

## ***TransNet* Extension Program – Plan of Finance**

### **Introduction**

In December 2005, the SANDAG Board of Directors approved the first Plan of Finance (POF) for the *TransNet* extension and established a financial strategy for implementing the Early Action Program (EAP) of projects and fulfilling ongoing commitments for the existing *TransNet* program. The financial strategy approved by the Board included use of the commercial paper program and issuing long term \$600 million of variable rate debt bonds that would lock in low interest rates through an interest rate exchange agreement (swap). The POF was approved by the SANDAG Board of Directors with the understanding that the POF is a dynamic process that requires continual refinement as circumstances change, and would be updated on an annual basis. Since the initial POF approval, the POF was updated in December 2006, January 2008, and most recently in March 2009.

The EAP “jump-started” the implementation of several key projects prior to the beginning of *TransNet* Extension in FY 2009 in order to complete those projects within the first five to seven years of the new program. Four years later and one year into the *TransNet* Extension, the region is already benefitting from this visionary action. Segments of I-15 and I-5 have already opened to traffic resulting in much needed congestion relief. The remainder of the EAP projects is still on schedule to be completed by 2015.

### **Program Summary for Major Corridors and Environmental Mitigation Program**

Tables 1 and 2 include a summary of the most recently approved Plan of Finance projected cash flow. A description of how the cash flow data is developed follows.

#### Costs:

The SANDAG *TransNet* Program Office in coordination with the Corridor Directors and project teams work to refine the costs and schedules for the EAP projects. The costs are updated to current year dollars and then escalated to the year of construction. Although the last few years saw construction costs skyrocket, those costs have plummeted during the recent recession. Unfortunately, revenues have also reduced significantly. In performing the POF update, these revised and more detailed costs were used for the EAP projects, while the non-EAP project costs are included in aggregate due to the lesser level of project definition and detail.

#### Revenues:

The amount of state and federal funds assumed for the EAP are based on committed funds to date. In addition, the revenue forecast is based on a series of assumptions. For fiscal years covering the current Regional Transportation Improvement Program period (FY 2009 to FY 2013), federal and state funds are based on committed or authorized amounts. For future years, SANDAG estimated federal, state and local transportation funds based on historic experience, including an assumption of a federal participation rate of 50% for New Starts for the major transit projects. SANDAG also used conservative assumptions to forecast other transportation funds, including *TransNet* sales tax receipts. It is anticipated that during the 40-year life of the *TransNet* program, there will be periods

of high and low economic cycles, and that the program as presented in this updated POF has a reasonable expectation of fulfilling the Ordinance.

#### Future Updates

Regardless of the scenario chosen to follow at this juncture, the *TransNet* POF is an evolving process that involves continuous monitoring and review of revenues and costs and the constant search for additional matching funds to leverage over the 40-year span of the program. During its updating process, the POF process can flag any significant changes in the key assumptions used in the financial model. The Transportation Committee and Board of Directors will be advised of any major developments and will consider any recommended changes to the approved financial strategy.

**TABLE 1**

*TransNet* Program Summary for Major Corridors<sup>1</sup>  
 Projected Cash Flow (in millions)

