

Memorandum

To: CHAIR AND COMMISSIONERS

Meeting Date: January 21-22, 2004

Reference No.: 2.5b.(6)
Action Item

From: ROBERT L. GARCIA
Chief Financial Officer

Prepared by: Robert Sertich
Chief
Division of Budgets

Ref: **FINANCIAL ALLOCATION FOR EIGHT STIP PROJECTS TO BE FUNDED FROM GARVEE BOND PROCEEDS**
RESOLUTION FG-03-03, REPLACING RESOLUTIONS FG-03-01 AND FG-03-02

ISSUE

The first issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds is scheduled to occur in February 2004. Eight State Transportation Improvement Program (STIP) projects were authorized for allocations of GARVEE bond proceeds under Resolutions FG-03-01 and FG-03-02, adopted at the September and December 2003 meetings respectively. These projects are the San Diego I-15 Managed Lanes (PPNO 0672), Riverside 60/91/215 Interchange (PPNO 0121D), Santa Clara I-880/Coleman Interchange (PPNO 0409C), Route 87 North (PPNO 0443N), Route 87 South (PPNO 0443S), and Los Angeles County Metropolitan Transportation Authority (LACMTA) Route 5 High Occupancy Vehicle (HOV) Lanes (PPNO 0162P), Route 405 Auxiliary Lanes (PPNO 2333), and Route 405/101 Gap Closure (PPNO 2336) projects.

The attached Resolution FG-03-03 supersedes the two previously-adopted resolutions mentioned above and increases the total amount of the project funds available through bond proceeds to the San Diego I-15 Managed Lanes Project to \$197 million. Specifically, the additional proceeds will replace \$14 million in Traffic Congestion Relief Program (TCRP) and STIP funds that will not be available to the project as originally anticipated. Allocations for the remaining seven projects are unchanged and consistent with the actions taken at the December 2003 meeting.

RECOMMENDATION

The Department recommends that the Commission adopt Resolution FG-03-03, increasing the allocation of project funds to the I-15 Managed Lanes project to \$197 million and authorizing a total of \$657,713,000 in bond proceeds to be used for the construction and/or right of way of the eight projects approved for GARVEE financing.

In addition to increasing the amount of the I-15 proceeds, Resolution FG-03-03 (1) declares the Commission's intent to finance the project from the sale of GARVEE bonds; (2) makes certain findings that are required under the GARVEE program provisions and Guidelines; (3) requests the State Treasurer to proceed with the issuance of GARVEE bonds; (4) pledges future federal funds to the payment of debt service on the GARVEE bonds; and (5) provides the allocations necessary for expenditure of the bond proceeds.

BACKGROUND

During the September 2003 meeting, the Commission approved allocation requests for the use of GARVEE bond proceeds for three projects: the San Diego Interstate 15 Managed Lanes, Santa Clara Interstate 880/Coleman Interchange, and Riverside 60/91/215 Interchange. These allocations included estimates for costs of issuance. At the December 2003 meeting, five additional projects were approved for allocations of GARVEE proceeds, and the Commission directed that the allocation amount for all eight projects reflect the amount of project funds needed, but that the financing costs paid from bond proceeds be allocated as determined at the time of the sale of the bonds. The attached resolution, vote boxes (Exhibit A), and estimated debt service payments under an 11-year term (Exhibit B) incorporate the previous allocation actions, as well as the replacement of TCRP and STIP funds with bond proceeds for the I-15 Managed Lanes project, as discussed above.

GARVEEs are tax-exempt debt instrument financing mechanisms that are backed by annual federal appropriations for federal-aid transportation projects. Proceeds of the financing can be used for the costs of right of way and/or construction of highway or other transportation projects that are eligible under Title 23 of the United States Code, and that meet all federal requirements. Additionally, projects must have environmental clearance and completed project design, be designated for GARVEE financing by the Commission, and eligible through the Federal Highway Administration for advance construction using GARVEE financing. Due to constitutional limitations, state funds are not used for payment of debt service; therefore, GARVEE financing relies solely on future federal-aid funding for debt repayment, and as a result, is subject to federal match requirements. State or local funds can be used for matching purposes outside of the debt service, in funding certain components prior to, or during, the construction period.

