



Council Referral: SR 125 Toll Road

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Tuesday, February 13, 2024





Overview of SR-125, Including Review of Operations, Debt Profile and Reserve Balances

October 4, 2023

PRESENTATION PARTICIPANTS

- ❑ **Ray Major**, *Deputy Executive Officer*
- ❑ **André Douzjian**, *Chief Financial Officer*
- ❑ **Lucinda Broussard**, *Director of Regional Transportation Services*

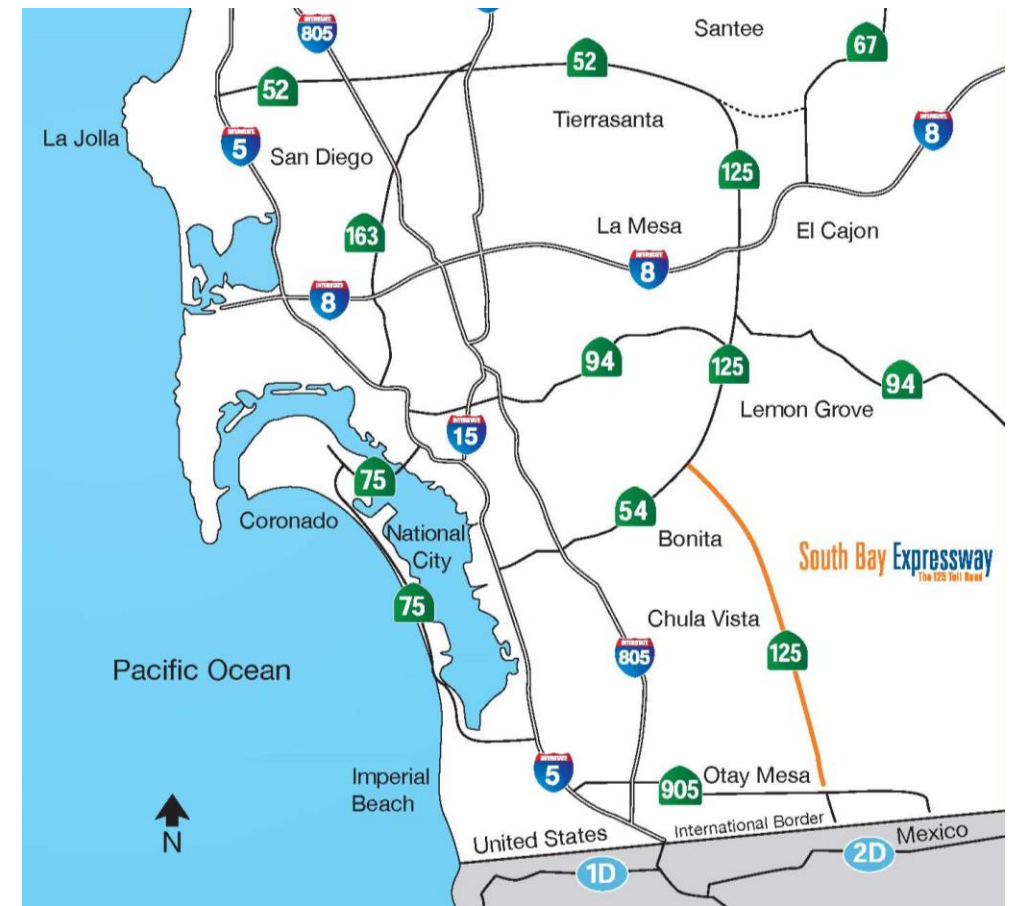
SR-125 PRESENTATION

1. Overview of the SR-125 Corridor
2. Purchase of the Toll Road by SANDAG in 2011 and review of the Caltrans Franchise Agreement
3. Refinance of the TIFIA debt in 2017 and current outstanding debt structure
4. Operating and Financial Performance
5. Cash Balances vs Debt
6. Conclusion

SR-125 OVERVIEW

Located in southwest San Diego County, SR-125 is a 10-mile toll road that provides fast and convenient access to Chula Vista, Downtown San Diego, East County, Otay Mesa and Mexico

