



NAPA VALLEY TRANSPORTATION AUTHORITY Board Agenda Letter

TO: NVRTA Board of Directors
FROM: Kate Miller, Executive Director
REPORT BY: Antonio Onorato, Director of Administration, Finance and Policy
(707) 259-8779 / Email: aonorato@nvta.ca.gov
SUBJECT: Second Amendment to Napa Valley Transportation Authority (NVRTA)
Agreement No. 18-42 with Project Finance Advisory Limited (PFAL)

RECOMMENDATION

That the Napa Valley Transportation Authority approve the Second Amendment (Attachment 1) to NVRTA Agreement 18-42 for an expanded scope of work in an amount not to exceed \$70,000 and authorize the Executive Director to execute contract documents for the completion of the work.

COMMITTEE RECOMMENDATION

None

EXECUTIVE SUMMARY

Board action would approve the second amendment to Agreement 18-42 which expands the scope of work awarded to NVRTA's financial advisor - Project Finance Advisory Limited (PFAL) - to include the Soscol Junction project and Bus Electrification in the Transportation Infrastructure Finance and Innovation Act (TIFIA) Credit Program application and all associated negotiations with Build America Bureau (Bureau) - a division of the U.S. Department of Transportation (U.S. DOT) - that oversees the TIFIA program. This action does not grant board approval to submit the TIFIA application or approve any debt financing instrument for the aforementioned projects. NVRTA staff will return with a complete debt financing proposal prior to proceeding.

PROCEDURAL REQUIREMENTS

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

FISCAL IMPACT

Is there a Fiscal Impact? Yes, in the amount of up to \$70,000 for additional scope of work.

Is it currently budgeted? No, but the current budget and remaining budget carryovers can absorb the additional cost into the next fiscal year.

Where is it budgeted? Professional Services

Future fiscal impact? No

Consequences if not approved? NVRTA would only apply for the Vine Transit Maintenance Facility project which could hinder efforts to leverage additional funding.

CEQA REQUIREMENTS

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (California Environmental Quality Act (CEQA) Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

NVRTA entered into an agreement with PFAL on July 24, 2018 to provide financial advisory service for the Vine Transit Maintenance Facility Project. Preliminary discussions with TIFIA lender indicated that NVRTA could add additional transportation projects into the application and increase its borrowing capacity. At its April 17, 2019 meeting, the Board of Directors directed staff to bundle the Soscol Junction project into the TIFIA application to leverage current and future funding opportunities. Staff is also recommending to include a third project - the Zero Emission Bus Electrification program - into the scope of work to leverage future transit funding for vehicle replacements; thereby reducing the impact of this project to NVRTA's capital program.

Staff requested PFAL provide an additional quote for further debt capacity analysis and to refine funding scenarios to include Soscol Junction and the Bus Electrification project. Bundling multiple projects into a single application is allowed and encouraged by the TIFIA program, but makes the application process much more complex because each project is subject to varying degrees of analysis and therefore expands the level of effort and explanation needed to complete the application. Working in concert with NVRTA,

PFAL will complete the application process and update the Letter of Interest (LOI) for the Bureau's consideration for approval.

As part of the expanded scope of work, PFAL would represent NVTA with Bureau Staff and submit an updated letter of interest and application that includes Soscol Junction and the Bus Electrification components. The final task in the scope (included in Attachment 1) would also allow PFAL, if requested by the U.S. DOT, to provide an in-depth creditworthiness review, a feasibility study, and obtain a TIFIA specific ratings opinion letter, in the case that S&P and Moody's ratings obtained to date are not sufficient. If the U.S. DOT does not request Task 3, PFAL will not complete this task and the cost of Amendment #1 to the PFAL agreement will be reduced to \$20,000.

Table 1 presents the total borrowing capacity requested by NVTA for each component of the application. The TIFIA program has the most favorable loan terms, which includes:

- 35-year term at a very low interest rate that is indexed to the yield on U.S Treasury securities currently at 1.5%;
- Options for interest only payments for the first ten years of the loan;
- Potential fee waivers for rural projects;
- Drawdowns as requested as opposed to taking on all the debt at once;
- Interest payments only on the amounts drawn down;
- No prepayment penalties
- Relinquishment of any unused balances at no cost or penalties to NVTA.

