

MOTION NO. M2013-34

Approval of Initial TIFIA Loan Application Fees

| MEETING: | DATE: | TYPE OF ACTION: | STAFF CONTACT: | PHONE: |
|---|--------------|------------------------|--|------------------------------|
| Operations and Administration Committee | 06/06/2013 | Final Action | Brian McCartan, Executive Director FIT Tracy Butler, Treasurer | 206-398-5100 206-398-5146 |

PROPOSED ACTION

Approves the payment of initial transaction costs and application fees for a Transportation Infrastructure Finance and Innovation Act loan from the U.S. Department of Transportation prior to payment of future transaction fees at loan closing, in an amount not to exceed \$350,000.

KEY FEATURES SUMMARY

- Sound Transit submitted a Letter of Interest in December 2012 for a \$1.3 billion Transportation Infrastructure Finance and Innovative (TIFIA) loan for the East Link and I-90 Two-Way Transit Projects.
- In April 2013, Sound Transit received approval from the U.S. Department of Transportation to enter the initial phase of the loan negotiations which includes credit evaluation. This phase will require up to \$350,000 for fees and credit review costs.
- The transaction fees for the TIFIA loan are substantially lower than those of a comparable tax-exempt bond transaction.
- Additional transaction fees and costs would be submitted for board consideration near loan approval.
- If the agency application for the loan is successful, additional closing fees up to \$800,000 could be incurred.

BACKGROUND

The TIFIA program provides Federal credit assistance to finance surface transportation projects of national and regional significance. The TIFIA program offers several forms of credit assistance and Sound Transit has applied for a loan under the program. A TIFIA loan offers a number of advantages over a traditional tax-exempt bond transaction, generating additional financial capacity for the agency.

The agency has applied for a \$1.3 billion loan for the East Link and I-90 Two-Way Transit Projects, collectively identified in the application as the "East Link Light Rail and HOV Expansion" project. The total project cost are \$4.0 billion, including finance costs, and the TIFIA loan can be up to 33% of the total project costs.

The major milestones for the TIFIA loan process are:

| Stage | Date | Completed? |
|-------------------------------------|---------------|------------|
| Submission of Letter of Interest | December 2012 | Yes |
| Approval to enter credit evaluation | April 2013 | Yes |
| Approval to submit Application | 3Q 2013 | |
| Application Submittal | 3Q 2013 | |
| Loan Approval | 4Q 2013 | |
| Loan Execution | 1Q 2014 | |

FISCAL AND BUDGET IMPACTS

Sound Transit will incur up to an estimated \$350,000 prior to the approval from U.S. Department of Transportation to submit an application. These costs include rating agency fees and a \$100,000 application fee. In addition, the agency would incur up to an additional \$800,000 in fees and transaction costs in the final loan approval stage. These costs are less than half the costs associated with a traditional tax-exempt financing of comparable size.

This expenditure was not explicitly budgeted in the Adopted 2013 Budget however these expenditures can be covered within existing board approved budget levels, utilizing \$150,000 from the CEO's budgeted contingency and \$200,000 from budget savings from the Finance and Information Technology departmental budget.

Budget Table

| Current Year Budget | Adopted 2013 Budget | Spent to date in 2013 | Contract Expenditures 2013 | Remaining 2013 Budget |
|------------------------------------|---------------------|-----------------------|----------------------------|-----------------------|
| Executive | | | | - |
| Miscellaneous | 954 | 5 | 150 | 799 |
| Finance and Information Technology | 24,637 | 7,007 | 200 | 17,430 |
| Total Budget | 25,591 | 7,012 | 350 | 18,229 |

| Spending Plan | Prior Year(s) Spending | 2013 Spending | Future Expenditures | Total |
|------------------|------------------------|---------------|---------------------|-------|
| TIFIA Loan Costs | - | 350 | 800 | 1,150 |

| Contract Budget | Current Approved Contract Value | Spent to Date | Proposed Action | Proposed Total Contract Value |
|---------------------------|---------------------------------|---------------|-----------------|-------------------------------|
| TIFIA Loan Application | - | - | 100 | 100 |
| Credit Rating Agency Fees | | | 250 | 250 |
| Contingency | - | - | - | - |
| Total | - | - | 350 | 350 |
| Percent Contingency | - | - | 0% | 0% |

Notes:

Spent to date is April 30, 2013. Executive budget is on page 79 of the 2013 Adopted Budget. The Finance and Information Technology budget is on page 81 of the 2013 Adopted Budget.

SMALL BUSINESS PARTICIPATION

Not Applicable to this action.

EQUAL EMPLOYMENT WORKFORCE PROFILE

Not Applicable to this action.

APPRENTICE UTILIZATION COMMITMENT

Not Applicable to this action.

PUBLIC INVOLVEMENT

Not Applicable to this action.

TIME CONSTRAINTS

The process of obtaining a TIFIA loan can be very lengthy and the taxable rates are at historical low right now. It is critical to provide the information and fees requested by the USDOT in a timely manner in order to potentially lock in the lowest possible interest rate for the \$1.3 billion loan. Sound Transit will not be able to submit the fee and rating evaluations requested by USDOT TIFIA, therefore cannot proceed with the credit assessment which could lead to application, if the Committee does not approve this action.

PRIOR BOARD/COMMITTEE ACTIONS

None.

ENVIRONMENTAL REVIEW

JI 5/23/2013

LEGAL REVIEW

JW 5/30/2013

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A motion of the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority approving the payment of initial transaction costs and application fees for a Transportation Infrastructure Finance and Innovation Act loan from the U.S. Department of Transportation prior to payment of future transaction fees at loan closing, in an amount not to exceed \$350,000.

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MOTION:

The Operations and Administration Committee of the Central Puget Sound Regional Transit Authority hereby approves the payment of initial transaction costs and application fees for a Transportation Infrastructure Finance and Innovation Act loan from the U.S. Department of Transportation prior to payment of future transaction fees at loan closing, in an amount not to exceed \$350,000.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 5, 2013.


Paul Roberts
Operations and Administration Committee Chair

ATTEST:


Marcia Walker
Board Administrator