- ❑ Strong commuter base from the wealthy areas of Otay Mesa and Chula Vista to San Diego County employment centers
- ❑ Area surrounding SR-125 contains some of the last development opportunities in San Diego County
- ❑ 75% of traffic enters or exits at SR-54, providing access to region's employment market and highway network
- ❑ SBX provides time savings of up to 4.6 minutes for commuters east of the toll road compared to free alternate routes



SR-125 BACKGROUND AND RELATIONSHIP WITH SANDAG

- ❖ SANDAG purchased the SR-125 franchise from Creditors, including the U.S. Department of Transportation, following bankruptcy in December 2011 at a 35% discount for \$341 million
- ❖ The SANDAG Board made the strategic acquisition to improve mobility within the southwest San Diego County region by:
 1. Expanding network capacity, reducing traffic congestion on parallel links;
 2. Reducing need for infrastructure improvements on parallel links, saving \$265M; and
 3. The discounted purchase price allowed SANDAG to lower toll rates by 25% to 40% to attract and grow traffic on toll road
- ❖ As part of the purchase price, SANDAG inherited the outstanding TIFIA loan for the facility, which along with the *TransNet* loan, which were the only outstanding debt obligations of SR-125. These loans were refinanced in 2017 with a more favorable level debt structure bond series in the capital markets.
- ❖ SR-125's strength is bolstered by SANDAG's role as the Regional Transportation Planning Agency, which includes responsibility for managing the transportation network

