

# Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 19-20, 2007

Reference No.: 4.5  
Action Item

From: CINDY McKIM  
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Subject: **PROPOSED 2008-09 GARVEE BOND FINANCING**

## **RECOMMENDATION:**

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) direct the Department to pursue the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bond financing through the State Treasurer's Office for the 2008-09 fiscal year for projects to replace the Schuyler Heim Bridge on Route 47 in Los Angeles County and the Sacramento River Bridge (Antlers Bridge) on Interstate 5 in Shasta County.

## **ISSUE:**

The Department recommends to finance through GARVEE bonds \$460 million for two projects in the 2008-09 fiscal year. Based on the policy contained in Commission Resolution G-03-21, the Commission selects projects for accelerated construction through the use of GARVEE bonding. The Commission will select projects that are major improvements to corridors and gateways for interregional travel and goods movement. Major improvements include projects that increase capacity, reduce travel times, or provide long-life rehabilitation of key bridges or roadways.

## **BACKGROUND:**

At the July 25-26, 2007 Commission meeting, the Department presented an informational item on Grant Anticipation Revenue Vehicle (GARVEE) bonding as a financing tool for projects in the State Highway Operation and Protection Program (SHOPP). At the conclusion of the presentation, Commissioner's requested further information regarding potential candidates projects for bond financing.

California statute limits the borrowing capacity for GARVEE to 15 percent of the anticipated federal revenue. This means that the maximum annual debt service for GARVEE as of April 2007 is \$355 million. As a practical matter, however, it is prudent to consider capping debt service at no more than 25 percent of the annual discretionary funding for the SHOPP. This means that the annual debt service should not exceed \$250 million.

As outlined during the GARVEE presentation, ideal candidate projects for GARVEE financing are: high cost, on routes with significant vehicle traffic and/or goods movement, long service life, a

substantial contribution to the completion of the rehabilitation and reconstruction needs in a transportation corridor, and delivered earlier than pay-as-go financing would support. Candidate projects under consideration for GARVEE bond financing include, but are not limited to:

- Replacement of the Sacramento River Bridge (Bridge Number 06-0089) on Interstate 5 in Shasta County near Lakehead (Antlers). This bridge replacement project is currently programmed in the SHOPP in Fiscal Year (FY) 2008-09 for \$27 million support and \$187 million capital. The current escalated capital construction amount is \$238 million in FY 2008-09.
- Replacement of the Schuyler Heim Bridge (Bridge Number 53-2618) on State Route 47 in Los Angeles County in Long Beach. This bridge replacement project is currently programmed in the SHOPP in FY 2008-09 for \$25 million support and \$255 million capital. The current escalated capital construction amount is \$270 million in FY 2008-09.
- Interstate 80 pavement rehabilitation in Placer, Nevada and Sierra Counties at three locations. In addition to rehabilitating 108 lane-miles of severely distressed pavement, bridges along the mainline will receive treatments including polyester overlay, joint seals, approach slab replacement, and railing replacement as appropriate. The minimum design life is 20 years. Estimated cost is \$62 million support and \$310 million capital. Project construction is projected for FY 2009-10.
- Interstate 710 pavement rehabilitation in Los Angeles County from Slauson Avenue to State Route 10. The project will rehabilitate 45 lane-miles of severely distressed pavement. The minimum design life is 20 years. Estimated cost is \$25 million support and \$310 million capital. Project construction is projected for FY 2010-11.
- Contribution to the reconstruction of the Doyle Drive structure in the city and county of San Francisco on State Route 101 on Doyle Drive near the Golden Gate Bridge. A contribution totaling \$405 million is planned towards this project for FY 2010-11.
- Replacement of the Gerald Desmond Bridge in the Port of Long Beach. The Gerald Desmond Bridge, constructed in 1968, connects the Ports of Long Beach and Los Angeles with Interstate 710. Projected capital cost of the new bridge, and approaches, is \$600 million and is initially estimated for FY 2012-13.

Attached is a proposed financing plan. The plan displays the estimated construction capital amount, the proposed GARVEE financing amount after the subtraction of the required state match, and the related annual debt service for each of project.

Attachment

CANDIDATE GARVEE PROJECT DEBT SERVICE ANALYSIS

	Total Capital Construction (\$ mil)	State Funding	Net GARVEE amount (does not include State Match)	Delivery FY	ANNUAL DEBT SERVICE (\$ Mil)																Sum of Debt Service	Total Cost (Debt Service plus State Match)		
					2007/08 FY	2008/09 FY	2009/10 FY	2010/11 FY	2011/12 FY	2012/13 FY	2013/14 FY	2014/15 FY	2015/16 FY	2016/17 FY	2017/18 FY	2018/19 FY	2019/20 FY	2020/21 FY	2021/22 FY	2022/23 FY			2023/24 FY	
					Column A	Column B	Column A - B																	
<b>Pre-existing Debt Service</b>					72.90	72.90	72.90	72.90	72.90	72.90	72.90	72.90										583.2		
Antlers Bridge (Sha-5)	238	20	218	2008-09		23.57	23.57	23.57	23.57	23.57	23.57	23.57	23.57	23.57	23.57	23.57	23.57					282.8	302.9	
Schuyler Heim Bridge (LA-47)	270	31	239	2008-09		25.84	25.84	25.84	25.84	25.84	25.84	25.84	25.84	25.84	25.84	25.84	25.84					310.1	341.2	
I-80 Pavement Rehabilitation (Pla/Nev/Sie-80)	310	26	284	2009-10			30.79	30.79	30.79	30.79	30.79	30.79	30.79	30.79	30.79	30.79	30.79	30.79					369.5	395.6
Interstate 710 Pavement Rehabilitation (LA-710)	335	28	307	2010-11				33.38	33.38	33.38	33.38	33.38	33.38	33.38	33.38	33.38	33.38	33.38	33.38				400.6	428.8
Doyle Drive Bridge (SF-101) *	405	47	358	2010-11				38.92	38.92	38.92	38.92	38.92	38.92	38.92	38.92	38.92	38.92	38.92	38.92				467.0	513.7
Gerald Desmond Bridge (LA-710) **	600	69	531	2012-13						57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	57.90	694.8	764.0
<b>TOTAL</b>	<b>2,158</b>	<b>221</b>	<b>1,937</b>		<b>72.90</b>	<b>122.31</b>	<b>153.10</b>	<b>225.40</b>	<b>225.40</b>	<b>283.30</b>	<b>283.30</b>	<b>283.30</b>	<b>210.40</b>	<b>210.40</b>	<b>210.40</b>	<b>210.40</b>	<b>210.40</b>	<b>160.99</b>	<b>130.20</b>	<b>57.90</b>	<b>57.90</b>	<b>3,108.0</b>		

**Assumed Interest Rates:**

FY 2008-09 4.25  
FY 2009-10 4.30  
FY 2010-11 4.35  
FY 2012-13 4.40

Maximum annual debt service as of April 2007: \$354,253,000

\* SHOPP Contribution is only a portion of overall project cost.

\*\* Cost and Delivery Year are Preliminary Estimates.