



Bonding to Fund Public Transportation Infrastructure Projects and Programs

NVRTA – Tax Agency
February 21, 2024

Introduction to KNN Public Finance

MUNICIPAL ADVISOR TO NVTA

- » Independent Registered Municipal Advisor
- » Retained by NVTA to assist with modeling and analysis activities to support the development of the Expenditure Plan for the proposed Measure X to be placed on the November 2024 ballot
- » Previously assisted NVTA with the implementation of the TIFIA Loan borrowing that financed a portion of the new Vine Transit Maintenance Facility in tandem with grants and other funding sources

ADVISOR TO OTHER TRANSPORTATION SALES TAX AGENCIES

- » Advisor to 13 “self help” county transportation sales tax agencies across the state
- » Provide planning, cash flow modeling, and analysis services for sales tax measure development, Strategic Plans, and bond issuance and other borrowing needs

HISTORY SERVING AGENCIES IN NAPA VALLEY

- » County of Napa, Town of Yountville, City of St. Helena, Napa Sanitation District, Napa Valley Unified School District, Napa County Flood Protection and Watershed Improvement Authority, Napa Vallejo Waste Management Authority



Bonds: What and Why?

What Are Municipal Bonds?

BONDS:

- » A form of loan from a lender to a municipality

PURPOSE:

- » For governmental purposes – not for private use
- » Infrastructure - e.g., water, sewer, streets/roads, bridges, utilities
- » Capital improvement projects - e.g., administrations centers, libraries, fire/police stations, community centers, parking garages, parks, etc.
- » Refinancing – reduce interest costs, consolidate or restructure debt

TAX-EXEMPTION:

- » Most municipal bonds issued for governmental infrastructure qualify to be issued on a **tax-exempt** basis
- » Bondholders do not pay Federal or State income tax on interest earnings; thus, will purchase tax-exempt bonds at lower yields – allowing municipal agency to raise capital at comparatively lower rates than taxable/corporate bonds
- » Subject to IRS regulations, including reasonable expectation that bond proceeds will be expended in 3 years from borrowing

Why do Municipalities Issue Bonds?

WHY?

- » There are not sufficient resources/revenues to fund 100% of a project upfront
- » Multiple projects could be funded and/or financed and delivered at the same time
- » Spreads the cost of capital over useful life of the asset and ensures costs are paid by those who benefit from the project (“intergenerational equity”)

EXAMPLES OF BOND-FINANCED PROJECTS IN NAPA COUNTY

AGENCIES	TYPES OF PROJECTS	TYPES OF BONDS	REPAYMENT SOURCE
<ul style="list-style-type: none"> » NAPA VALLEY UNIFIED SCHOOL DISTRICT » ST HELENA UNIFIED SCHOOL DISTRICT 	School Facilities	General Obligation Bonds	Property Tax Revenues
<ul style="list-style-type: none"> » NAPA SANITATION DISTRICT » CITY OF CALISTOGA 	Wastewater Collection & Treatment Infrastructure	Revenue Bonds	Public Utility Revenues
<ul style="list-style-type: none"> » CITY OF NAPA 	Solid Waste Recovery Facilities	Revenue Bonds	Public Utility Revenues
<ul style="list-style-type: none"> » COUNTY OF NAPA » CITY OF AMERICAN CANYON » TOWN OF YOUNTVILLE 	Public Buildings & Capital Improvements	Certificates of Participation/Lease Revenue Bonds	General Fund
<ul style="list-style-type: none"> » NAPA COUNTY FLOOD PROTECTION & WATERSHED IMPROVEMENT AUTHORITY 	Flood Projection Project	Limited Tax Bonds	Sales Tax Revenues