Attachments

CALIFORNIA TRANSPORTATION COMMISSION

Financial Allocation and Request to State Treasurer to Issue Grant Anticipation Revenue Vehicle ("GARVEE") Bonds

Resolution FG-03-03, Replacing Resolutions FG-03-01 and FG-03-02

- 1.1 WHEREAS, under the National Highway System Designation Act of 1995 and the Transportation Equity Act for the 21st Century, the United States Congress authorized states to issue Grant Anticipation Revenue Vehicle (GARVEE) bonds (the "Bonds") which are tax-exempt grant anticipation debt mechanisms backed by annual federal appropriations for federal aid transportation projects, and
- 1.2 WHEREAS, Sections 14550 and 14552-14555 were added to the Government Code of the State of California by Chapter 862 of the Statutes of 1999 (SB 928) (the "Act") to provide for the issuance of Bonds, and
- 1.3 WHEREAS, in accordance with the Act, the California Transportation Commission (the "Commission") has adopted GARVEE Guidelines (the "Guidelines") in order to establish guidelines for eligibility for funding allocations under the Act, and
- 1.4 WHEREAS, the Commission has determined to allocate funds for the acquisition and construction of certain eligible projects as specifically identified by this Resolution (the "Series A Projects") and to provide for funding of the Series A Projects through the issuance of a series of Bonds under the Act and in accordance with the Guidelines, and
- 1.5 WHEREAS, the financing of the Series A Projects through the proceeds of the Bonds has been approved by the Federal Highway Administration and regional transportation planning agency, and the Series A Projects have completed environmental clearance and project design, and
- 1.6 WHEREAS, pursuant to the Act the Commission must resolve to dedicate and pledge any future receipts of federal transportation funds (as such term is defined in the Act) received by the State to the payment of principal of and interest and premium on the Bonds issued pursuant to the Act for as long as any Bonds remain outstanding, and
- 1.7 WHEREAS, pursuant to the Act the Commission must request that the State Treasurer issue Bonds to provide the funds allocated for the Series A Projects, and
- 1.8 WHEREAS, pursuant to the Act, the Commission must determine that the issuance of Bonds achieves maximum efficiency from the State's federal allocation of transportation funds, and

- 1.9 WHEREAS, this resolution supersedes all prior Commission resolutions in relation to the subjects in Sections 2.1 through 2.7.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 2.1 Funding Allocations. The Commission has hereby selected and designated the following Series A Projects and approved the respective allocations as described below to be funded with GARVEE proceeds:

- 2.1.1 State Transportation Improvement Program (STIP) Project San Diego Route 15 Managed Lanes (PPNO 0672). The sum of \$197,000,000 is hereby allocated to PPNO 0672 for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0672 as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0672 and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. PPNO 0672 has been approved by the Federal Highway Administration for partial funding under the federal GARVEE program. The projected annual debt service in connection with PPNO 0672, to be repaid 75% from Regional Improvement Program (RIP) funds and 25% from Interregional Improvement Program (IIP) funds, is described in Exhibit B to this Resolution.

For PPNO 0672, September 25, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.2 STIP Project Riverside Route 60/91/215 (PPNO 0121D). The sum of \$240,000,000 is hereby allocated to PPNO 0121D for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0121D as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0121D and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. PPNO 0121D has been approved by the Federal Highway Administration for partial funding under the federal GARVEE program. The projected annual debt service in connection with PPNO 0121D, to be repaid 85% from RIP funds and 15% from IIP funds, is described in Exhibit B to this Resolution.

For PPNO 0121D, September 25, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.3 STIP Project Santa Clara Route 880/Coleman Interchange (PPNO 0409C). The sum of \$66,000,000 is hereby allocated to PPNO 0409C for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0409C as determined as the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0409C and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. PPNO 0409C has been approved by the Federal Highway Administration for partial funding under the federal GARVEE program. The projected annual debt service in connection with PPNO 0409C, to be repaid solely from RIP funds, is described in Exhibit B to this Resolution.

For PPNO 0409C, August 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.4 STIP Project Santa Clara State Route 87 North (PPNO 0443N). The sum of \$35,805,000 is hereby allocated to PPNO 0443N for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0443N as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0443N and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. The projected annual debt service in connection with PPNO 0443N, to be repaid solely from RIP funds, is described in Exhibit B to this Resolution.

