## OFFICE OF THE TREASURER-TAX COLLECTOR

CHRISS W. STREET TREASURER-TAX COLLECTOR



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ROBIN RUSSELL
ASSISTANT TREASURER-TAX COLLECTOR
ADMINISTRATION

# **MEMORANDUM**

# **CHANGES IN ELIGIBILE CREDITS**

In the month of December, there was one change to the Treasurer's approved list of issuers.

The following was added to the approved list:

1. Bay Area Toll Authority

The following are Asset Backed Securities that the County holds as pass-thru notes from the restructuring of WhistleJacket.

OC Extended Fund B	Security	Maturity	Market	% of	ST Ratings, LT
	Type	Date	Value	Fund	Ratings
Serpentine Funding	US Notes	6/05/10	\$7,157,315.62		N/R
Serpentine Funding	<b>US Notes</b>	6/05/10	5,625,355.41		N/R
Serpentine Funding	<b>US Notes</b>	6/05/10	14,028,104.82		N/R
Serpentine Funding	<b>US Notes</b>	6/05/10	5,692,802.71		N/R
Serpentine Funding	US Notes	6/05/10	4,902,080.73		N/R
			<u>\$37,405,659.29</u>	1.42%	

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ADMINISTRATION

**To:** Treasury Investment Committee

**From:** Fahad Haider

Date: December 9, 2009

**Subject:** Bay Area Toll Authority

Aa3/AA/AA-

**Recommend:** Add the Issuer to the Approved List

#### Introduction

The Bay Area Toll Authority (BATA) is a public agency authorized under California law to administer all toll revenues from the Bridge System. The Bridge System consists of seven bridges that link numerous federal and state highways in the nine-county San Francisco Bay Area. These include: San Francisco-Oakland Bay Bridge, Carquinez Bridge, Benicia-Martinez Bridge, San Mateo-Hayward Bridge, Richmond-San Rafael Bridge, Dumbarton Bridge, and Antioch Bridge.

## Revenue and Operations

BATA grew its revenue from \$145 million in 2004 to \$470 million in 2009 due to a 100% increase in toll rates. The current toll for a two-axle vehicle is \$4 and goes up to \$13.50 based on the increase in axles. Traffic on the Bridge System has declined every year since the increase of toll in 2004. Between 2004 and 2008 traffic dropped approximately 8% and currently stands at 114 million. Management expects the traffic to stay flat for the next few years. However a toll increase is in consideration for fiscal year 2011 which may increase the revenue to over \$600 million.

# Security and Source of Payment

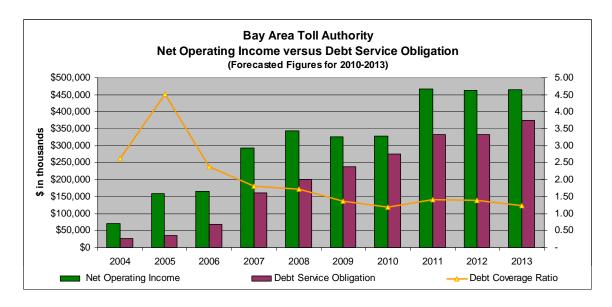
Bondholders have the first lien on all revenue of BATA beginning January 1, 2010. Until then there is a statutory lien upon all net (after operating & maintenance expenses) toll revenues in favor of the holders of the Bay Area Toll Authority's revenue bonds, and in favor of any provider of credit enhancement for the bonds. Bridge Toll Revenues include all tolls, including the Seismic Surcharge, and all other income. The Bay Area Toll Authority also has the authority to increase tolls if required to meet its obligations on any bond. The toll increase is not limited in amount and does not require any legislative approval.

BATA under covenant is required to maintain toll revenue at levels that result in net operating revenue greater than 1.2 times annual debt service costs. BATA has also covenanted that no additional bonds shall be issued unless the additional bonds are issued for refunding or net revenue is equal to or greater than 150% of total annual debt service.

## **Outstanding Debt**

BATA has bonds outstanding in the total amount of \$5.63 billion of which \$1.46 billion is in variable rate demand note. The outstanding interest rate swap stands at \$2.27 billion with a market value of negative \$411million.

Debt service obligation for 2009 was \$238 million and according to BATA it is estimated to increase to \$332 million in 2011. Debt coverage ratio stood at 2.09 at fiscal year-end 2009 based on net revenue of \$498. Net revenue is the sum of toll revenue, interest earnings and other revenues minus operating maintenance expenses. If interest and other revenues are excluded and subordinated maintenance expense and MTC transfers are added to the coverage ratio it drops to 1.37 for year-end 2009. This is still higher than the minimum coverage ratio of 1.2 that BATA has to maintain in lieu of the covenant.



## Summary

Bay Area Toll Authority is capable of meeting its current obligations with a stable source of revenue of more than \$450 million from the Bridge System. Besides that the ability to increase toll to meet its debt obligation and the covenants set in place provide sufficient safety to the bondholders. In the future, BATA expects to issue more debt but no greater than \$800 million unless it increases the toll revenue.