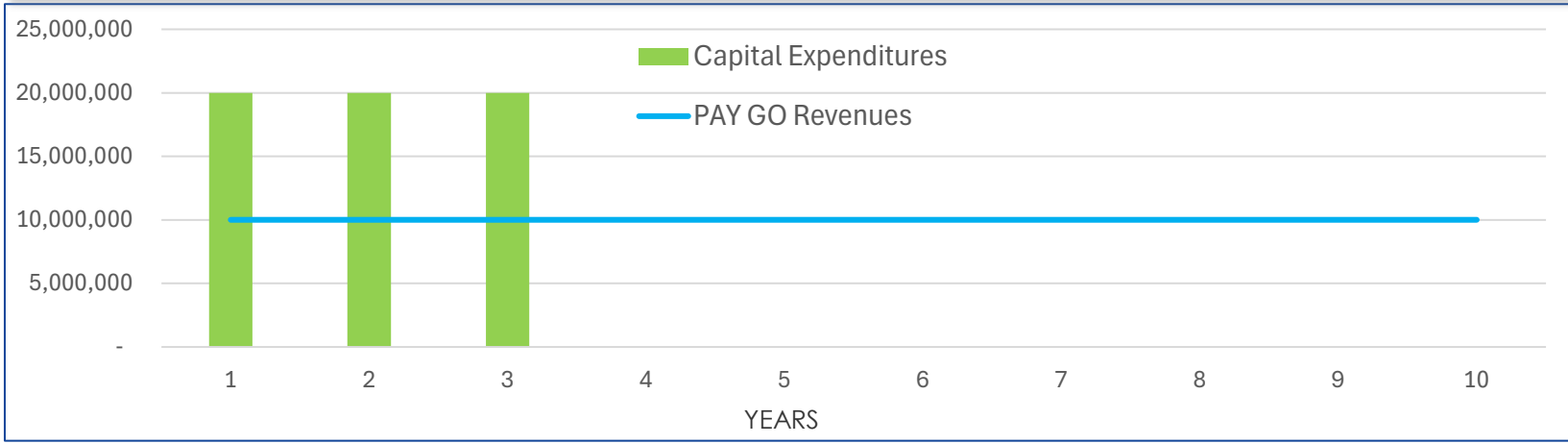
Delivering Transportation Projects Under a Voter-Approved Expenditure Plan

PAYGO	GRANTS	BONDS
<ul style="list-style-type: none"> » Small and recurring capital or annual maintenance projects » Projects built over time » Limited ability to accelerate project in a single phase » Easiest and most flexible source of funds 	<ul style="list-style-type: none"> » “Free” money...with strings attached » Application process, which can be competitive and/or lengthy » Timing of funds can be uncertain or on a reimbursement basis » May require oversight, review, or reporting 	<ul style="list-style-type: none"> » Can accelerate delivery of “shovel-ready” projects » May minimize rising construction costs » Spreads financing costs over a desired term » Directs revenues to interest costs in addition to projects

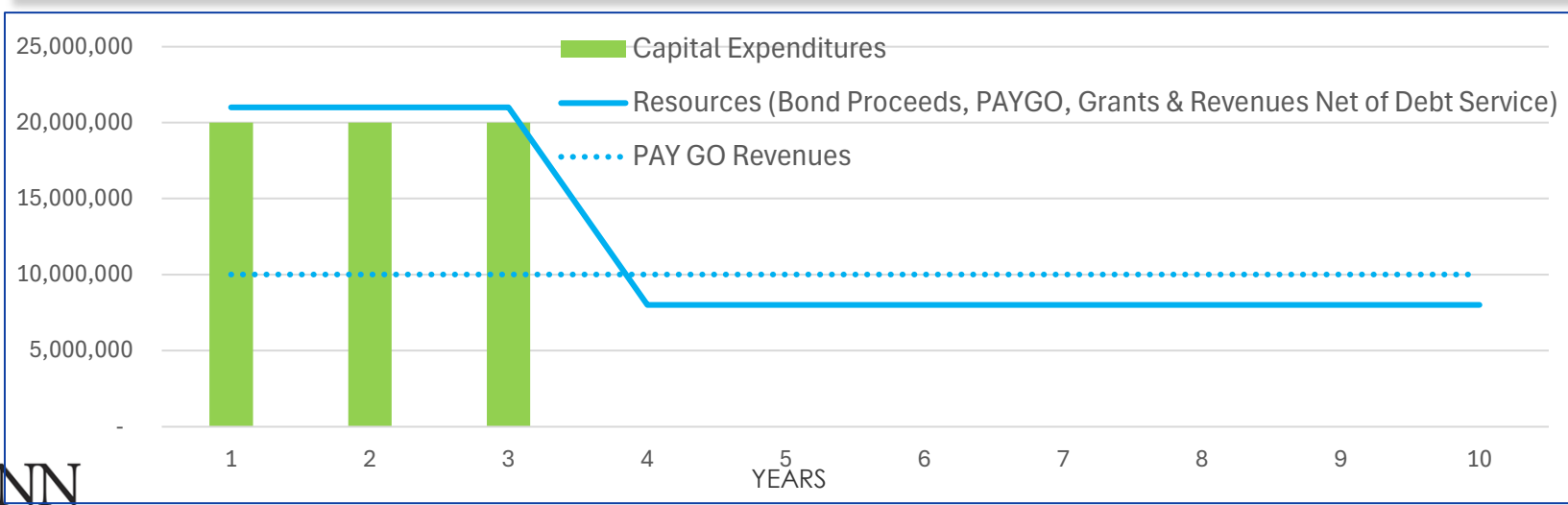
FINANCING PLANS FOR TRANSPORTATION INFRASTRUCTURE TEND TO INVOLVE A MIX OF PAY-GO AND GRANT FUNDING AND BORROWING

Why do Transportation Agencies Issue Bonds?