Table 1: Borrowing Capacity

Project	Total Project Costs	TIFIA Borrowing Capacity	Max Payment for Years 1-10 (interest only)	Remaining Amortization Payment Years 11-35
Maintenance Facility	\$37,780,000	\$18,512,200	\$278,000	\$941,600
Soscol Junction	\$40,000,000	\$8,598,000	\$129,000	\$437,300
Bus Electrification	\$35,000,000	\$17,512,000	\$262,700	\$891,000
Total Potential Loan Amount		\$44,622,200		

SUPPORTING DOCUMENTS

Attachment: (1) Draft Second Amendment to NVTA Agreement No. 18-42

**SECOND AMENDMENT TO
NAPA VALLEY TRANSPORTATION AUTHORITY (“NVRTA”)
AGREEMENT NO. 18-42**

THIS SECOND AMENDMENT (“AMENDMENT”) TO NAPA VALLEY TRANSPORTATION AUTHORITY AGREEMENT NO. 18-42 is made and entered into as of this ____ day of _____, 2019 between the NAPA VALLEY TRANSPORTATION AUTHORITY (“NVRTA”), and PROJECT FINANCE ADVISORY LIMITED (“PFAL” or “CONTRACTOR”), whose mailing address is 16A Funston Avenue, The Presidio, San Francisco, CA 94129.

RECITALS

WHEREAS, in July 2018 NVRTA contracted for specialized services to receive financial advisory services from CONTRACTOR for the Vine Transit Maintenance Facility Project pursuant to the Agreement No. 18-42 (“Agreement”); and

WHEREAS, in September 2018 NVRTA contracted for additional services with the assistance in the application of and filing for federal credit assistance under the Transportation Infrastructure Finance and Innovation Act (TIFIA); and

WHEREAS, NVRTA wishes to amend the Agreement to obtain additional services as set forth in EXHIBIT A to assist in the application of and filing for Federal credit assistance available under the TIFIA for the Soscol Junction and Bus Electrification projects; and

WHEREAS, CONTRACTOR can provide the requested additional services at a cost to NVRTA in the amount not to exceed \$70,001.

TERMS

NOW, THEREFORE, the NVRTA and CONTRACTOR agree to amend the Agreement as follows:

1. Section 2, Scope of Services, is amended to include additional services as described in EXHIBIT A attached hereto to the Amendment. The Scope of Services described in EXHIBIT A attached to the Agreement remain unchanged.
2. Section 3, Compensation, is amended to include additional rates for the additional scope of services at the rates set forth in EXHIBIT A attached hereto to the Amendment.

The maximum payments under the Agreement, together with the Amendment, shall be a total of **\$210,000** for professional services and expenses; provided, however,

that such amounts shall not be construed as guaranteed sums, and compensation shall be based upon services actually rendered.

3. Except as set forth above, the terms and conditions of the Agreement shall remain in full force and effect as previously approved.

IN WITNESS WHEREOF, this Amendment was executed by the parties hereto as of the date first above written.

"NVTA"

"CONTRACTOR"
Project Financial Advisory Limited

By _____
KATE MILLER
Executive Director

By _____
VICTORIA TAYLOR
President & CEO

ATTEST:

By _____
KARALYN E. SANDERLIN
NVTA Board Secretary

APPROVED AS TO FORM:

By _____
SLOAN SAKAI YEUNG & WONG
NVTA General Counsel

EXHIBIT A
SCOPE OF WORK

SEE ATTACHED PROPOSAL

May 3, 2019

Antonio Onorato
Director of Administration, Finance, and Policy
625 Burnell Street Napa, CA 94559

Dear Mr. Onorato:

Project Finance Advisory, Ltd. ("PFAL"), is pleased to provide this supplemental work scope to the Napa Valley Transportation Authority ("NVTa"). The supplemental work has been requested as part of the effort to pursue low cost TIFIA financing for the planned bus maintenance facility and potentially other priority projects for NVTa, which includes the Soscol Junction and Bus Electrification program.

The proposed scope and fee indications are as follows:

1. Engage with Build America Bureau Outreach Staff to Prior to Submitting TIFIA Application

PFAL will engage with the Build America Bureau's ("the Bureau") Outreach team before formally submitting a Letter of Interest document to ensure that the relevant programmatic requirements are met, initial risk assessments are complete, the project's merits are well understood and acceptable to the Bureau, and there is a reasonable degree of confidence that TIFIA eligibility requirements are satisfied. This will ensure that all key project elements are in place to gain the maximum benefit for NVTa and ensure an efficient application and underwriting process. This will involve PFAL & IDS:

- Working with NVTa staff to collate project information to present in a succinct way;
- Preparing for and holding conference calls to discuss information with the Bureau staff, as needed;
- Addressing Bureau staff questions with supporting information.