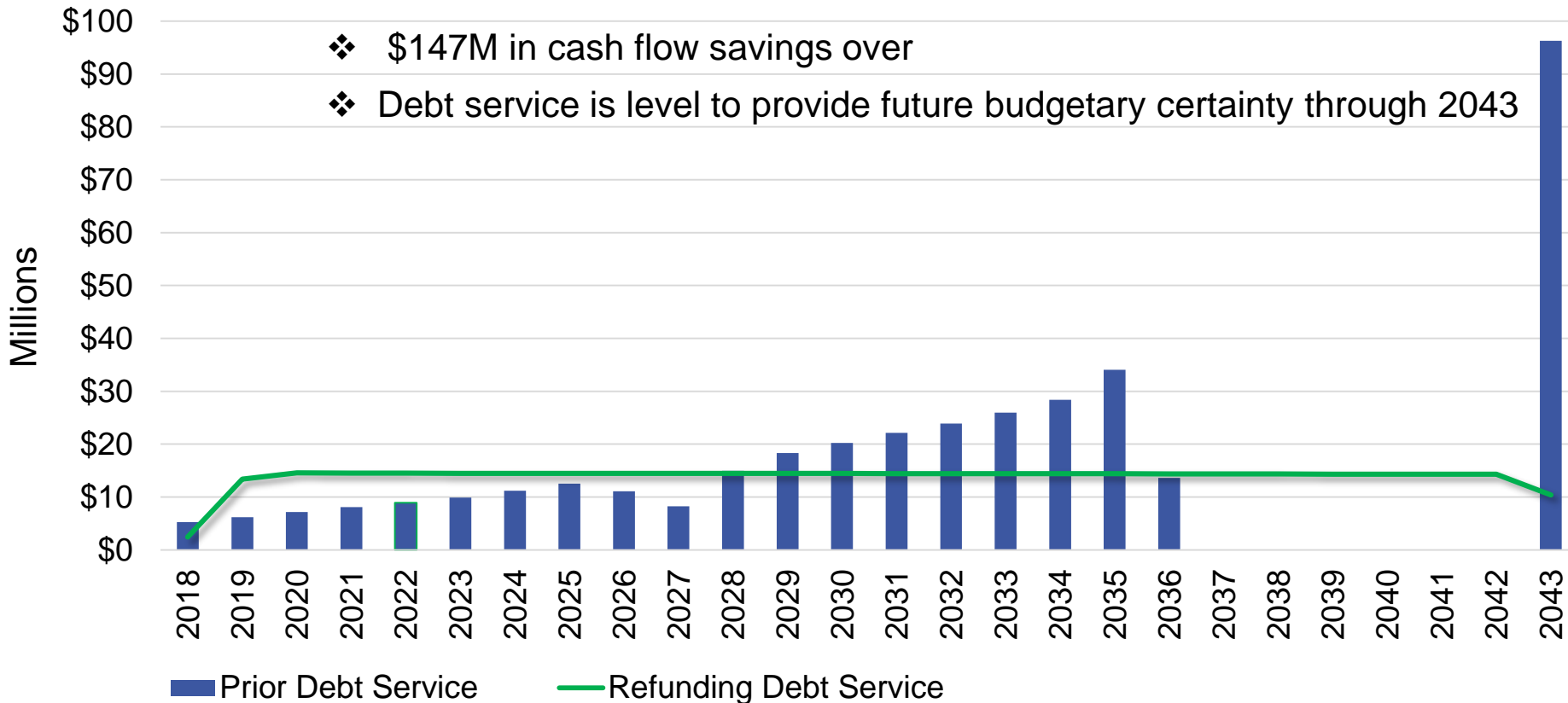
CALTRANS DEVELOPMENT FRANCHISE AGREEMENT

- ❖ Development Franchise Agreement between Caltrans and SANDAG (dated 2/1/2013) scheduled to terminate in November 2042
 - SANDAG operates, maintains, and tolls SR-125 subject to the Development Franchise Agreement
 - Caltrans owns SR-125 and inspects it weekly to determine maintenance needs

- ❖ Key components of the Franchise Agreement:
 - Flexible Term: SANDAG has flexibility to terminate anytime and convey rights back to Caltrans
 - Exclusivity: SANDAG has exclusive right to operate in the Franchise Zone with no threat of a competitive facility so long as certain terms, including levels of service, are maintained
 - Maintenance: SANDAG is responsible for maintenance in accordance with Caltrans standards
 - Tolls Rates: SANDAG has full authority to set rates at any levels based on factors such as vehicle type, occupancy, time of day etc.

Prior Debt Service vs Current Structure of Series 2017 Bonds

Prior Debt Service vs. Refunding Debt Service



KEY CREDIT FACTORS

- ❑ ***Toll Road has A+ Ratings from both S&P and FITCH rating agencies based on SR-125's***
 - ❖ *uniquely good operating margins,*
 - ❖ *conservative debt service structure,*
 - ❖ *healthy debt service coverage,*
 - ❖ *minimal future borrowing needs and*
 - ❖ *prudent legal protections for investors*

Recent Historical Revenues and Expenses

- Annual Net Revenues and Interest, Debt Service and DSC Ratio

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	EST FY 2024
Revenue (in thousands)							
Toll Revenue	\$ 33,122	\$ 34,236	\$ 31,434	\$ 27,802	\$ 31,561	\$ 34,872	\$ 36,615
Violations Revenues	\$ 7,295	\$ 5,648	\$ 5,064	\$ 1,302	\$ 1,460	\$ 2,283	\$ 1,000
Other Revenues	\$ 1,332	\$ 1,745	\$ 1,385	\$ 377	\$ 1,321	\$ 1,613	\$ 1,467
Interest Revenue	\$ 1,078	\$ 1,856	\$ 1,311	\$ 291	\$ 160	\$ 2,453	\$ 2,000
Total Revenues & Interest	\$ 42,827	\$ 43,485	\$ 39,194	\$ 29,772	\$ 34,502	\$ 41,221	\$ 41,082
Less: Operating Expenses	\$ (10,981)	\$ (12,318)	\$ (12,536)	\$ (11,889)	\$ (11,752)	\$ (13,649)	\$ (15,603)
Net Revenue & Interest (A)	\$ 31,846	\$ 31,167	\$ 26,658	\$ 17,883	\$ 22,750	\$ 27,572	\$ 25,479
Debt Service (B)	\$ 13,869	\$ 13,869	\$ 13,869	\$ 13,869	\$ 13,869	\$ 13,869	\$ 13,869
Debt Service Coverage Ratio (A/B)	2.30	2.25	1.92	1.29	1.64	1.99	1.84
2017 Bond DSCR Requirement	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Cash Balances vs Outstanding Bond Balance