For PPNO 0443N, December 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.5 STIP Project Santa Clara State Route 87 South (PPNO 0443S). The sum of \$41,195,000 is hereby allocated to PPNO 0443S for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0443S as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0443S and detailing the project location and description and the amount of project funds to be derived from the proceeds of the Bonds. The projected annual debt service in connection with PPNO 0443S, to be repaid solely from RIP funds, is described in Exhibit B to this Resolution.

For PPNO 0443S, December 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.6 STIP Project Los Angeles County Metropolitan Transportation Authority (LACMTA) Route 5 High Occupancy Vehicle (HOV) Lanes from Route 118 to Route 14 (PPNO 0162P). The sum of \$23,850,000 is hereby allocated to PPNO 0162P for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 0162P as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 0162P and detailing the project location and description and the amount of project funds to be derived from the proceeds of the Bonds. The projected annual debt service in connection with PPNO 0162P, to be repaid solely from RIP funds, is described in Exhibit B to this Resolution.

For PPNO 0162P, December 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.7 STIP Project LACMTA Route 405 Auxiliary Lane from Waterford Avenue to Route 10 (PPNO 2333). The sum of \$28,452,000 is hereby allocated to PPNO 2333 for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 2333 as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 2333 and detailing the project location and description and the amount of project funds to be derived from the proceeds of the Bonds. The projected annual debt service in connection with PPNO 2333, to be repaid 76% from RIP funds and 24% from IIP funds, is described in Exhibit B to this Resolution.

For PPNO 2333, December 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.1.8 STIP Project LACMTA North Bound Route 405/101 Gap Closure (PPNO 2336). The sum of \$25,411,000 is hereby allocated to PPNO 2336 for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 2336 as determined at the time of the sale of the Bonds. Such funds shall be derived from the proceeds of the issuance of the Bonds by the State Treasurer and from no other source. The amount of the actual annual debt service will be established at the time of the sale of the Bonds.

Attached to this Resolution as Exhibit A is an allocation vote box specifically identifying PPNO 2336 and detailing the project location and description and the amount of project funds to be derived from the proceeds of the Bonds. The projected annual debt service in connection with PPNO 2336, to be repaid 66% from RIP funds and 34% from IIP funds, is described in Exhibit B to this Resolution.

For PPNO 2336, December 11, 2003 is to be the earliest date in which eligible expenses will be reimbursed.

- 2.2 Funding Allocations Determined Eligible. The Series A Projects have been determined eligible for GARVEE financing in accordance with Title 23 of the U.S. Code, California Government Code Sections 14550, et. seq., and all other applicable federal and state laws and regulations. Funding of the Series A Projects as set forth above is consistent with the Commission's policies, including without limitation, the Guidelines.
- 2.3 Intention to Finance Using the Proceeds of the Bonds. The Commission declares its intent to finance the Series A Projects from the proceeds of the Bonds.
- 2.4 Request to State Treasurer. The Commission hereby requests that the State Treasurer proceed to identify a finance team, including without limitation, bond counsel, financial advisor and underwriter or underwriters, and prepare for sale the issuance of a series of the Bonds (the "Series A Bonds") in a principal amount sufficient to fund the allocations described in Section 2.1 hereof. This request is intended to satisfy the requirements of Section 14553.9 of the Act.
- 2.5 Pledge of Future Receipts. The Commission hereby dedicates and pledges all future receipts of federal transportation funds (as that term is defined in the Act) received by the State to the payment of principal of, and interest and premium on the Bonds, and any other costs related to the Bonds, for as long as any Bonds remain outstanding. This dedication and pledge is intended to satisfy Section 14553.7 of the Act.
- 2.6 Section 14553.4 Restriction Satisfied. The annual repayment obligation with respect to all Bonds in any fiscal year during which any Bonds are outstanding is not anticipated to exceed thirty percent (30 percent) of the total amount of the federal transportation funds deposited in the State Highway Account in the State Transportation Fund for any consecutive twelve (12)-month period within the preceding twenty-four (24) months.