Completed work includes:

- Conference calls with USDOT, identification of new personnel at Bureau following turnover
- Commercial property development analysis as a funding stream for TIFIA debt repayment (January invoice of \$350 & February invoice of \$7,050);
 - Prepared a financial model with cost/benefit analysis for commercial property development (open lot at Devlin St and Sheehy Ct.) to determine if the project is "viable" and if there is an opportunity to fund TIFIA debt repayment. Financial model included scenario flexibility for modification of key assumptions such as growth and discount rates and configuration for 4 or 5 unit development;
 - Held conference calls with NVTa to discuss assumptions and findings for commercial property development;

- Reviewed staff report for NVTB Board meeting;
- Attended NVTB Board meeting
- NVTB debt capacity analysis (2 iterations to address updated information) to support new debt for the Bus Maintenance project (February invoice of \$14,275 & March invoice of \$16,588);
 - Reviewed NVTB financial statements, historic credit ratings report and NVTB JPA agreement;
 - Prepared diligence questions and information requests;
 - Reviewed Local Transportation Fund historical accounts;
 - Updated financial model with project funding and financing scenarios;
 - Prepared presentation with debt limit checks and benchmarks;
 - NVTB conference calls to discuss PFAL findings and assumptions;
 - Reviewed staff report for NVTB Board meeting;
 - Attended NVTB Board meeting.

Fee: \$10,000

Proposed additional budget: \$10,000

Timeline: 6 weeks

2. Submit Letter of Interest

PFAL will prepare a Draft Letter of Interest for NVTB to review and submit to the Bureau, and we will make any necessary revisions based on Bureau feedback prior to a Final version being submitted by NVTB. With the information developed in item 1 above, PFAL will prepare all information required in the TIFIA Letter of Interest template such as; (i) description of the project and the location, purpose, and cost of the project, (ii) outline the proposed financial plan, including the requested credit assistance and the proposed obligor, (iii) provide a status of environmental review, (iv) provide information regarding satisfaction the eligibility requirements of the TIFIA credit program, (v) develop a preliminary financial model to produce key metrics required in the letter of interest, and (v) determine eligibility to use the TIFIA streamlined application process and fee assistance. During this time will maintain regular communication with Bureau staff to keep them involved and included in our process and to get advance notification of any concerns or issues.

New project scope to include the Soscot Junction and Bus Electrification in the TIFIA application, with additional project diligence, funding and debt capacity analysis required to justify credit strength of the project bundle.

To complete the draft application, PFAL will need to explore the other forms of financing (e.g. California I-Bank and Tax Exempt debt options) that could be used alongside TIFIA credit assistance to ensure the financial plan is complete in order to deliver the project. Also, PFAL will ensure that there are no aspects of the other financing sources that would impact the eligibility of TIFIA debt or other preferred financing alternatives.



Completed work includes:

- Prepared financial model with funding and financing scenario analysis including adding Soscol Junction project revised bus maintenance capital costs;
- Prepared presentation for NVTa staff;
- NVTa conference calls to discuss PFAL findings and assumptions;
- Explored strategy to partner with the City of Napa;
- Prepared draft TIFIA LOI for the bus maintenance facility project;
- NVTa conference calls to discuss NVTa input on draft LOI;

Fee: \$20,000

Proposed Additional Budget: \$30,000

Timeline: 6 weeks (in parallel with item 1 above)

3. If Requested, Provide Additional Information and Preliminary Rating Opinion Letter

PFAL will work with NVTa and the Bureau to assist with their in-depth creditworthiness review of the project and the proposed revenue stream identified to repay the TIFIA credit product, as well as any other collateral proposed to secure the credit instrument.

In connection with this review, PFAL will provide a feasibility study (as applicable) with a fully functional Microsoft Excel-based financial model to demonstrate the viability of the project and financial plan as required by the TIFIA program. In addition, PFAL will work with one rating agency to obtain a preliminary rating opinion letter that incorporates the proposed project and plan of finance.

Please note that securing rating agency opinions will bear fees that are separate from our fee indication below. PFAL will assist in negotiating favorable rates with rating agencies.

Completed work includes:

- Refer to the activities described above for the NVTa debt capacity analysis to support new debt for the project and the funding and financing scenario analysis

Fee: \$60,000

Proposed Additional Budget: \$20,000

Timeline: 8 weeks (following item 2 above)



Summary of Scope, Timeline and Fee

	Scope of Work	Timeline	Initial Fee	Additional Budget Requested	Total
1.	Engage with Bureau Staff to Determine Relevant Requirements for Draft TIFIA Application	3 weeks	\$10,000	\$10,000	\$20,000
2.	Submit Letter of Interest/Draft Application	3 weeks (in parallel with item 1 above)	\$20,000	\$30,000	\$50,000
3.	Provide Additional Information and Preliminary Rating Opinion Letter	8 weeks (following item 2 above)	\$60,000	\$20,000	\$80,000
Contingency				\$10,000	
Total Fee (excluding expenses)			\$90,000	\$70,000	\$150,000
Remaining available budget (if additional scope is approved)			\$20,000	\$70,000	\$90,000

Best regards,

Victoria Taylor
President & Chief Executive Officer
Phone: 415-580-5202
Email: victoria.taylor@pfalimited.com