CAPITAL EXPENDITURES GREATER THAN PAYGO REVENUES

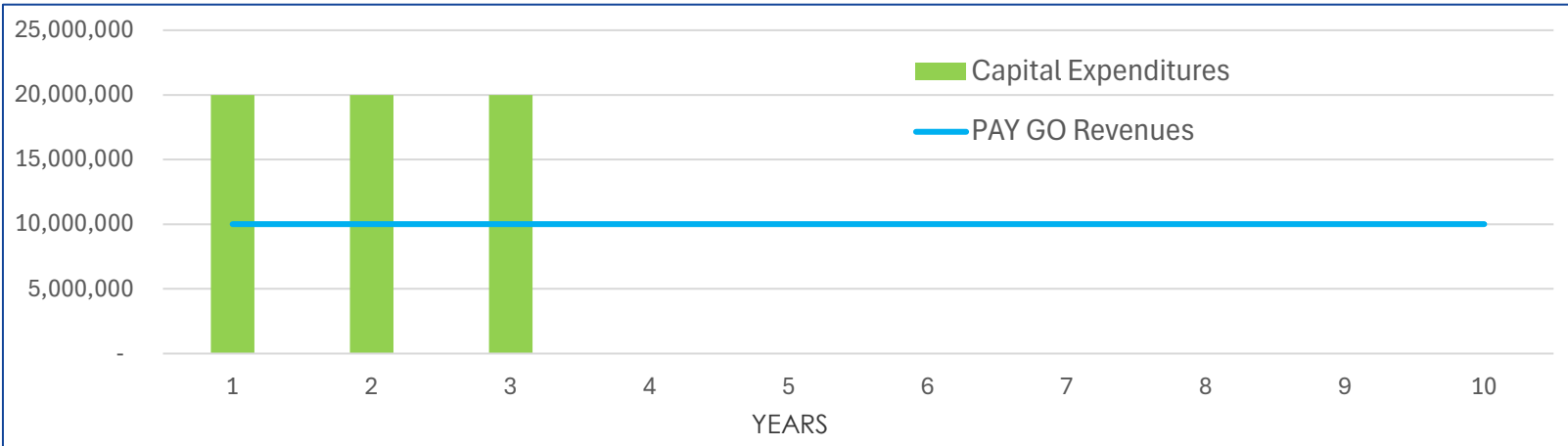


BONDING ACCELERATES FUTURE REVENUES TO DELIVER PROJECTS ON TIME



Why do Transportation Agencies Issue Bonds?

