

CALIFORNIA TRANSPORTATION FINANCING AUTHORITY
May 14, 2012 Board Meeting

**Agenda Item III: Resolution authorizing CTFA to obtain funding for
the Bay Area Express Lanes Project**

Summary:

Staff requests that the Board approve Resolution No. 2012-02 to allow CTFA to work with the Bay Area Express Lanes applicant to obtain upfront payment for CTFA’s administrative costs and expenses associated with or related to the review, and all work leading up to the review, of the application or potential application. Staff proposes that the applicant be required to submit a formal letter of intent to apply with payment of a designated amount that will provide CTFA with funds to cover work related to the application or potential application, including consultant services, staffing and other expenses such as office equipment, supplies and travel. If, due to timing constraints, the applicant cannot provide the intent to apply payment in a timely manner, Resolution No. 2012-02 would provide for CTFA to enter into an interagency agreement (IA) with the California Pollution Control Financing Authority (CPCFA).

Background

At the April 2, 2012 CTFA Board meeting, the Board directed CTFA staff to continue to work with Metropolitan Transportation Commission (MTC) for toll and bond issuance authority for the Bay Area Express Lanes project (Express Lanes). In order to proceed, staff expressed the need to hire a consultant to help develop the application and evaluation criteria, as well as evaluate the application for the Express Lanes project. The Board requested that staff report back on how CTFA intends to obtain funding.

Similar to other boards and authorities under the State Treasurer’s Office (STO), section 64107(j) of the Government Code authorizes CTFA to charge project sponsors “...administrative costs and expenses incurred by the authority in the exercise of its powers and duties ...” Typically, these charges are covered by application fees, issuance fees, and annual fees assessed at certain points in the application/approval process.

The following information addresses the estimated costs for staff to conduct due diligence on the Express Lanes project, funding options for CTFA and staff recommendation which takes into account all elements of each funding option proposed.

1. Estimated Initial CTFA Costs for the Bay Area Express Lanes Project

CTFA staff has estimated that the associated expenses for the Bay Area Express Lanes project could range from \$223,500 to \$298,500. These costs include hiring a financial consultant, staffing and other expenses that may include travel, office equipment and supplies. The table below shows low and high cost estimates for the Express Lanes project.

	Low	High
Financial consultant	\$150,000	\$200,000
Other expenses	\$2,500	\$5,000
Staffing *	\$71,000	\$93,500
TOTAL	\$223,500	\$298,500

*Staffing costs includes Acting Executive Director and two support staff.

Financial Consultant. CTFA plans to issue a Request for Proposal (RFP) for a financial consultant. It is estimated that the consultant will cost between \$150,000 - \$200,000 to do the following:

- a. Assist with application development for the Express Lanes project. Identify appropriate information to be required from the applicant as it relates to toll and bond issuance authority and other requirements identified in AB 798.
- b. Help develop the criteria for evaluating the Express Lanes project.
- c. Assist CTFA with project evaluation, based on the evaluation criteria approved by the Board, to determine project approval and adequacy of documentation.

Staffing Needs. Staff projects that it will cost between \$71,000 - \$93,500 for staffing needs, which includes reimbursement for the Acting Executive Director and two support staff. Work performed thus far has been absorbed by STO Executive Office. Going forward, the workload will increase and require more staff time dedicated to the Express Lanes project. The projected staffing needs also include borrowing one additional support staff from an authority under STO to help with the increased workload.

	Low	High
Acting ED	\$28,000	\$37,000
Part-time analyst	\$13,000	\$17,500
Borrowed staff	\$30,000	\$39,000
TOTAL	\$71,000	\$93,500

The table above shows high and low estimates for staffing costs. These costs include salary, benefits, office equipment and other administrative services. The low figures show half-time work over a six-month period while the high figures estimate two-thirds time work over the same period.

Other Expenses. These are projections for reimbursement to the STO for expenses related to supplies and travel that may be required by staff working on the Express Lanes project.

2. Timing Considerations

Staff has begun work on an RFP to hire a financial consultant to provide the services described above. The expedited RFP process is expected to take a minimum of two months from the time the RFP is written to the time a consultant is chosen by CTFA and approved by the Department of General Services. Staff anticipates completing the process by early July. Accordingly, CTFA would need to have funds in its account by approximately July 1, 2012 at the latest.

3. Funding Mechanisms

Staff has identified two possibilities to obtain funding to proceed with the due diligence required as it relates to the Express Lanes project: 1) Have the applicant submit upfront payment in conjunction with a letter of intent to apply, or 2) Obtain a loan from the California Pollution Control Financing Authority through an interagency agreement.

Option 1: Applicant to provide upfront payment. CTFA would work with the applicant to obtain upfront payment for the projected costs related to work needed for CTFA to carry out its duties. The payment will not exceed \$300,000 and will be submitted with a letter of intent to apply.

Option 1 provides funding to CTFA to hire a consultant and cover staff costs to conduct due diligence on the Express Lanes project. There is little, if any, financial risk to CTFA or the State with this option. Also, requiring the applicant to provide a letter of intent to apply with an upfront payment indicates

a high level of commitment from the applicant to seeing through the completion of the CTFA process. Additionally, if the applicant chooses not to apply or withdraws its application prior to board decision, CTFA will not be left without funds needed to cover its costs.

There is a chance that the applicant may not be able to provide the upfront payment in time to encumber funds for the consultant or pay for expenses incurred. In that event, Option 1 may be applied in conjunction with Option 2, below.

Option 2: Loan from CPCFA. CTFA can obtain a loan from CPCFA, which is authorized to provide such a loan under Health and Safety Code section 44522(d), to cover the costs related to the Express Lanes project through an interagency agreement. CTFA would then repay the loan to CPCFA, including interest established by the Pooled Money Investment Board (PMIB) pursuant to Government Code section 16314, after it recovers its costs from the applicant. The letter of intent to apply will include a provision that requires the applicant to reimburse CTFA for the loan amount including interest.

4. Recommendation

Staff recommends adopting Resolution No. 2012-02 authorizing CTFA to obtain upfront payment from the Express Lanes applicant in conjunction with a letter of intent to apply submitted by the applicant, with the option for CTFA to enter into an IA with CPCFA if the applicant is unable to remit funds to CTFA in a timely manner. At this time, staff estimates the intent-to-apply payment amount will not exceed \$300,000 for staff and consultant work related to the Express Lanes project.