- 2.7 Other Methods of Funding Not Appropriate. The Commission, in cooperation with the Department of Transportation and the Department of Finance, has considered other funding mechanisms, and hereby determines that providing funding of the allocations identified in Section 2.1 hereof through the issuance of Bonds will achieve maximum efficiency from the State's federal allocation of transportation funds and that other methods of funding are either not appropriate or not available.

2.5 Highway Financial Matters

Project # Allocation Amount Recipient RTPA/CTC County Dist-Co-Rte Postmile (Kilopost)	Location Project Description Project Support Expenditures	EA PPNO Program / Year PA&ED PS&E Const Eng CONST	Budget Year Item # Program Code	Allocation Amount Bond Proceeds Total Amount
Resolution FG-03-03, Replacing Resolutions FG-03-01 and FG-03-02				
2.5b.(6) STIP Projects On the State Highway System – GARVEE (Cont.)				
3 \$66,000,000 Santa Clara VTA MTC Santa Clara 04N-SCI-880 3.2/2.4	San Jose: I-880@Coleman; Reconstruct Coleman Ave. bridge & realign, reconstruct all ramps accessing I-880 & add new direct connection ramp to SB I-880 from Airport Blvd & Newhall St. Note: This allocation supersedes all previous GARVEE allocations for this project. The allocation is for the amount of funds needed for the project for right of way, construction, and support. All related financing costs to be paid from bond proceeds are allocated without limitation. Contributions from other sources: Local: \$18,147,600 TCRP: \$5,000,000	Project Funding (GARVEE Bond Proceeds) 262001 04-0409C RIP / 03-04 \$0 \$0 \$0 \$66,000,000	2003-04 801-6801 20.20.075.600	\$66,000,000 \$66,000,000
4 \$35,805,000 Santa Clara VTA MTC Santa Clara 04N-SCI-87 4.9/6.7	In San Jose, from Julian Street to I-280. Construct HOV lane in each direction. Note: This allocation supersedes all previous GARVEE allocations for this project. The allocation is for the amount of funds needed for the project for right of way, construction, and support. All related financing costs to be paid from bond proceeds are allocated without limitation. Contributions from other sources: Local: \$14,121,000 Related STIP Amendment 02S-060 approved at the May 2003 Commission Meeting.	Project Funding (GARVEE Bond Proceeds) 439611 04-0443N RIP / 03-04 \$0 \$0 \$0 \$35,805,000	2003-04 801-6801 20.20.075.600	\$35,805,000 \$35,805,000
5 \$41,195,000 Department of Transportation MTC Santa Clara 04S-SCI-87 0.0/5.1	SR 87, between Branham Lane and I-280, a distance of approximately 4.5 miles. Construct a HOV lane in each direction in the existing median. Note: This allocation supersedes all previous GARVEE allocations for this project. The allocation is for the amount of funds needed for the project for right of way, construction, and support. All related financing costs to be paid from bond proceeds are allocated without limitation. SHOPP project, PPNO 0442E will be combined with this STIP project for construction. \$4,246,260 in SHOPP State Only Funds will be applied to the non -federal matching requirement for the STIP GARVEE debt service. An allocation for the SHOPP project is expected in early 2004, including Federal SHOPP funds in the amount of \$14,215,740, for a total SHOPP allocation of \$18,462,000. Contributions from other sources: Local: \$12,404,000 Related STIP Amendment 02S-060 approved at the May 2003 Commission Meeting	Project Funding (GARVEE Bond Proceeds) 439601 04-0443S RIP / 03-04 \$0 \$0 \$0 \$41,195,000	2003-04 801-6801 20.20.075.600	\$41,195,000 \$41,195,000

11-Year Estimated Debt Service Schedule** for All Projects

(\$\$\$ in thousands)