CAPITAL EXPENDITURES GREATER THAN PAYGO REVENUES



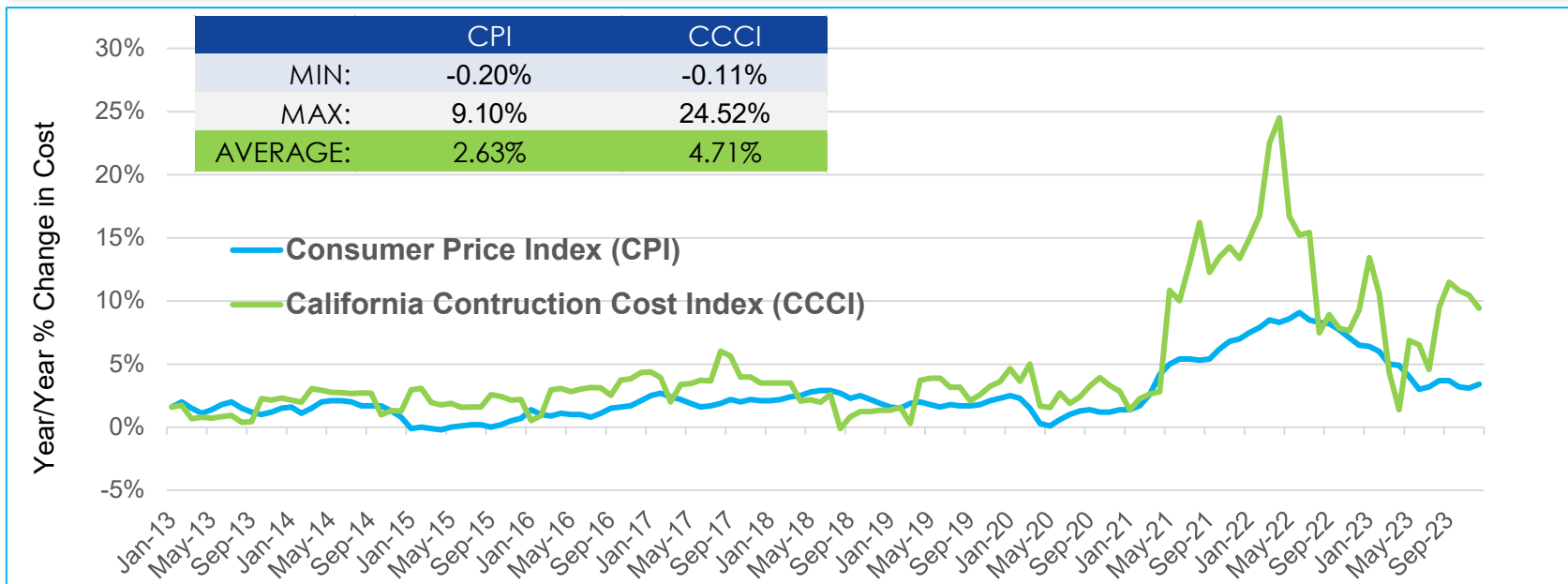
PAYGO REQUIRES A LONGER PROJECT DELIVERY TIMELINE – TIMED WITH AVAILABLE \$\$\$



Project Acceleration May Also Limit Construction Cost Increases

- » CPI serves as a proxy for growth in sales tax revenues
- » CCCI is an index developed by California DGS based on the average of the Building Cost Index for LA and SF
- » CPI has generally trended lower while CCCI has remained volatile and above the growth in CPI




CONSUMER PRICE INDEX (CPI) AND CALIFORNIA CONSTRUCTION COST INDEX (CCCI) (JANUARY 2013 – DECEMBER 2023)



1. CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, including food, transportation, medical care, apparel, recreation, housing.

2. CCCI is developed based upon Building Cost Index (BCI) cost indices average for San Francisco and Los Angeles ONLY as produced by Engineering News Record (ENR) and reported in the second issue each month. The ENR BCI reports cost trends for specific construction trade labor and materials in the California market and does not reflect current market bidding environment.

Select Bay Area Transportation Projects Funded by Sales Tax Measures

AGENCY	PROJECT	SALES TAX MEASURE ALLOCATION	SALES TAX BONDS ISSUED	OTHER LEVERAGED FUNDS
 ALAMEDA COUNTY TRANSPORTATION COMMISSION	State Route 84 & Interstate 680 Interchange Improvements	2% of Measure BB Revenues (\$124M)	\$140M* (2022) <small>*A portion of proceeds allocated to the Project</small>	<u>Regional:</u> RM3 RIP <u>State:</u> SB 1 LPP
 CONTRA COSTA TRANSPORTATION AUTHORITY	Caldecott Tunnel Fourth Bore	6% of Measure J Revenues (\$125M)	\$200M* (2009) \$225M* (2012) <small>*A portion of proceeds allocated to the Project</small>	<u>Regional:</u> RM2 <u>State:</u> STIP CMIA TCRP <u>Federal:</u> SAFETEA-LU HM7 ARRA
 SONOMA COUNTY TRANSPORTATION AUTHORITY	Highway 101 Corridor HOV Marin County Line to Windsor	40% of Measure M Revenues	\$45.5M (2008) \$24M (2011) \$15M (2015)	<u>State:</u> Prop 1B SB 1 STIP CMIA SLPP Federal



NVTA Proposed Sales Tax Measure

Proposed Measure X Expenditure Plan

PROJECTED SALES TAX REVENUES:

- » Assumes 2.5% annual growth from FY 2027 – FY 2029 and 3.0% annual growth thereafter
- » Measure T actual average annual growth rate is approximately 7%