|   | <u>FY 2006<sup>2</sup></u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016 to<br/>2048</u> | <u>Grand Total</u> |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|--------------------|
| Beginning Balance                                   | 45.93                      | 23.35          | 0.00           | 10.00          | 72.48          | 110.20         | 17.10          | 14.37          | 17.69          | 7.26           | (30.26)                    |                    |
| <b>Revenues</b>                                     |                            |                |                |                |                |                |                |                |                |                |                            |                    |
| Sales Tax Revenues - <i>TransNet</i> I <sup>2</sup> | 89.06                      | 95.92          | 107.44         |                |                |                |                |                |                |                |                            | 292.42             |
| Sales Tax Revenues - <i>TransNet</i> II             |                            |                |                | 85.86          | 87.58          | 90.64          | 93.81          | 98.88          | 103.33         | 109.84         | 10,636.94                  | 11,306.89          |
| Other Revenues (STP/CMAQ/SLPP @ 94%)                |                            |                |                |                | 15.72          | 15.72          | 39.98          | 41.48          | 155.93         | 147.23         | 12,376.87                  | 12,792.93          |
| Federal Capital Funds                               | 44.27                      | 28.13          | 14.78          | 142.12         | 52.53          | 62.69          | 88.80          | 143.42         | 143.30         | 165.59         | 772.27                     | 1,657.91           |
| State Capital Funds                                 | 93.78                      | 127.64         | 160.57         | 136.20         | 267.00         | 127.32         | 108.97         | 0.00           | 0.00           | 0.00           | 306.12                     | 1,327.59           |
| Other Local   | 0.76                       | 0.02           | 7.46           | 5.18           | 15.29          | 19.35          | 53.56          | 59.90          | 25.18          | 0.00           | 0.00                       | 186.68             |
| Bond Proceeds                                       |                            |                | 114.33         | 185.12         | 127.74         | 58.30          | 183.06         | 212.78         | 133.49         | 65.67          | 2,849.83                   | 3,930.32           |
| Comercial Paper Proceeds                            |                            | 28.00          | 60.78          |                |                |                |                |                |                |                | 0.00                       | 88.78              |
| Capitalized Interest                                |                            |                | 2.95           |                |                |                |                |                |                |                |                            | 2.95               |
| Loan Repayment from EMP Program                     |                            |                |                | 0.68           | 3.58           | 4.13           |                |                |                |                | 73.61                      | 82.00              |
| DSRF Interest Earnings <sup>3</sup>                 |                            |                | 0.03           | 0.45           | 0.45           | 0.45           | 0.77           | 0.77           | 1.22           | 1.22           | 115.69                     | 121.06             |
| DSRF Release <sup>3</sup>                           |                            |                | 5.45           |                |                |                |                |                |                |                | 180.15                     | 185.60             |
| Construction Fund Earnings                          |                            |                |                | 3.74           | 0.16           | 3.98           | 0.00           | 3.45           | 0.00           | 0.28           | 36.93                      | 48.54              |
| Fund Balance Interest Earnings                      | 0.57                       | 0.29           | 0.00           | 0.13           | 0.91           | 1.38           | 0.21           | 0.18           | 0.22           | 0.09           | 8.06                       | 12.04              |
| Other   |                            |                |                | 3.33           |                | 8.39           |                |                |                |                |                            | 11.72              |
| <b>Total Available Revenues</b>                     | <b>228.45</b>              | <b>280.00</b>  | <b>473.79</b>  | <b>562.81</b>  | <b>570.95</b>  | <b>392.35</b>  | <b>569.17</b>  | <b>560.86</b>  | <b>562.67</b>  | <b>489.92</b>  | <b>27,356.47</b>           | <b>32,047.44</b>   |
| Additional Revenues Needed                          |                            |                |                |                |                |                |                |                |                |                | 4,143.52                   | 4,143.52           |
| <b>Total All Revenues</b>                           | <b>228.45</b>              | <b>280.00</b>  | <b>473.79</b>  | <b>562.81</b>  | <b>570.95</b>  | <b>392.35</b>  | <b>569.17</b>  | <b>560.86</b>  | <b>562.67</b>  | <b>489.92</b>  | <b>31,499.99</b>           | <b>36,190.96</b>   |
| <b>Expenses</b>                                     |                            |                |                |                |                |                |                |                |                |                |                            |                    |
| Construction Cost                                   | 184.82                     | 272.80         | 347.46         | 475.68         | 508.44         | 460.75         | 524.38         | 511.03         | 492.90         | 408.76         | 24,840.05                  | 29,027.07          |
| Bond Debt Service                                   | 66.18                      | 28.87          | 2.95           | 24.64          | 24.79          | 24.70          | 42.95          | 42.83          | 68.93          | 69.01          | 6,595.30                   | 6,991.15           |
| CP Principal Repayment                              |                            |                | 88.78          |                |                |                |                |                |                |                |                            | 88.78              |
| CP Interest and Fees                                |                            | 0.48           | 1.47           |                |                |                |                |                |                |                |                            | 1.95               |
| Loan to EMP Program                                 | 0.04                       | 1.19           | 23.13          |                |                |                | 4.57           | 3.68           | 11.28          | 10.69          | 27.43                      | 82.00              |
| <b>Total Expenses</b>                               | <b>251.04</b>              | <b>303.34</b>  | <b>463.79</b>  | <b>500.33</b>  | <b>533.23</b>  | <b>485.45</b>  | <b>571.90</b>  | <b>557.54</b>  | <b>573.10</b>  | <b>488.46</b>  | <b>31,462.78</b>           | <b>36,190.96</b>   |
| <b>Ending Balance</b>                               | <b>23.35</b>               | <b>0.00</b>    | <b>10.00</b>   | <b>72.48</b>   | <b>110.20</b>  | <b>17.10</b>   | <b>14.37</b>   | <b>17.69</b>   | <b>7.26</b>    | <b>8.72</b>    | <b>6.95</b>                | <b>0.00</b>        |
| <b>Financing Assumptions</b>                        |                            |                |                |                |                |                |                |                |                |                |                            |                    |
| Net Proceeds - Major Corridor                       |                            |                | 114.33         | 185.12         | 127.74         | 58.30          | 183.06         | 212.78         | 133.49         | 65.67          | 2,849.83                   | 3,930.32           |
| Annual Debt Service Payment                         |                            |                | 2.95           | 24.64          | 24.79          | 24.70          | 42.95          | 42.83          | 68.93          | 69.01          | 6,595.30                   | 6,896.11           |
| Average Interest Rate                               |                            |                | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 4.00%                      |                    |

<sup>1</sup>Based on Plan of Finance (POF) update approved by SANDAG Board March 27, 2009

<sup>2</sup>Although the *TransNet* extension begins in FY 2009, the SANDAG Board approved to jump start Early Action Program projects in FY 2006. The revenues and expenditures from FY 2006 to FY 2008 includes projects from the original *TransNet* program.

