March 20, 2019
NVTA Agenda Item 11.1
Continued From: February 20, 2019
Action Requested: APPROVE

NAPA VALLEY TRANSPORTATION AUTHORITY
Board Agenda Letter

TO:	Board of Directors
FROM:	Kate Miller, Executive Director
REPORT BY:	Kate Miller, Executive Director (707) 259-8634/Email: kmiller@nvta.ca.gov
SUBJECT:	Update on Financing Options and Funding Alternatives for the Vine Transit Maintenance Facility

RECOMMENDATION

That the Napa Valley Transportation Authority (NVTA) Board provide staff direction on a preferred funding package for the Vine Transit Maintenance Facility project.

COMMITTEE RECOMMENDATION

None

EXECUTIVE SUMMARY

At the February 20, 2019 board meeting, staff presented funding options for the construction phase of the Maintenance Facility. The debate focused on two specific areas: the amount of highway funds that could be used for the facility as well as the amount of debt the Agency can assume without compromising operations if an economic recession occurs. Staff has further studied the matter and ready to present the findings.

PROCEDURAL REQUIREMENTS

1. Staff Report
2. Public Comment
3. Motion, Second, Discussion and Vote

FISCAL IMPACT

Is there a Fiscal Impact? Not for this action.

Consequences if not approved: Staff is requesting direction from the Board. Additional delay in funding and financing the project will increase costs by $2.4 million per year.

CEQA REQUIREMENTS

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 16378 (California Environmental Quality Act (CEQA) Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

At the February meeting, staff presented the board two options to fund the construction portion of the Vine Transit Maintenance Facility. The first option requested $4.1 million in highway funds which reduced the borrowing amount to $16.5 million. Although the debt burden would be minimized by committing highway funds to the project, it could potentially delay two projects that are in the pipeline. Those projects include Soscol Junction at State Route (SR) 29/SR 221 and the "5-way" Project at Silverado Trail/Third Street/Coombsville Road/East Avenue. Neither project is currently shovel-ready and the 5-way project is not yet fully funded. The highway funds would be restored using several different fund sources at a future date, including Federal Highway Administration BUILD and Rebuilding America (INFRA), Soscol Junction excess parcel sales, Regional Measure 3, and Senate Bill 1 Solutions for Congested Corridors and Local Partnership Program funds.

The second option presented at the February Board meeting required the agency borrow the maximum amount from the TIFIA program of $18.5 million and a $2.1 million secondary loan from the State Infrastructure Bank. This option exceeded the recommended debt ceiling that staff had set at $750,000 per year. Staff is concerned that exceeding the annual debt payment would negatively affect operations, compromise the agency's capital maintenance and replacement program, and require draconian service changes if there was an economic downturn.

The February board memo inadvertently excluded $4.5 million in additional Transportation Development Act (TDA) and State Transit Assistance (STA) funds that had been put in reserve for this project. Factoring this additional amount into the project funding scenario, reduces the project shortfall. Table 1 below shows the project expenditure plan. Table 2 shows three proposed project funding scenarios. Table 3 reflects the corresponding debt service of the various proposed funding scenarios.

The additional $4.1 million in highway funds and $4.5 million in TDA/STA funds still does not reduce the project shortfall under any of the three scenarios to a point where the agency can eliminate borrowing at a high interest rate from the State Infrastructure Bank. Moreover, staff is also concerned that the agency is butting up against its total borrowing capacity.

Staff anticipates receiving $6 million in combined funds from Regional Measure 3 North Bay Transit funds and Federal Transit Administration Bus and Bus Facilities funds. Under Scenario 2, staff's preferred scenario, an additional $6 million in grant funding will reduce the annual payment to roughly the $750,000 recommended debt payment. Any additional revenues that the agency receives would reduce the overall need for highway funds.