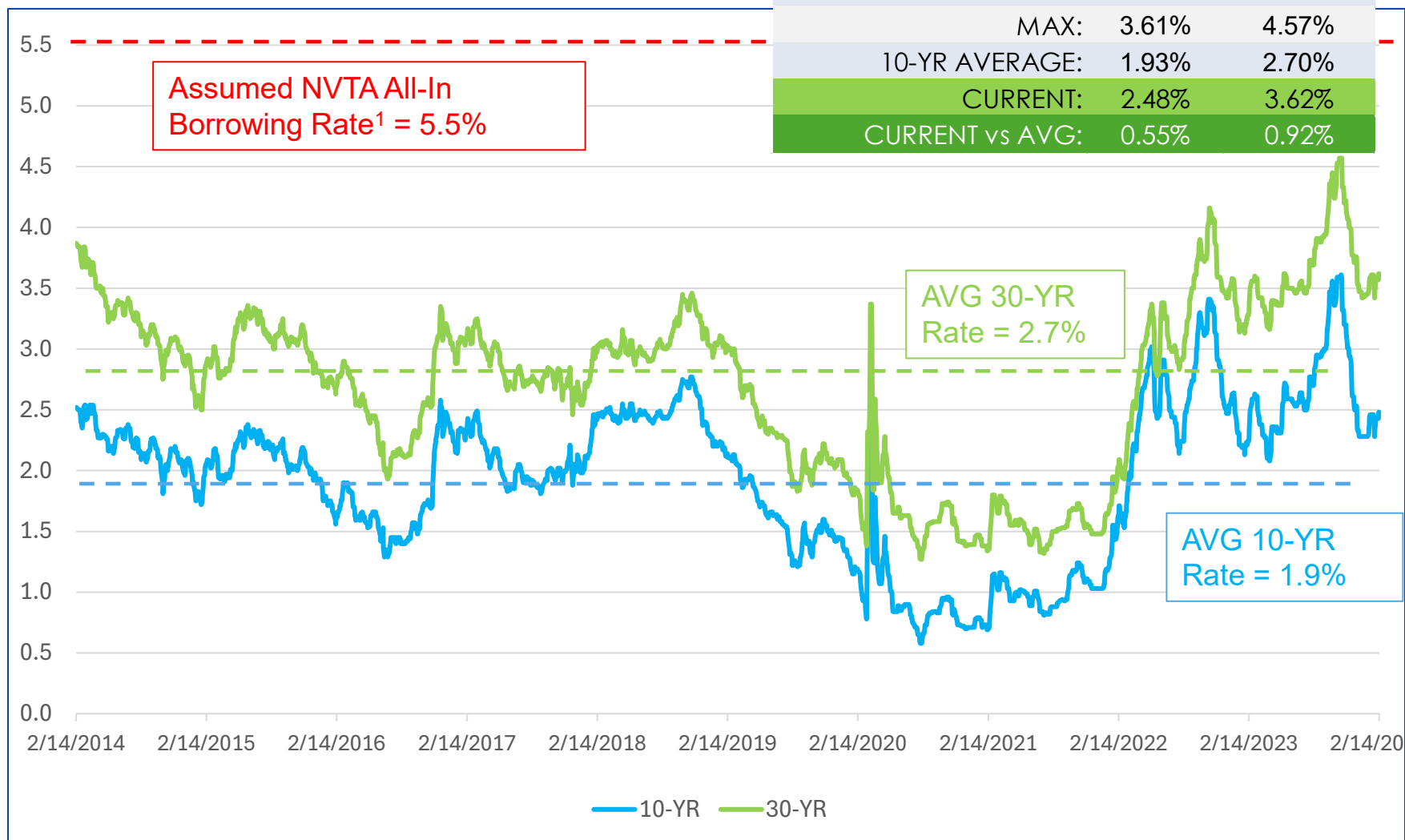
PROJECTED REGIONAL BONDING PROGRAM:

- » Debt service on \$80M sales tax revenue bonds is based on February 2023 tax-exempt interest rates plus estimated credit spread and 1% (100 basis points) interest rate cushion
- » Current tax-exempt borrowing rates are higher than average rates over the last 10-years

SALES TAX MEASURE ASSUMPTIONS			
(A)	TOAL MEASURE SALES TAX REVENUES	\$1,278,323,221	100.0%
(B)	NVTA Administration	\$31,958,081	2.5%
(C)	Regional Bond Program (\$80M)	\$135,572,450	10.6%
(D) = (A) - (B) - (C)	LOCAL STREETS & ROADS ALLOCATION	\$1,110,792,690	86.9%

