC to provide approvals for a project at approximately the same time.

Ms. Carroll asked for comment from the Board for input on the topics covered before CTFA staff begins the workshops.

Mr. Boutros outlined 2 instances where the Commission would be involved in evaluating the projects that come before CTFA:

- 1) When the project has been approved for construction by the Commission. This means that the project has already met certain milestones and is ready to proceed for construction, and chooses to utilize CTFA to help secure financing through bonds for the project rather spending their money upfront. Because the project was already approved for construction, the Commission has fulfilled its duties in terms of approving the project.
- 2) If a public agency is contemplating a public-public partnership under SB 4, there may be a parallel process whereby CTFA and the Commission will work together to ensure that requirements in both statutes are met. The Commission would be looking at very detailed project proposal for review, and CTFA would likely be using the same package of information. Once the project is approved by the Commission, CTFA will have to do the financial review as if it is the financial entity as part of the public-public partnership.

Mr. Boutros stressed the importance of developing a process that ensures common understandings between the two public entities and that CTFA obtain public input going forward to make sure that local transportation agencies are willing to entertain the process. If the process doesn't work, then CTFA may not get any proposals.

Mr. Reyes asked for clarification on the CTC's process in approving transportation projects, in particular if projects approved by CTC also receive financing for the project, and if not whether CTFA would act as a substitution as a funding source for transportation projects.

Mr. Boutros explained that approved projects do not receive financing per se, but that all projects approved by the Commission are part of the Commission's program and ultimately will be funded up to the amount that was programmed.

Ms. McKim stated that CalTrans looks forward to participating in the development of a process, but raised some issues that CTFA should consider in moving forward with the workshops:

- 1) Determine the value-added, or “sweet spot” of CTFA, given that there are already scores of agencies and bond authorities at the state and local levels for financing infrastructure projects. If CTFA is not issuing the bond, or a project does not include tolls, then where does CTFA fit into the process of transportation financing?
- 2) Make sure that the process we develop does not duplicate what is already being done at the federal, state and local levels – especially in this era of limited resources.
- 3) There needs to be a marketing effort where CTFA can obtain feedback on how much the Authority will be utilized. Understanding how often it’ll be used will help to determine what the fees will be.
- 4) In development of a fee schedule, make sure that the costs associated with CTFA involvement are fully recovered by the applicants. Again, with limited resources for transportation projects, we need to make sure it doesn’t cost the state more money than the actual value that comes back.
- 5) Create a flowchart that shows how CTFA fits into the entire process of transportation financing.

Additionally, Ms. McKim suggested that going forward, CTFA staff present various options with documentation so that discussions are more meaningful.

Ms. Carroll asked for additional comment/questions. Without any, she asked Ms. Moly about the next steps in developing a process.

Ms. Moly offered the Board to 1) Draft an outline of the concepts discussed today with the Board feedback and public comment included and come back to the Board for another discussion before beginning the workshops or 2) Workshop the general concepts from today and reconvene a Board meeting after gathering input from the public.

Mr. Boutros prefers to have the Board meet first before CTFA staff begins the workshops. Having gone through a similar process for other legislation, it would be helpful to understand and vet the issues before it goes to the public. Ms. Long agreed with Mr. Boutros.

Ms. Long raised the issue of financial feasibility review required by CTFA and what that means in terms of costs to applicants. Legislation requires CTFA to making a finding that the project is financially feasible before issuing the bonds and that makes sense. In the instance of toll projects, it requires a significant level of investment to get to that point. Ms. Long cited three tiers of traffic and revenue studies:

- Level 1 (\$10,000 - \$50,000): An initial study based on existing data and takes 1-4-6 weeks.
- Level 2 (\$50,000 - \$400,000): Intermediate level where there is a wider range and there is some modeling.
- Level 3 – (\$500,000 – \$1.5 million): Considered investment grade, where the applicant is actually going out to market and providing potential investors.

She stressed the need to flesh out this process and allow public feedback because it is critically important to have a program that attracts and invites applicants to come forward as well as do the due diligence as a state authority authorizing local authorities to go to market.

Ms. McKim stressed that the outline should include what would be fleshed out in the public workshops and that CTFA staff define the target audience for the Authority.

Mr. Reyes raised a concern on setting fees as a percentage of something. The workload for staff is the same regardless of the size of the project (in terms of project amount), particularly if the regulatory process allows the acceptance of the work that someone else (or agency) has already done. This could reduce the workload as well.

Ms. Moly informed the Board of SB 867 by Senator Alex Padilla that would impact CTFA if passed. The bill creates Build California Bonds, which is tax credit bond program where CTFA would issue those bonds for transportation projects. Staff is tracking the bill.

Ms. Carroll added that STO Public Finance staff is also looking at the bill and working with the author's office to understand how we would implement the tax credit program at the state level. There are concerns that we are trying to work out with the author's office.

III. Public Comment

Ms. Carroll asked for public comment. Mr. Kevin O'Brien with Bank of America Merrill Lynch approached to provide public comment on the discussion. He leads the P3 effort at BAML.

He asked whether P3 projects, where there is a private developer, would be excluded from seeking financing through CTFA.

Mr. Boutros acknowledged that that is one of the questions that will need to be answered: How to bring in a private entity that may coordinate with CTFA for financing?

Mr. O'Brien also brought the following for consideration going forward:

- 1) Tolling authority with a direct pledge won't be just toll revenue. It may be a combination of tolls, sales tax, or some combination thereof.
- 2) Think more expansively about how the private sector might look at CTFA as a way to finance projects.
- 3) What level of due diligence would CTFA need to say that these projects make sense from a feasibility standpoint? It is not just the financing part of it, but the construction risks, performance and collateral.
- 4) Avoid having to layer on an additional or duplicative review
- 5) Base CTFA costs on initial level of diligence as opposed to a bureaucratic process.

IV. Adjournment

Seeing no other comments, Ms. Carroll adjourned the meeting at 12:00pm.

NOTE: Items designated as for information are appropriate for action by the Authority if the Authority chooses to take action. Items may be taken out of order.

FOR ADDITIONAL INFORMATION

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The agenda is also available on our website:

<http://www.treasurer.ca.gov/ctfa/>

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