

Bay Area Toll Authority

Oversight Committee

February 8, 2023

Agenda Item 5a

BATA Resolution No. 145 – Authorizing the 2023 Plan of Finance

Subject:

A request that the Committee refer BATA Resolution No. 145 to the Authority for approval, authorizing the 2023 Plan of Finance.

Background:

The 2023 Plan of Finance provides the authority to administer and maintain the BATA debt portfolio. The toll bridge project debt portfolio is currently \$9.6 billion, consisting of \$3.6 billion in variable-rate bonds and \$6.0 billion in fixed-rate bonds. Resolution 145 authorizes the maintenance of the current variable rate portfolio and the issuance of refunding bonds to take advantage of refunding opportunities in the debt portfolio through March 2024.

The resolution also authorizes the issuance of up to \$100 million in new money bonds. The intention of this authorization is to allow a small amount of subordinate lien bonds to be refinanced on the senior lien of the Authority, if that would be the most efficient refunding structure. There is no new money authorization requested in this resolution for the purpose of funding projects. Staff intends to return in the future to address Regional Measure 3 (RM3) related financings (as necessary), given the very recent outcome of the related litigation, and the need to better establish funding and timing requirements.

BATA Resolution No. 145 approves the 2023 Plan of Finance thereby authorizing the administration of the existing variable rate portfolio (\$285 million of bonds subject to remarketing by May 1, 2023 and an additional \$370.8 million subject to remarketing by April 1, 2024) and authorizing the potential refunding of existing bonds, within certain established parameters. The resolution also provides for a reasonable expectation of the Authority to issue, in the future, an aggregate amount of bonds not expected to exceed \$2 billion, for the purposes of reimbursement of Reimbursement Expenditures, including costs incurred for projects resulting from Regional Measure 2, Regional Measure 3, the Seismic Retrofit Program, and the Bridge Rehabilitation Program.

Variable Rate Portfolio

The resolution authorizes the administration of the \$3.6 billion variable rate portfolio, including structuring the \$285 million rollover in FY 2023 and the \$370.8 million rollover in FY 2024.

Staff is also authorized to manage and replace any credit facilities supporting the variable rate portfolio. The short-term market has been a very successful tool in diversifying the debt portfolio and managing the cost of debt.

Refunding

The resolution authorizes the refunding of existing bonds provided the net present value savings are at least 3.0% or, in the opinion of the Chief Financial Officer and the Executive Director, with the advice of the Authority's financial advisor, the refunding achieves other important business purposes. Taking advantage of refunding opportunities is an important part of keeping Authority debt costs down. The refunding will utilize fixed rate bonds to generate savings. The resolution also authorizes the issuance of \$100 million in new money bonds. This new money authorization is intended to allow a small amount of subordinate lien bonds to be refinanced on the senior lien, if there are not enough subordinate lien refunding candidates to justify a stand-alone subordinate lien refunding series. Per the terms of the bond indenture, Attachment A of the resolution includes calculations confirming that the requirements of the additional bonds test are met for the authorized \$100 million in new money debt.

The refunding transaction will utilize a tender process where BATA buys back bonds from existing holders at a negotiated price. This is a process in which BATA, its dealer managers and financial advisor negotiate purchase prices with investors directly. BATA generates savings by issuing fixed rate refunding bonds to fund the purchase of tendered bonds. The size and scope of the potential repurchase is subject to market conditions and the willingness of investors to sell their bonds to BATA at the time of pricing.

Draft Official Statement

The draft official statement (OS) represents the form of the principal document used to communicate with investors and disclose material information necessary for an investor to make an investment decision. The document provides the investor with a description of BATA and the purpose of the financing as well as a history of BATA, our projects, toll collections and a detailed financial picture. The draft OS includes Appendix A, providing updated operating and financial information on the BATA enterprise. The draft OS is presented as Attachment B.

Issuance Parameters

BATA Resolution No. 145 includes specific issuance parameters that must be followed for all financing transactions authorized, including:

Issuance Parameters	
New Money par	\$100 million
Term Limit	
Tax-exempt	40 years
Taxable	50 years
Interest Rate Cap	
Tax-exempt:	
Senior Lien	5.50%
Subordinate Lien	5.50%
Taxable	6.25%
Variable Rate	12%
Variable Rate Bank Bonds	15%
Underwriters' Discount/Fee	
Tax-exempt	0.75%
Taxable	0.75%
Other costs	2.0%
Refunding savings	3% present value

Refunding parameters are the minimum savings requirement for an economic refunding; however, a refunding may be possible for other purposes with the concurrence of the Chief Financial Officer and the Executive Director, with the advice of the Authority's financial advisor. All financing parameters are confirmed by our financial advisor, PFM Financial Advisors LLC ("PFM") as part of the closing process on each financing transaction.

Dealer Manager Agreement

The dealer manager agreement is an agreement between BATA and its dealer managers. It outlines BATA's representations and responsibilities related to a tender offer. It also lays out the

dealer manager's role in soliciting tenders, compensation and authorization. The dealer manager agreement is provided as Attachment C and is being brought before the Authority as BATA has not executed a dealer manager agreement before.

Good Faith Estimate

In accordance with state law, BATA will receive a good faith estimate from PFM. The good faith estimate will provide estimates for the contemplated transactions including the \$285 million remarketing, as well as an estimate for the tender refunding(s). The good faith estimate will include true interest costs, fees and charges paid to third parties, total proceeds received and the total principal and interest payments. In addition, PFM certifies all transactions are conducted in accordance with the limitations of Resolution 145 and the Authority debt policy. The good faith estimate will be provided as part of the packet for the February 22nd Bay Area Toll Authority meeting.

Issues:

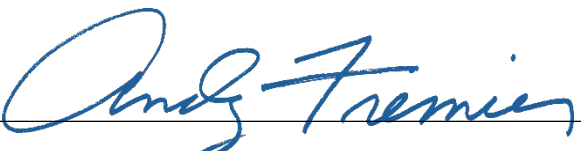
None identified.

Recommendations:

Staff recommends that the Committee refer BATA Resolution No. 145 to the Authority for approval. The funds necessary to carry out the proposed financing plan will come from the approved FY 2022-23 budget, bond proceeds and/or will be included in the FY2023-24 budget, pending approval of the FY2023-24 budget.

Attachments:

- Attachment A: BATA Resolution No. 145
- Attachment B: Draft Official Statement
- Attachment C: Dealer Manager Agreement
- Attachment D: PowerPoint



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