

Memorandum

To: CHAIR AND COMMISSIONERS

Meeting Date: April 9-10, 2008

Reference No.: 2.5b.(2)
Action Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Norma Ortega
Chief
Division of Budgets

Subject: **FINANCIAL ALLOCATION FOR SHOPP PROJECTS TO BE FUNDED FROM GARVEE BOND PROCEEDS**
RESOLUTION FG-07-01

RECOMMENDATION:

The Department of Transportation recommends that the California Transportation Commission adopt Resolution FG-07-01, approving the two State Highway Operation and Protection Program (SHOPP) projects described below for GARVEE financing. The projects have been determined eligible for GARVEE financing in accordance with Title 23 of the U.S. Code, California Government Code Sections 14550 et al, and all other applicable federal and state laws. Additionally, the projects are consistent with the Commission's policies, including GARVEE guidelines adopted under Resolution G-00-03, as amended by G-03-09. The Department has received federal-aid authorizations from the Federal Highway Administration (FHWA) for the use of GARVEE financing and advance construction for the two projects included in this book item.

ISSUE:

The Department is proposing an issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds in Fiscal Year 2008-09 totaling \$143 million to fund two SHOPP projects. The Department presented the two pavement rehabilitation projects at the March 2008 meeting as an information item and is now requesting approval for these projects.

The Department requests that the Commission consider and approve the selection of two SHOPP projects for GARVEE financing to advance project delivery. The projects are expected to be awarded within six months of allocation as part of the Governor's Economic Stimulus Proposal, and this will allow sufficient time for the State Treasurer's Office to issue the bonds. Additionally, there is no pay-as-you-go funding capacity available for the two projects. The two projects are:

- 1) Interstate 80 pavement rehabilitation in Placer County, in and near Colfax from the Route 174/80 separation to Alta Road undercrossing (Planning Programming Number (PPNO) 5092); and
- 2) Interstate 80 pavement rehabilitation in Nevada and Sierra Counties near Floriston, from Truckee River Bridge #17-63 to Nevada State line (PPNO 4237).

These projects will provide a new roadway surface that has been designed for a 20-year life. GARVEE bond proceeds will fund right of way and construction costs of the projects. Support costs, paid from state funds, will be used to meet the federal match requirements.

Other projects that were presented as GARVEE candidates during the September 2007 CTC meeting are not ready to be awarded at this time.

BACKGROUND:

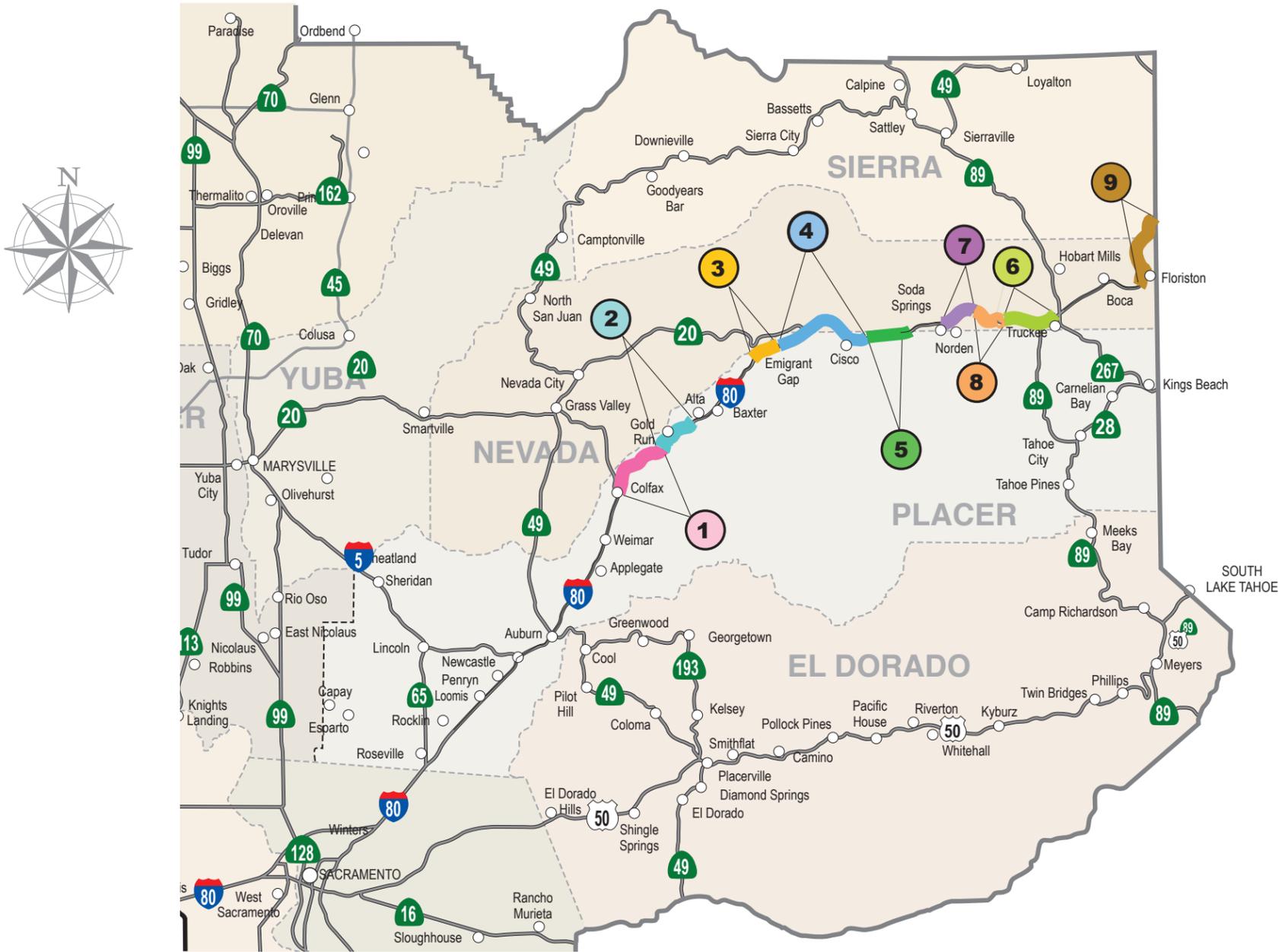
GARVEE bonds are tax-exempt debt instrument financing mechanisms that are backed by annual federal appropriations for federal-aid transportation projects. Proceeds from the financing can be used for the costs of right of way and/or construction of highway or other transportation projects that are eligible 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 FHWA 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. However, state or local funds can be used for matching purposes outside of the debt service, in funding components prior to, or throughout the construction period.

In March 2004, \$615 million in GARVEE bonds were issued by the State Treasurer to advance eight STIP projects in various locations throughout the State that had been approved by the Commission.

In order to proceed with this issuance, a new resolution must be adopted that authorizes the two proposed projects. This resolution will declare the Commission's intent to finance the projects from the sale of GARVEE bonds, make certain findings that are required under the GARVEE program provisions and guidelines, request the State Treasurer to proceed with the issuance of GARVEE bonds, pledge future federal funds to the payment of debt service on the GARVEE bonds, and provide the allocations necessary for expenditure of the bond proceeds.

Attachments

I-80 Corridor Improvement Plan Proposed Projects



Project Information

Map Location	EA	County-Route	P.M.	Name	Project Description	Project Limit	Begin Construction	End Construction	Cost in millions of \$
1	1A790	Pla-80	33.3/39.0	Colfax Narrows	Rehab and widen	Near Colfax, from 0.2 mile east of Route 174 to Magra OH	TBD	TBD	200
2	3E040	Pla-80	33.3/44.6	Colfax/Gold Run III	Digouts and AC overlay	5 mi east of Colfax from Secret Town OC to Alta Rd. UC	2008	2010	70 *
3	4A700	Pla-80	54.4 - 56.4	Nyack Rehab	PCC Overlay	Near Emigrant Gap from Putts Lake UC to Carpenter Flat UC	2008	2010	26.6
4	2C860	Pla-80	56.1 - 66.3	Emmigrant Gap	PCC Lane Replacemt	From Carpenter Flat UC to Hampshire Rocks UC	2010	2012	167 *
5	0C770	Pla-80	66.3-68.5	Rainbow rehab	PCC Overlay	Near Kingvale from Hampshire Rocks UC to Troy UC	2008	2010	31.5
6	0A631	Nev-80	R9.2-R13.6	Donner 1	PCC Overlay	In Truckee from east of Donner Lake UC to east of West Truckee UC	2008	2010	71
7	0A632	Nev-80	R2.5-R5.6	Donner 2	PCC Overlay	From Soda Springs OC to west of Donner Summit	2007	2009	71
8	0A633	Nev-80	R5.6-R11.5	Donner 3	PCC Lane Replacemt	From Donner Summit to west of Donner Park OC	2009	2012	78
9	3A220	Nev-80 Sie-80	28.1/31.8 0.0/1.6	Truckee River Canyon	PCC Lane Replacemt	Near Floriston from the Truckee River Bridge to the Nevada State Line	2009	2012	73 *