The bonds are not callable until 2027 and the last payment is in 2043

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	EST FY 2024	EST FY 2025	EST FY 2026	EST FY 2027
Cash Balances (in thousands)										
General	\$ 2,006	\$ 2,022	\$ 2,031	\$ 2,031	\$ 2,332	\$ 2,332	\$ 2,332	\$ 2,332	\$ 2,332	\$ 2,332
Senior Lien Expense	\$ 9,050	\$ 9,191	\$ 9,320	\$ 9,437	\$ 9,563	\$ 9,693	\$ 9,693	\$ 9,693	\$ 9,693	\$ 9,693
Debt Service Expense	\$ 13,803	\$ 13,870	\$ 13,824	\$ 13,761	\$ 13,761	\$ 13,761	\$ 13,871	\$ 13,871	\$ 13,871	\$ 13,871
O&M Expense Fund	\$ 5,817	\$ 6,751	\$ 6,181	\$ 7,721	\$ 11,625	\$ 11,578	\$ 11,694	\$ 11,811	\$ 11,929	\$ 12,048
O&M Reserves	\$ 24,173	\$ 27,008	\$ 30,004	\$ 33,571	\$ 33,660	\$ 35,812	\$ 39,811	\$ 40,888	\$ 42,932	\$ 45,079
Capital Fund	\$ 37,153	\$ 47,037	\$ 47,197	\$ 30,315	\$ 24,934	\$ 28,957	\$ 28,956	\$ 24,320	\$ 17,093	\$ 18,471
State Received Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 21,000	\$ 21,840	\$ 22,495
Total Cash Balances	\$ 92,002	\$ 105,879	\$ 108,557	\$ 96,836	\$ 95,875	\$ 102,133	\$ 126,357	\$ 123,915	\$ 119,690	\$ 123,989
Bond Balance	\$ 191,070	\$ 186,755	\$ 182,220	\$ 177,455	\$ 172,445	\$ 167,180	\$ 161,645	\$ 155,825	\$ 149,705	\$ 143,270
Cash Needed to Pay Off Bonds (bonds first call date is 2027)										\$ 19,281

Since acquiring SR-125, SANDAG's management has greatly enhanced the performance of the asset

- ❖ SANDAG acquired the SR-125 franchise to improve mobility by better integrating SR-125 into the regional transportation system and by reducing congestion on I-805 and local arterials
- ❖ As a part of the acquisition plan, in June 2012 the Board reduced tolls 25-40%, resulting in 24% increase in annual trips in FY 2013
- ❖ This performance has greatly outpaced the traffic and revenue study commissioned at the point of acquisition in 2011
- ❖ While enhancing revenue performance, SANDAG has also focused on prudent management of expenditures and the building of reserves and liquidity
- ❖ While liquidity remains strong, COVID-19 had a material impact on traffic levels and has adversely impacted some of the debt covenant metrics
- ❖ Traffic levels are almost back to pre COVID-19 levels

