San Diego County Regional Transportation Commission


Board of Directors Item 15  |  November 22, 2019

2019 Bond Refunding Financing Team

- San Diego County Regional Transportation Commission
  - Hasan Ikhrata, Executive Director
  - Andre Douzdjian, Chief Financial Officer
  - John Kirk, General Counsel
  - Ray Major, Chief Economist
  - Jose Nuncio, TransNet Department Director

- Financial Advisors, Public Financial Management
  - Peter Shellenberger, Managing Director
  - Darren Hodge, Director

- Bond and Disclosure Counsel, Norton Rose Fulbright US LLP
  - Victor Hsu, Partner

- Senior Underwriter, Goldman Sachs
  - Ruth Pan, Director
2019 Bond Refunding Presentation

1. Why we are refunding some debt
2. Describe main components of debt issuance
3. Review various draft bond documents

Market Update

10-yr Treasury Rate (Taxable Rate) compared to 10-yr AAA MMD Rate (Tax-Exempt Rate)
Debt Portfolio: Pre-2019 Refunding

Commission’s debt portfolio contains a prudent mix of fixed-rate and synthetic fixed-rate debt and a level debt service structure for our senior lien bonds.

Aggregate Debt Service schedule

Refunding Opportunity

- SANDAG’s refunding opportunities pertain to the Series 2012A and 2014A Bonds
- This is not an “all-or-nothing” opportunity
  Strongest candidates in the 2014A Series may limit that refunded portion to $35 million with $7 million in cash flow savings

SANDAG Taxable Advance Refunding Candidates ($000s)

<table>
<thead>
<tr>
<th>Series</th>
<th>Callable Par</th>
<th>Cashflow Savings</th>
<th>PV Savings ($)</th>
<th>PV Savings (%)</th>
<th>Escrow Efficiency</th>
<th>Call Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>$246,910</td>
<td>$48,376</td>
<td>$34,954</td>
<td>14.2%</td>
<td>80.3%</td>
<td>4/1/2022</td>
</tr>
<tr>
<td>2014A</td>
<td>301,700</td>
<td>34,185</td>
<td>29,107</td>
<td>9.6%</td>
<td>60.3%</td>
<td>4/1/2024</td>
</tr>
<tr>
<td>Total</td>
<td>$548,610</td>
<td>$82,561</td>
<td>$64,061</td>
<td>11.7%</td>
<td>60.8%</td>
<td></td>
</tr>
</tbody>
</table>
2019 Costs of Issuance

- Costs determined through competitive procurement process or negotiations
- Negotiated competitive costs for underwriting fees, similar or lower than comparable CA issuances
  - Costs of Issuance $0.6M
  - Underwriter Cost $1.0M
  - Total $1.6M
- Estimated issuance costs 0.27% of par amount of 2019 Refunding Bonds

Credit Rating Agency Reviews

- Current high credit ratings on SANDAG debt program
- Current ratings
  - Standard & Poor’s: AAA
  - Fitch: AAA
  - Moody’s: Aa2
Financial Advisor Memo
(Attachment 1)

- Market Update
- 2019 Bond Refunding Structure
- Financial Considerations

Resolution
(Attachment 2)

- The Resolution authorizes issuance of the 2019 Refunding Bonds and approves the following documents
  - Official Statement
  - Eighth Supplemental Indenture
  - Bond Purchase Agreements
  - Continuing Disclosure Agreement
  - Invitation to Tender Bonds
- The Resolution also approves other actions and matters relating to the 2019 Bonds
Eighth Supplemental Indenture
(Attachment 3)

- Supplements the Master Indenture relating to SANDAG’s senior revenue bonds
- Sets forth repayment and redemption provisions with respect to the 2019 refunding bonds
- Directs proceeds for deposit into an escrow account

Preliminary Official Statement
(Attachment 4)

- The Preliminary Official Statement is used to sell the bonds and disclose all material information to the potential buyers of the bonds
Bond Purchase Agreements
(Attachment 5)

- Agreements by underwriters to purchase 2019 refunding bonds from SANDAG (one for taxable bonds and the other for tax-exempt bonds)
- Sets forth certain representations of SANDAG
- Identifies documents, opinions, and other requirements necessary to close the financing

Continuing Disclosure Agreement
(Attachment 6)

- SANDAG commitment to provide ongoing financial and operating information to the marketplace after the initial issuance of the 2019 refunding bonds in compliance with SEC rules
Invitation to Tender Bonds  (Attachment 7)