Table 1: Expenditure Plan

	(Estimated) Cost
Pre-Construction	
Preconstruction	$5,600,000
Paid-to-Date	($5,600,000)
Remaining Balance	**$0**

Construction	
Onsite/Offsite	10,212,200
Admin/Maint/Bus Wash Buildings	14,687,800
CM/PV System /FF&E/Contingency	7,280,000
Construction- Total	**$32,180,000**
Paid-to-Date	$0
Remaining Balance	**$32,180,000**

Table 2: Proposed Project Funding Scenarios

	Scenario 1: Maximize Borrowing Capacity	**Scenario 2:** Maximize Highway Funds	**Scenario 3:** Maximize Borrowing, Some Highway Funds
Grants			
TDA, STA, FTA	$5,069,600	$5,069,600	$5,069,600
Highway Funds	0	4,100,000	2,100,000
Total Grants	**$5,069,600**	**$9,169,600**	**$7,169,600**
Loans			
TIFIA	18,512,200	18,512,200	18,512,200
IBank	8,598,200	4,498,200	$6,498,200
Total Loans	**$27,110,400**	**$27,681,800**	**$25,010,400**
Estimated Shortfall	$0	$0	$0
Total Construction Costs	**$32,180,000**	**$32,180,000**	**$32,180,000**

Table 3: Annualized Debt Payments

	Scenario 1	Scenario 2	Scenario 3
Years 1-10			
TIFIA (Interest Only)	$333,200	$333,200	$333,200
IBank (P&I)	522,790	273,500	435,930
Annual Debt	**$855,990**	**$606,700**	**$769,100**
Years 11-30			
TIFIA (P&I)	$941,500	$941,500	$941,500
IBank (P&I)	522,790	273,500	435,930
Annual Debt	**$1,464,290**	**$1,215,000**	**$1,377,430**
Years 31-35			
TIFIA (P&I)	**$941,500**	**$941,500**	**$941,500**

Additional Protection to Repay Highway Funds

The TIFIA program caps borrowing at 49% of the total project cost. For the Maintenance Facility that amount is $18,512,200. TIFIA loan officers indicated that NVTA could borrow additional funds if it were to bundle the maintenance facility with another project. Staff believes that the Soscol Junction Project could be added to increase NVTA's borrowing capacity. However, the debt payment would significantly impact the agency's annual debt payment amount. Staff is suggesting drawing down the Soscol Junction element of the loan only if no other funds became available to pay back the highway funds. Borrowing to payback highway funds would be the last measure to replenish the highway funds. Table 4 shows the additional debt service if Soscol Junction was bundled into the loan.

Table 4: Maintenance Facility and Soscol Junction Loan and Debt Service Information

	Bus Maintenance Facility	Soscol Junction	Total Costs
Total Project Cost	$32,180,000	$36,259,000	$68,439,000
Borrowing Capacity	$18,512,200	8,598,000*	27,110,200
Debt Service			
Years 1-10 (Interest Only)	$333,200	$154,764	$487,964
Years 11-35 (P&I)	$941,500	$437,316	$1,378,816

* Borrowing capacity addresses shortfall. Actual borrowing up to $17,766,910 is available.

Response to Board Member Questions

During the meeting, board members had additional questions about funding and financing instruments. Staff has summary responses to these questions below:

- NVTA Debt Capacity
  NVTA financing consultant, Public Finance Advisory Limited (PFAL) estimated NVTA's borrowing capacity at nearly $50 million based on its total revenues and high credit ratings assigned from Moody's and Standard & Poor (S&P). This does not take under consideration the types of funds that NVTA has which are restricted and committed to specific programs, projects and functions. Taking on this level

of debt and servicing it would basically result in the agency doing nothing other than building a maintenance facility.

- Certificates of Participation (COPs)
  Although feasible, COPs for the Maintenance Facility would be a difficult and arduous process and would put only a minor dent in the funding gap. The current COP interest rate is 3.34%, more than twice the 1.5% rate for a TIFIA loan. NVTA would need to overcome several hurdles to legally authorize the issuance of COPs. Also, TIFIA would only allow COPs as a subordinated debt instrument and could only a portion of the maintenance facility. Moreover the subordination of the instrument would also reduce the issue rating and therefore the interest rate would increase.

Next Steps

Staff requests that the board provide specific direction in order to formalize the process of submitting letters of interest and noticing to the jurisdictions of NVTA intent of borrowing funds. A full funding package will be brought back to the Board for formal approval pending competitive grant funds cycles that staff is still pursuing. Shortly thereafter, the project will be advertised with a groundbreaking late in the calendar year. Although there has been some schedule slippage, staff is confident that the new facility will be in-service in the Spring of 2022.

SUPPORTING DOCUMENTS

None