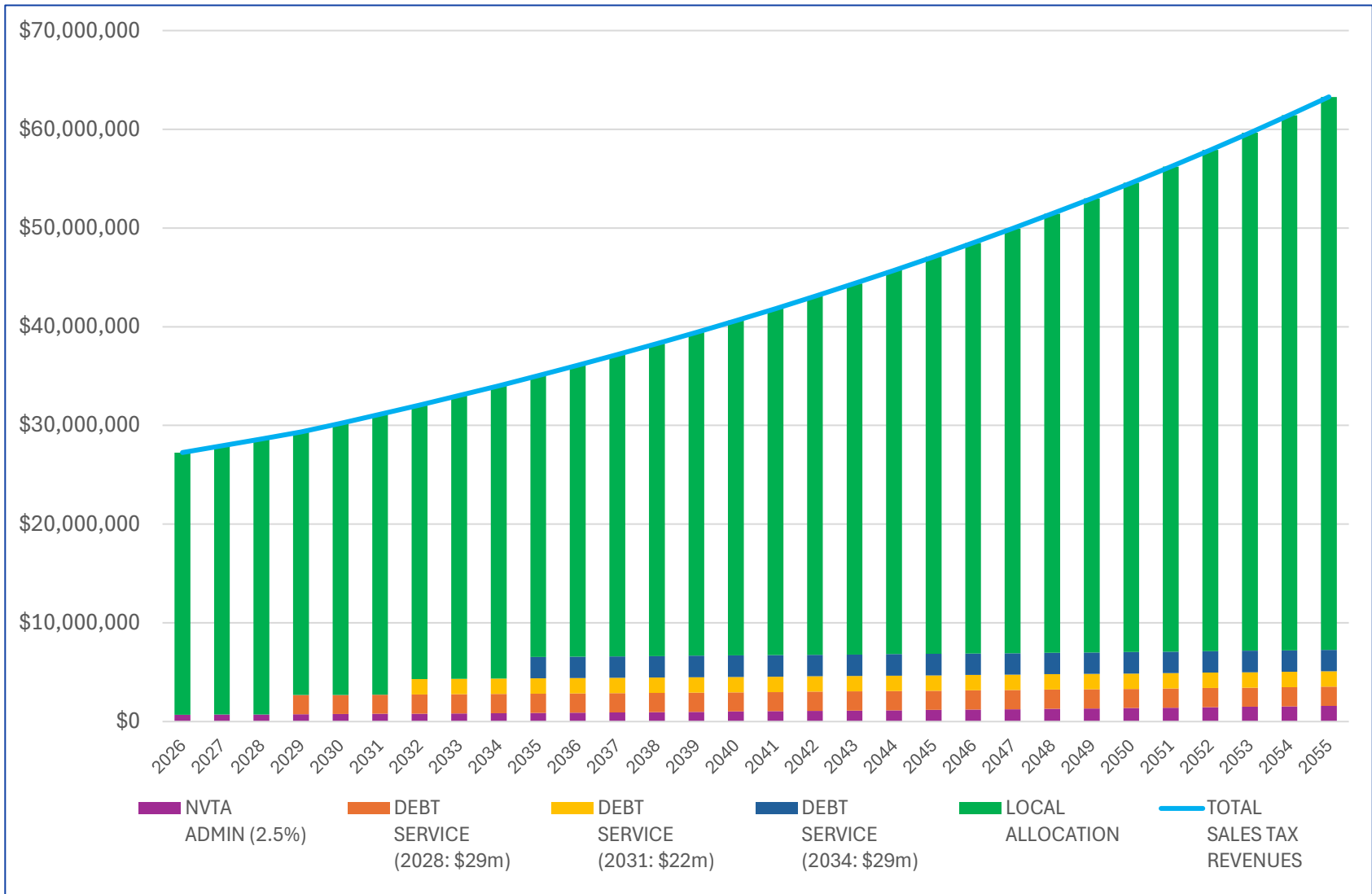
Historical Tax-Exempt Borrowing Rates

	10-YR	30-YR
MIN:	0.58%	1.27%
MAX:	3.61%	4.57%
10-YR AVERAGE:	1.93%	2.70%
CURRENT:	2.48%	3.62%
CURRENT vs AVG:	0.55%	0.92%



1. Assumes February 2023 tax-exempt interest rates plus estimated credit spread and 1% (100 basis points) interest rate cushion – net of original issuance premium.

Projected Regional Debt Service and Local Program Allocation



1. Projected sales tax revenues assume 2.5% annual growth from FY 2027 – FY 2029 and 3.0% annual growth thereafter.
2. Debt service estimates based on February 2023 interest rates plus 1.0% (100 bps) interest rate cushion.



Appendix

California “Self-Help” Counties

- » There are **25** local county transportation agencies delivering voter-approved transportation sales tax measures throughout California
 - » Average regional project (highways, transit/rail, bike/ped) allocation: **65%**
 - » Average local streets & road allocation: **35%**

- » **17** transportation sales tax agencies have **ISSUED BONDS** to deliver projects under a voter-approved expenditure plan

- » **7** transportation sales tax agencies have **BONDING AUTHORITY** but have not yet issued bonds

- » NVTA’s Measure T does not provide authority to issue bonds and 100% of sales tax revenues (net of administration) is allocated to the Agencies

Why do Transportation Agencies Issue Bonds?

REGIONAL PROJECTS:

- » Used as matching funds to secure state and federal grants for transportation improvement projects
- » Used to accelerate the delivery of priority projects important to a region and its citizens – promises made and promises delivered

LOCAL STREETS & ROADS PROJECTS:

- » Used to accelerate the delivery of improved streets & roads, impacting PCI scores sooner than annual maintenance and repair efforts

Transportation Sales Tax Ordinances & Bonding Authority

- » ...the Authority shall have the power to sell or issue, from time to time bonds or other evidence of indebtedness, in the aggregate principal amount at any one time outstanding of not to exceed the estimated proceeds of the tax, and to secure such indebtedness solely by way of future collection of taxes, **for capital outlay expenditures for the purposes, including the carrying out of transportation projects described in the Expenditure Plan...**

- » ...This Ordinance authorizes the Authority to issue limited tax bonds **to finance capital outlay expenditures as may be provided for in the adopted transportation Expenditure Plan**, payable from the proceeds of the tax...