	04/05**	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	Total
SAN DIEGO I-15 MANAGED LANES PROJECT													
Annual D/S	\$ 20,683	22,151	22,149	22,150	22,149	22,150	22,148	22,149	22,149	22,149	22,148	-	\$ 242,175
RIP Share @ 75%	15,512	16,613	16,612	16,613	16,612	16,613	16,611	16,612	16,612	16,612	16,611	-	181,631
IIP Share @ 25%	5,171	5,538	5,537	5,538	5,537	5,538	5,537	5,537	5,537	5,537	5,537	-	60,544
RIVERSIDE I-215 CORRIDOR PROJECT													
Annual D/S	\$ 25,199	26,984	26,985	26,982	26,983	26,984	26,982	26,983	26,983	26,985	26,985	-	\$ 295,035
RIP Share @ 85%	21,419	22,936	22,937	22,935	22,936	22,936	22,935	22,936	22,936	22,937	22,937	-	250,780
IIP Share @ 15%	3,780	4,048	4,048	4,047	4,047	4,048	4,047	4,047	4,047	4,048	4,048	-	44,255
SANTA CLARA I-880/COLEMAN INTERCHANGE PROJECT													
Annual D/S	\$ 6,931	7,418	7,422	7,419	7,419	7,420	7,419	7,420	7,422	7,423	7,423	-	\$ 81,136
RIP Share @ 100%	6,931	7,418	7,422	7,419	7,419	7,420	7,419	7,420	7,422	7,423	7,423	-	81,136
IIP Share @ 0%	-	-	-	-	-	-	-	-	-	-	-	-	-
SANTA CLARA SR-87 NORTH PROJECT													
Annual D/S	\$ 3,758	4,027	4,025	4,028	4,026	4,027	4,026	4,023	4,027	4,025	4,026	-	\$ 44,018
RIP Share @ 100%	3,758	4,027	4,025	4,028	4,026	4,027	4,026	4,023	4,027	4,025	4,026	-	44,018
IIP Share @ 0%	-	-	-	-	-	-	-	-	-	-	-	-	-
SANTA CLARA SR-87 SOUTH PROJECT													
Annual D/S	\$ 4,329	4,632	4,632	4,631	4,632	4,631	4,631	4,631	4,632	4,630	4,634	-	\$ 50,645
RIP Share @ 100%	4,329	4,632	4,632	4,631	4,632	4,631	4,631	4,631	4,632	4,630	4,634	-	50,645
IIP Share @ 0%	-	-	-	-	-	-	-	-	-	-	-	-	-
LA Route 5 HOV Lanes													
Annual D/S	\$ 2,503	2,684	2,679	2,683	2,680	2,679	2,681	2,684	2,683	2,680	2,684	-	\$ 29,320
RIP Share @ 100%	2,503	2,684	2,679	2,683	2,680	2,679	2,681	2,684	2,683	2,680	2,684	-	29,320
IIP Share @ 0%	-	-	-	-	-	-	-	-	-	-	-	-	-
LA Route 405 Aux Lanes													
Annual D/S	\$ 2,987	3,201	3,200	3,201	3,198	3,196	3,200	3,200	3,199	3,198	3,199	-	\$ 34,979
RIP Share @ 76%	2,270	2,433	2,432	2,433	2,430	2,429	2,432	2,432	2,431	2,430	2,431	-	26,584
IIP Share @ 24%	717	768	768	768	768	767	768	768	768	768	768	-	8,395
LA Route 405/101 Gap Closure													
Annual D/S	\$ 2,667	2,859	2,857	2,858	2,857	2,857	2,859	2,857	2,857	2,858	2,856	-	\$ 31,242
RIP Share @ 66%	1,760	1,887	1,886	1,886	1,886	1,886	1,887	1,886	1,886	1,886	1,885	-	20,620
IIP Share @ 34%	907	972	971	972	971	971	972	971	971	972	971	-	10,622
GRAND TOTAL													
Total Annual D/S	\$ 69,057	\$ 73,956	\$ 73,949	\$ 73,952	\$ 73,944	\$ 73,944	\$ 73,946	\$ 73,947	\$ 73,952	\$ 73,948	\$ 73,955	\$ -	\$ 808,550
RIP Share	\$ 58,483	\$ 62,630	\$ 62,625	\$ 62,627	\$ 62,620	\$ 62,620	\$ 62,622	\$ 62,623	\$ 62,628	\$ 62,624	\$ 62,631	\$ -	684,734
IIP Share	\$ 10,574	\$ 11,326	\$ 11,324	\$ 11,325	\$ 11,324	\$ 11,324	\$ 11,324	\$ 11,324	\$ 11,324	\$ 11,324	\$ 11,324	\$ -	123,816

**Debt service payments shown in FY04/05 exclude capitalized and accrued interest paid from bond proceeds.