- Incorporating a tender of select outstanding maturities into SANDAG’s upcoming refunding can (1) improve PV savings, (2) increase number of bonds successfully refunded, and (3) optimize marketing between taxable and tax-exempt series

Catalogue of Blanks  (Attachment 8)

- Identifies items still pending in the draft bond documents
Next Steps

- **November 25, 2019**
  Post preliminary official statement

- **Week of December 2, 2019**
  Investor presentations

- **Week of December 9, 2019**
  Anticipated pricing of bonds

- **Week of December 30, 2019**
  Anticipated closing of bonds

Recommendation

The Board of Directors, acting as the San Diego County Regional Transportation Commission (RTC), is asked to adopt Resolution No. RTC-2020-14, authorizing the refunding of certain outstanding bonds and the execution and distribution of the documents that are attached in substantially final form.
San Diego County Regional Transportation Commission

*TransNet Proposed 2019 Bond Issuance: New Debt to Support Completion of TransNet Regional Bikeway Program*

Board of Directors Item 16 | November 22, 2019

---

**2019 Bond New Debt Financing Team**

- San Diego County Regional Transportation Commission
  - Hasan Ikhrata, Executive Director
  - Andre Douzdjian, Chief Financial Officer
  - John Kirk, General Counsel
  - Ray Major, Chief Economist
  - Jose Nuncio, TransNet Department Director
  - Linda Culp, Principal Regional Planner

- Financial Advisors, Public Financial Management
  - Peter Shellenberger, Managing Director
  - Darren Hodge, Director

- Bond and Disclosure Counsel, Norton Rose Fulbright US LLP
  - Victor Hsu, Partner

- Senior Underwriter, Goldman Sachs
  - Ruth Pan, Vice President
Flow of Funds – FY 2009 to FY 2048

- **New Major Corridor Transit Operations**: 3%
- **Admin: ITOC; and Bicycle, Pedestrian, Neighborhood Safety**
- **Net Annual Revenues**: 38%
- **Major Corridor Capital Projects**: 29%
- **Local Streets and Roads Formula Funds**: 24%
- **Environmental Mitigation Program (EMP)**: 8%
- **Transit Services**: 17%
- **Smart Growth Incentive Program**: 2%

*Note: Chart is for illustrative purposes to show relative size of TransNet sub-programs, sum of nominal percentages do not total 100.

**SANDAG Administration**: 1%

**ITOC Activities (with CPI adjustment)**: $422,485 (Annual)

**Bicycle, Pedestrian, and Neighborhood Safety Program**: 2%
PROGRAM CONTEXT

- Board of Directors approved Regional Bike Plan in 2010
- With adoption of the 2011 Regional Plan, the Board made a major commitment to Active Transportation
- Bike Early Action Program adopted in 2013
- Partnership with local jurisdictions

EARLY ACTION PROGRAM

- $200 million in primarily TransNet funds
- Builds 77 linear miles of bikeways
- 70 of 77 miles open or under development
- 8.8 miles open to date
- 3/4 in City of San Diego
BIKEWAY PROGRAM STATUS

70 of 77 Miles Open or Under Development

October 2018

- PE/Environmental: 23.2
- Final Design: 32.5
- Construction: 6.4
- Open To Public: 7.5

October 2019

- PE/Environmental: 1.4
- Final Design: 43.3
- Construction: 16.1
- Open To Public: 8.8
Bike and Pedestrian Senior Lien Debt Service Coverage

2019 Costs of Issuance

- **New Debt**
  - Costs of Issuance*: $600K
  - Underwriter Cost: $150K
  - Total: $750K
  - Percent of Par Bonds: .83%

- **Refunding**
  - Costs of Issuance: $600K
  - Underwriter Cost: $990K
  - Total: $1,590K
  - Percent of Par Bonds: .27%

- **Combined**
  - Costs of Issuance: $600K
  - Underwriter Cost: $1,140K
  - Total: $1,740K
  - Percent of Par Bonds: .25%

- Much more efficient and cost effective to combine the New Debt and Refunding Issuance

* Costs of issuance include fees to bond, disclosure and underwriter counsel, financial advisor, rating agencies, trustee, printing fees and travel costs
The Board of Directors, acting as the San Diego County Regional Transportation Commission (RTC), is asked to adopt Resolution No. RTC 2020-15, authorizing the issuance of up to $90 million of fixed-rate tax-exempt bonds to support completion of the *TransNet* Regional Bikeway Program.