

# Bay Area Toll Authority Oversight Committee

July 10, 2019

Agenda Item 4f

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## Good Faith Estimate \$150 million BATA Refunding

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- Subject:** Staff requests that the BATA Oversight Committee accept the attached good faith estimate prepared by Public Financial Management (PFM). The estimate covers the upcoming \$507.3 million BATA 2019 refunding.
- Background:** Pursuant to the 2019 Plan of Finance adopted by the Authority in October of 2018, BATA is planning to refinance \$507.3 million in outstanding BATA Toll Revenue Bonds. In preparing for the refunding and in compliance with Senate Bill 450, PFM has prepared a good faith estimate of costs related to the refunding.
- BATA Resolution No. 127 establishes a 1% cap for underwriting costs and a 1% for all other costs including legal, financial advisory services, rating agency fees, printing, trustee and auditor review. Because this is a refunding BATA will pay costs in cash rather than from bond proceeds and as such there is no increase in the overall principal level or the debt service reserve accounts.
- Issues:** None
- Recommendation:** Staff requests that the Committee approve the receipt of the Good Faith Estimate of costs prepared by PFM in preparation of the upcoming \$507.3 million refunding transactions.
- Attachments:** Good Faith Estimate from PFM



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Andrew B. Premier



June 25, 2019

# Memorandum

To: Brian Mayhew, Chief Financial Officer  
Susan Woo, Deputy Treasurer  
Bay Area Toll Authority

From: PFM Financial Advisors LLC

Re: Good Faith Estimate of 2019 Series S-8 and 2019 Series A-D Bonds

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On October 24, 2018, the Bay Area Toll Authority ("BATA") adopted Resolution 127, which authorized BATA's 2019 Plan of Finance, including the issuance of refunding bonds from time to time. BATA now intends to issue refunding bonds to refinance \$143,730,000 Series 2014D and \$71,865,000 Series 2014G, as long-term fixed rate subordinate bonds and \$209,360,000 Series 2017E, and the \$82,370,000 Series 2018C, as variable rate demand bonds. The fixed rate refunding bonds will be designated as the 2019 Series S-8 Subordinate Toll Bridge Revenue Bonds (the "2019 Series S-8 Bonds") and the variable rate bonds will be designated 2019 Series A-D (the "2019 Series A-D Bonds"). The Series S-8 Bonds are pricing on July 25, 2019 and the Series A-D on July 31, 2019.

In connection with this issuance, PFM Financial Advisors LLC ("PFMFA"), as financial advisor to BATA, has been asked to provide certain good faith estimates related to the 2019 Series S-8 and 2019 Series A-D Bonds pursuant to California Government Code Section 5852.1. Section 5852.1 requires that the public body obtain and disclose the following information:

1. The true interest cost of the bonds
2. The finance charge of the bonds (all fees and charges paid to third parties)
3. The amount of proceeds received by the public body for the sale of the bonds less the finance charge of the bonds and any reserves and capitalized interest funded with bond proceeds
4. The total payment amount to the final maturity of the bonds, including debt service and any fees and charges not paid with bond proceeds

PFMFA's good faith estimates are based on an assumption that the 2019 Series S-8 Bonds will be issued as subordinate fixed rate bonds with maturities from 4/1/2052 to 4/1/2056. Interest rates and fees are consistent with the parameters established in BATA Resolution 127 and are estimated based on the maximum rate allowable under Resolution 127, 5.25% interest rate, 1% maximum underwriters' discount and 1% cost of issuance. The maximum True Interest Cost is approximately 5.40%. BATA expects to pay fees and expenses and the deposit to the Subordinate Debt Service Reserve for the bonds from cash, although all or a portion of these expenses may be paid from bond proceeds and are included in calculations either way. Overall principal amounts do not increase.



	<u>Series 2019 S-8</u>
Principal	\$215,595,000
Interest	\$397,164,600
Total Debt Service	\$612,759,600
Underwriter Fee (Maximum)*	\$2,155,950
Cost of Issuance (Maximum)*	\$2,155,950
Net Proceeds (Minimum)	\$211,283,100

The \$209,360,000 2019 A-C bonds are hedged, however the interest rate swap rolls off over time. The hedged bonds are estimated at the swap rate, 3.64%, and the unhedged portion at 2.80%, the average variable rate used in BATA's planning model. An additional .85% bank liquidity and remarketing fees are added to the estimated interest rate. The final maturity of the bonds is 4/1/2053 and the True Interest Cost is approximately 3.80%. The \$82,370,000 2019 D bonds are fully hedged and are estimated at the swap rate, 3.64% plus .85% for bank liquidity and remarketing. The final maturity of the bonds is 4/1/2047 and the True Interest Cost is approximately 3.80%. Overall principal amounts will not increase.

	<u>Series 2019 A-C</u>	<u>Series 2019 D</u>
Principal	\$209,360,000	\$82,370,000
Interest and LOC Fees	\$236,888,979	\$85,179,944
Total Debt Service	\$446,248,979	\$167,549,944
Underwriter Fee (Maximum)*	\$2,093,600	\$823,700
Cost of Issuance (Maximum)*	\$2,093,600	\$823,700
Net Proceeds (Minimum)	\$205,172,800	\$80,722,600

Should you have any questions, please contact Robert Rich at 609-452-0263 or Sarah Hollenbeck at 415-982-5544.