- » ...the Authority shall have the authority to issue limited tax bonds payable from the proceeds of the sales tax **to accelerate the construction of needed transportation improvements and provide other funds needed to accomplish the projects and programs specified in the Expenditure Plan...**

California “Self-Help” Counties: Agencies with Bond Programs

	MEASURE	BONDING AUTHORITY	BONDS OUTSTANDING ¹	REGIONAL PROGRAM ²	LOCAL PROGRAM ³
 Alameda County Transportation Commission	Measure BB	YES	\$119,245,000	70%	30%
 Contra Costa Transportation Authority	Measure J	YES	\$373,950,000	80%	20%
 Imperial County Transportation Commission	Measure D	YES	\$38,430,000	8%	92%
 Los Angeles County MTA	Proposition A	YES	\$847,245,000	75%	25%
 Los Angeles County MTA	Proposition C	YES	\$1,921,435,000	80%	20%
 Los Angeles County MTA	Measure R	YES	\$2,256,655,000	85%	15%
 Madera County Transportation Comm	Measure T	YES	\$920,000	56%	44%
 Orange County Transportation Authority	Measure M2	YES	\$590,235,000	80%	20%
 Riverside County Transportation Commission	Measure A	YES	\$1,125,990,000	65%	35%
 Sacramento Transportation Authority	Measure A	YES	\$316,280,000	70%	30%








1. Outstanding amounts as of June 30, 2023 based on agency ACFR and/or Official Statement.
2. Represents percentage of measure revenues allocated to Regional capital projects in addition to transit, rail, bike/ped, safe routes to schools, and other programs benefiting the region.
3. Represents percentage of measure revenues allocated via direct pass through to local agencies for local streets & roads projects.

California “Self-Help” Counties: Agencies with Bond Programs

	MEASURE	BONDING AUTHORITY	BONDS OUTSTANDING ¹	REGIONAL PROGRAM ²	LOCAL PROGRAM ³
 San Bernardino County Transportation Authority	Measure I	YES	\$155,045,000	80%	20%
 San Diego Association of Governments	TransNet	YES	\$2,377,163,439	71%	29%
 San Francisco County Transportation Authority	Proposition K	YES	\$194,185,000	100%	N/A
 San Joaquin Council of Governments	Measure K	YES	\$284,810,000	65%	35%
 San Mateo County Transportation Authority	Measure A & W	YES	\$100,000,000	77.5% 87.5%	22.5% 12.5%
 Santa Barbara County Association of Governments	Measure A	YES	\$75,000,000	36%	64%
 Santa Clara Valley Transportation Authority	Measure 1976	YES	\$62,910,000	100%	N/A
 Santa Clara Valley Transportation Authority	Measure A	YES	\$693,220,000	100%	N/A
 Sonoma County Transportation Authority	Measure M	YES	All Bonds Have Been Retired	60%	40%
 Tulare County Transportation Authority	Measure R	YES	\$121,370,000	65%	35%

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2. Represents percentage of measure revenues allocated to Regional capital projects in addition to transit, rail, bike/ped, safe routes to schools, and other programs benefiting the region.
3. Represents percentage of measure revenues allocated via direct pass through to local agencies for local streets & roads projects.

California “Self-Help” Counties: Agencies with Bonding Authority

	MEASURE	BONDING AUTHORITY	BONDS OUTSTANDING ¹	REGIONAL PROGRAM ²	LOCAL PROGRAM ³
 Fresno County Transportation Authority	Measure C	YES	N/A	65%	35%
 Merced County Association of Governments	Measure V	YES	N/A	50%	50%
 Council of San Benito County Governments	Measure G	YES	N/A	55%	45%
 Santa Cruz County RTC	Measure D	YES	N/A	70%	30%
 Stanislaus Council of Governments	Measure L	YES	N/A	50%	50%
 Transportation Authority of Marin	Measure AA	YES	N/A	74%	27%
 Transportation Agency of Monterey County	Measure X	YES	N/A	40%	60%

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2. Represents percentage of measure revenues allocated to Regional capital projects in addition to transit, rail, bike/ped, safe routes to schools, and other programs benefiting the region.
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Bond Debt Service Coverage: \$80 Million Regional Bonds