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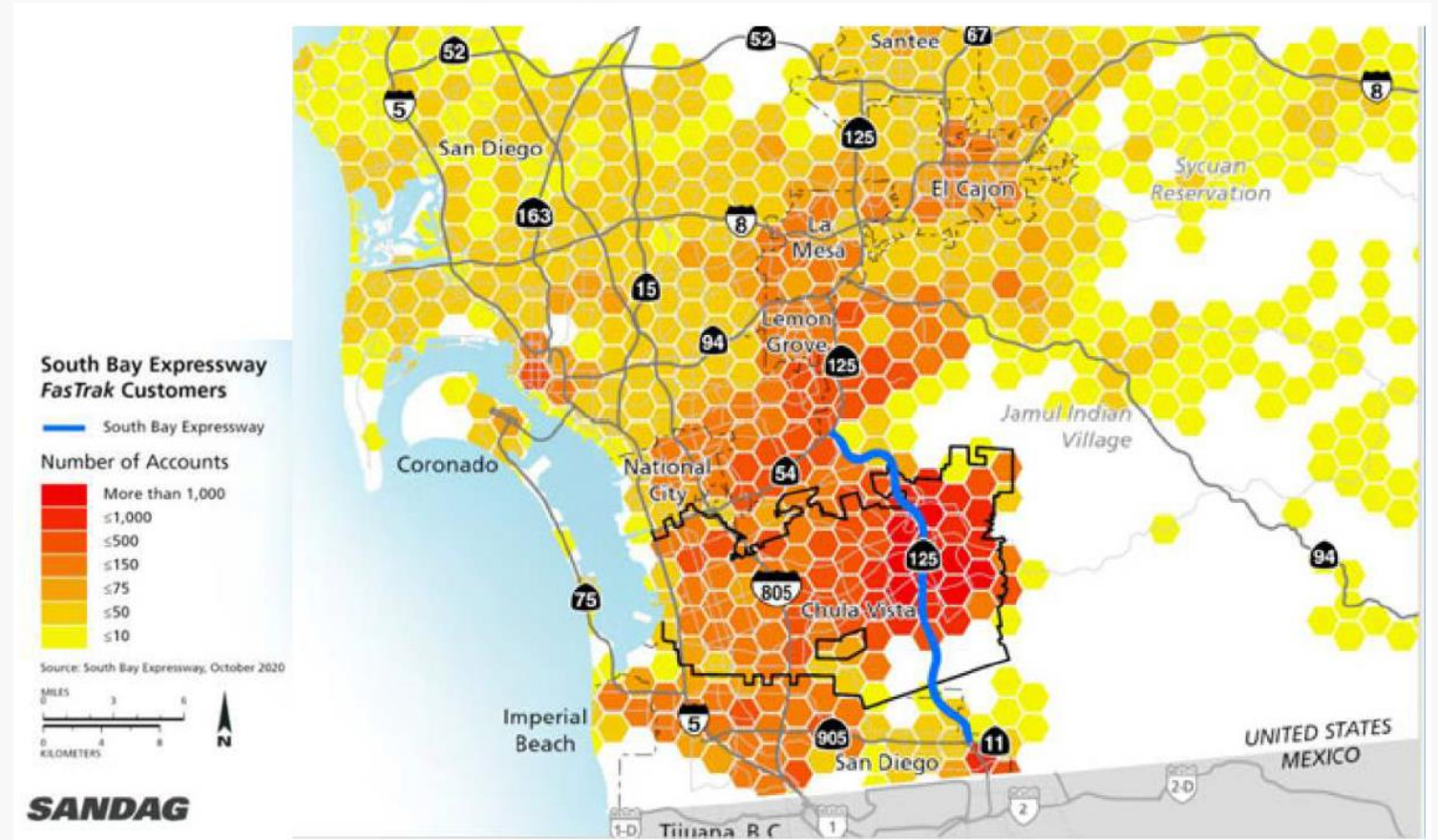
 Email: ray.major@sandag.org

SANDAG

Tolling Impacts



- Undue and disproportionate burden on South Bay users.
- Hinder the City's economic development activity in areas such as business attraction and retention.
- Divert more traffic onto local roadways.



Advocacy Goals

- Eliminate the toll-only operations of the SR 125 Toll Road.
- Eliminate acquisition debt by 2027 when bonds will be callable.
- Caltrans assume control of the road before end of franchise lease term in 2042.

Progress To-Date

- Chula Vista City Council Resolution 2022-030
- SANDAG Board Resolution 2023-022
- California Budget \$20 million for SANDAG to reduce SR-125 debt to support efforts to eliminate bond debt by 2027.

SANDAG Board Resolution 2023-022

1. Declared that elimination of debt and toll-only operations on the SR 125 is a priority.
2. Supported efforts to evaluate alternatives to toll-only operations (including managed lanes) for the SR 125.
3. Supported controlling planned operating and capital expenses in order to increase available reserve cash balances sufficient to retire the outstanding bond debt or minimize the need for additional funds to retire the remaining bond balance.
5. Directed staff to conduct a Comprehensive Multimodal Corridor Plan to analyze future options for the SR 125, develop a plan to pay off outstanding debt as early as 2027, make the SR 125 consistent with the Regional Plan, and develop strategies to revert control of the SBX to Caltrans following debt retirement.

Next Steps

- Continue working with SANDAG on Board directives.
- Continue working with Caltrans to understand maintenance and operational needs.
- Work with state legislators on solutions toward elimination of toll-only operations.





Questions?