<sup>3</sup>Interest earned and the final release from the Debt Service Relief Fund from the *TransNet* I program.

**TABLE 2**

*TransNet* Program Summary for Environmental Mitigation Program<sup>1</sup>  
 Projected Cash Flow (in millions)

|  | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016 to</u><br><u>2048</u> | <u>Grand Total</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------------|--------------------|
| Beginning Balance                              |                | 0.00           | 0.00           | 0.50           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           |                                  |                    |
| <b>Revenues</b>                                |                |                |                |                |                |                |                |                |                |                |                                  |                    |
| Sales Tax Revenues - <i>TransNet</i> II        |                |                |                | 14.59          | 14.88          | 15.40          | 15.94          | 16.80          | 17.56          | 18.67          | 1,807.55                         | 1,921.39           |
| Bond Proceeds                                  |                |                | 0.41           | 58.96          | 59.75          | 58.05          | 60.00          | 58.88          | 54.00          | 29.79          | 62.05                            | 441.89             |
| Commercial Paper Proceeds                      |                | 0.34           |                |                |                |                |                |                |                |                |                                  | 0.34               |
| Capitalized Interest                           |                |                | 0.82           |                |                |                |                |                |                |                |                                  | 0.82               |
| Loan from MC Program                           | 0.04           | 1.19           | 23.13          |                |                |                | 4.57           | 3.68           | 11.28          | 10.69          | 27.43                            | 82.00              |
| DSRF Interest Earnings                         |                |                | 0.09           | 0.13           | 0.13           | 0.13           | 0.28           | 0.28           | 0.43           | 0.43           | 14.61                            | 16.50              |
| DSRF Release                                   |                |                |                |                |                |                |                |                |                |                | 15.79                            | 15.79              |
| Construction Fund Earnings                     |                |                |                | 1.04           | 0.25           | 1.95           |                | 1.12           |                | 0.21           | 0.48                             | 5.05               |
| Fund Balance Interest Earnings                 |                |                |                | 0.01           |                |                |                |                |                |                | 63.16                            | 63.17              |
| <b>Total Revenues</b>                          | <b>0.04</b>    | <b>1.53</b>    | <b>24.45</b>   | <b>74.72</b>   | <b>75.01</b>   | <b>75.53</b>   | <b>80.80</b>   | <b>80.77</b>   | <b>83.27</b>   | <b>59.79</b>   | <b>1,991.06</b>                  | <b>2,546.96</b>    |
| <b>Expenses</b>                                |                |                |                |                |                |                |                |                |                |                |                                  |                    |
| Habitat Acquisition & Restoration <sup>2</sup> |                | 0.34           | 22.66          | 60.00          | 60.00          | 60.00          | 60.00          | 60.00          | 54.00          | 30.00          | 33.00                            | 440.00             |
| Management & Monitoring Costs <sup>2</sup>     | 0.04           | 0.84           | 0.47           | 7.66           | 4.50           | 4.50           | 5.00           | 5.00           | 5.00           | 5.50           | 11.00                            | 49.50              |
| Bond Debt Service                              |                |                | 0.82           | 6.88           | 6.93           | 6.90           | 15.80          | 15.77          | 24.27          | 24.29          | 830.25                           | 931.90             |
| CP Principal Repayment                         |                | 0.34           |                |                |                |                |                |                |                |                |                                  | 0.34               |
| CP Interest and Fees                           |                | 0.01           |                |                |                |                |                |                |                |                |                                  | 0.01               |
| Loan Repayment to MC Program                   |                |                |                | 0.68           | 3.58           | 4.13           |                |                |                |                | 73.61                            | 82.00              |
| <b>Total Expenses</b>                          | <b>0.04</b>    | <b>1.53</b>    | <b>23.95</b>   | <b>75.22</b>   | <b>75.01</b>   | <b>75.53</b>   | <b>80.80</b>   | <b>80.77</b>   | <b>83.27</b>   | <b>59.79</b>   | <b>947.85</b>                    | <b>1,503.75</b>    |
| <b>Ending Balance</b>                          | <b>0.00</b>    | <b>0.00</b>    | <b>0.50</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>0.00</b>    | <b>1,043.21</b>                  |                    |
| <b>Financing Assumptions</b>                   |                |                |                |                |                |                |                |                |                |                |                                  |                    |
| Net Proceeds - EMP                             |                |                | 0.41           | 58.96          | 59.75          | 58.05          | 60.00          | 58.88          | 54.00          | 29.79          | 62.05                            | 441.89             |
| Annual Debt Service Payment                    |                |                | 0.82           | 6.88           | 6.93           | 6.90           | 15.80          | 15.77          | 24.27          | 24.29          | 830.25                           | 931.90             |
| Average Interest Rate                          |                |                | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 2.50%          | 4.00%                            |                    |

<sup>1</sup>Based on Plan of Finance (POF) update approved by SANDAG Board March 27, 2009

<sup>2</sup>Costs out to 2017 only; program to be re-evaluated at which time future mitigation/restoration need will be added