	(A)	(1)	(2)	(3)	(B) = (1)+(2)+(3)	(C) = (A) / (B)	(D)	(E) = (A) - (B)
	TOTAL SALES TAX REVENUES	DEBT SERVICE (2028: \$29m)	DEBT SERVICE (2031: \$22m)	DEBT SERVICE (2034: \$29m)	TOTAL DEBT SERVICE	DEBT SERVICE COVERAGE	NVTA ADMIN (2.5%)	LOCAL ALLOCATION
2026	\$27,247,384				-		\$681,185	\$26,566,199
2027	27,928,569				-		698,214	27,230,354
2028	28,626,783				-		715,670	27,911,113
2029	29,342,452	1,948,025	-	-	1,948,025	15.1 x	733,561	26,660,866
2030	30,222,726	1,947,725	-	-	1,947,725	15.5 x	755,568	27,519,433
2031	31,129,408	1,946,050	-	-	1,946,050	16.0 x	778,235	28,405,123
2032	32,063,290	1,948,000	1,550,025	-	3,498,025	9.2 x	801,582	27,763,683
2033	33,025,189	1,948,300	1,556,650	-	3,504,950	9.4 x	825,630	28,694,609
2034	34,015,944	1,946,950	1,556,625	-	3,503,575	9.7 x	850,399	29,661,971
2035	35,036,423	1,948,950	1,555,225	2,173,775	5,677,950	6.2 x	875,911	28,482,562
2036	36,087,515	1,944,025	1,557,450	2,175,000	5,676,475	6.4 x	902,188	29,508,853
2037	37,170,141	1,947,450	1,553,025	2,174,025	5,674,500	6.6 x	929,254	30,566,387
2038	38,285,245	1,943,675	1,557,225	2,175,850	5,676,750	6.7 x	957,131	31,651,364
2039	39,433,802	1,947,975	1,554,500	2,175,200	5,677,675	6.9 x	985,845	32,770,282
2040	40,616,817	1,944,800	1,555,125	2,177,075	5,677,000	7.2 x	1,015,420	33,924,396
2041	41,835,321	1,944,425	1,553,825	2,176,200	5,674,450	7.4 x	1,045,883	35,114,988
2042	43,090,381	1,946,575	1,555,600	2,177,575	5,679,750	7.6 x	1,077,260	36,333,371
2043	44,383,092	1,945,975	1,555,175	2,175,925	5,677,075	7.8 x	1,109,577	37,596,440
2044	45,714,585	1,947,625	1,557,550	2,176,250	5,681,425	8.0 x	1,142,865	38,890,295
2045	47,086,022	1,946,250	1,557,450	2,173,275	5,676,975	8.3 x	1,177,151	40,231,897
2046	48,498,603	1,946,850	1,554,875	2,177,000	5,678,725	8.5 x	1,212,465	41,607,413
2047	49,953,561	1,944,150	1,554,825	2,176,875	5,675,850	8.8 x	1,248,839	43,028,872
2048	51,452,168	1,948,150	1,557,025	2,172,900	5,678,075	9.1 x	1,286,304	44,487,789
2049	52,995,733	1,948,300	1,556,200	2,175,075	5,679,575	9.3 x	1,324,893	45,991,265
2050	54,585,605	1,944,600	1,557,350	2,177,850	5,679,800	9.6 x	1,364,640	47,541,165
2051	56,223,173	1,947,050	1,555,200	2,175,950	5,678,200	9.9 x	1,405,579	49,139,394
2052	57,909,868	1,945,100	1,554,750	2,174,375	5,674,225	10.2 x	1,447,747	50,787,897
2053	59,647,164	1,943,750	1,555,725	2,177,850	5,677,325	10.5 x	1,491,179	52,478,660
2054	61,436,579	1,947,725	1,552,850	2,175,825	5,676,400	10.8 x	1,535,914	54,224,265
2055	63,279,677	1,946,475	1,556,125	2,173,300	5,675,900	11.1 x	1,581,992	56,021,785
TOTAL:	\$1,278,323,221	\$52,554,925	\$37,330,375	\$45,687,150	\$135,572,450		\$31,958,081	\$1,110,792,690

1. Projected sales tax revenues assume 2.5% annual growth from FY 2027 – FY 2029 and 3.0% annual growth thereafter.
2. Debt service estimates based on February 2023 interest rates plus 1.0% (100 bps) interest rate cushion.



KNN Disclosures

MSRB Rule G-42: Disclosure of Conflicts of Interest and Legal or Disciplinary Events

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of KNN Public Finance, LLC (“KNN Public Finance”) and its associated persons.

Conflicts of Interest

KNN Public Finance represents that in connection with the issuance of municipal securities, KNN Public Finance may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, KNN Public Finance hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding KNN Public Finance’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair KNN Public Finance’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

If KNN Public Finance becomes aware of any additional potential or actual conflict of interest after this disclosure, KNN Public Finance will disclose the detailed information in writing to the Issuer in a timely manner.

Legal or Disciplinary Events

KNN Public Finance, LLC, has never been subject to any legal, disciplinary or regulatory actions nor was it ever subject to any legal, disciplinary or regulatory actions previously, when it was a division of Zions First National Bank or Zions Public Finance, Inc.

A regulatory action disclosure has been made on Form MA-I for one of KNN Public Finance municipal advisory personnel relating to a 1998 U.S. Securities and Exchange Commission (“SEC”) order that was filed while the municipal advisor was employed with a prior firm, (not KNN Public Finance). The details of which are available in Item 9; C(1), C(2), C(4), C(5) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access KNN Public Finance’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA’s CRD system and is publicly accessible through BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor’s CRD number is 4457537.