CURRENT REQUEST

* Garvee-Bond Funded



CALIFORNIA TRANSPORTATION COMMISSION

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

Resolution FG-07-01

- 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 14552-14555.9 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 rehabilitation of certain eligible projects as specifically identified by this Resolution (the "Series 2008A Projects") and to provide for funding of the Series 2008A 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 2008A Projects through the proceeds of the Bonds has been approved by the Federal Highway Administration and the Series 2008A Projects meet GARVEE eligibility requirements and are consistent with the Commission's policies; 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 2008A 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.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 2.1 Funding Allocations. The Commission has hereby selected and designated the following Series 2008A Projects and approved the respective allocations as described below to be partially funded with GARVEE proceeds:
 - 2.1.1 SHOPP project Interstate 80 pavement rehabilitation at Colfax/Gold Run (Planning Programming Number (PPNO) 5092). The sum of \$70,000,000 is hereby allocated to PPNO 5092 for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 5092 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 5092 and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. PPNO 5092 has been approved by the Federal Highway Administration for partial funding under the federal GARVEE program.
 - 2.1.2 SHOPP project Interstate 80 pavement rehabilitation at Truckee River Canyon (PPNO 4237). The sum of \$73,000,000 is hereby allocated to PPNO 4237 for project funding. Funds necessary for payment of capitalized interest and the costs of issuance are hereby allocated to PPNO 4237 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 4237 and detailing the project location and description, and the amount of project funds to be derived from the proceeds of the Bonds. PPNO 4237 has been approved by the Federal Highway Administration for partial funding under the federal GARVEE program.
- 2.2 Funding Allocations Determined Eligible. The Series 2008A 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 2008A 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 2008A 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 2008A 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 fifteen percent (15 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.

Attachment

2.5 Highway Financial Matters

Project # Allocation Amount County Dist-Co-Rte Postmile	Location Project Description	EA PPNO Program/Year Prog Amount	Budget Year Item # Program Code	State Federal Total Amount
2.5b.(2) GARVEE Bond – SHOPP Project Allocations				Resolution FG-07-01
1 \$70,000,000 Placer 03N-Pla-80 33.3/44.8	Interstate 80 in Placer County. Pavement rehabilitation in and near Colfax from Route 174/80 separation to Alta Road undercrossing. <u>Outcome/Outputs:</u> Rehabilitate 44 lane miles of severely distressed pavement, improve ride quality, reduce delay to motorists due to repeated lane closures for pavement repairs and reduce worker exposure for maintaining the pavement. There will be 61,000 lineal feet of concrete railing installed; 37,000 lineal feet of replacement metal beam guardrail; replace median slotted drains; striping; 44 miles of pavement rehabilitation with asphalt concrete paving; and provide scuppers in the median barrier. The bridge work entails 5 structures within the project limits with a scope of work including polyester concrete deck overlay, bridge rail replacement, replace joint seals, and replace approach/ departure slabs. The project will provide a new roadway surface that has been designed for a 20-year life.	3E0401 03-5092 SHOPP/07-08 \$70,000,000	2007-08 801-6801 20.20.201.120	\$70,000,000 \$70,000,000
2 \$73,000,000 Nevada/Sierra 03N-Nev/Sie-80 28.1/31.8; 0.0/1.6	Interstate 80 in Nevada and Sierra Counties. Pavement rehabilitation near Floriston from Truckee River Bridge #17-63 to Nevada State line. <u>Outcome/Outputs:</u> Rehabilitate 21.5 lane miles of severely distressed pavement, improve ride quality, reduce delay to motorists due to repeated lane closures for pavement repairs and reduce worker exposure for maintaining the pavement. There will be 36,000 lineal feet of metal beam guardrail; 124 drainage systems installed consisting of upgrading existing cross culverts and new storm water treatment systems, which includes 6 detention basins; lighting system upgrades; 21.5 miles of pavement rehabilitation with Portland Concrete Cement paving; and replacing the approach/departure slabs and a polyester concrete deck overlay of the Donner Lake undercrossing. The project will provide a new roadway surface that has been designed for a 20-year life.	3A2201 03-4237 SHOPP/07-08 \$73,000,000	2007-08 801-6801 20.20.201.120	\$73,000,000 \$73,000,000