CENTRAL TEXAS
Regional Mobility Authority

AGENDA ITEM #13 SUMMARY

Executive Director's Report.

Department: Administrative

Associated Costs: None

Funding Source: None

Board Action Required: No

Description of Matter:

The Executive Director's Report is attached for review and reference.

A. Project Status Updates.

B. Moody's Rating for Mobility Authority

Attached documentation for reference:

Executive Director's Report

Contact for further information:

Mike Heiligenstein, Executive Director

Report to the Board of Directors
May 22, 2013

CENTRAL TEXAS
Regional Mobility Authority

Mike Heiligenstein - Executive Director

Priority Issues

- Bond Refinancing and Moody's Rating Upgrade
- Oak Hill Parkway Open House - May 23rd at Clint Small Middle School

Presidential State Car on Manor Expressway

Finance

Bond Refinancing

The financial team met with investors in New York, Philadelphia and Chicago to refund our existing bonds because of historical low interest rates. All $260 million in bonds were put on the market in April and were sold within 20 minutes. Demand was so high, we had ten times ($3.2 billion) as many orders as we needed.

Investors we met with, such as insurance companies, mutual funds and fund managers, all submitted orders. The agency was able to capitalize on our good relationships with investors. Feedback included praise for the management of the agency, highlighting our transparency, project delivery and financial management.

A special thanks to our key advisors, Richard Ramirez with First Southwest and Marshall Crawford with JP Morgan.

Project Development

Manor Expressway

Phase II Project

Central Texas Mobility Constructors (CTMC) continue to focus their construction activities on completing the frontage roads along the entire project. Traffic has recently been shifted to the newly completed frontage road bridge over Gilleland Creek. Intersection construction at Blue Goose Road has recently begun, but CTMC's priority at this time is completing the westbound frontage road between SH 130 and Giles Road.

Utility adjustments east of Johnny Morris Road are constraining CTMC's ability to complete construction of the eastbound frontage road between Johnny Morris Road and Harris Branch Parkway. Construction along the rest of the eastbound frontage road contiues. Mainlane construction between Walnut Creek and Johnny Morris Road is also moving forward. CTMC plans to begin concrete paving later this month.

During President Obama's trip to Austin, he made two stops along the Manor Expressway corridor. We worked closely with the Presidential Advance Team to facilitate his trip. President Obama specifically said to tell Vice-Chairman Jim Mills "Hello."

MoPac Improvement Project

Project Development

A series of partnering meetings happened throughout May to identify different project objectives including: safety, schedule, stakeholder outreach, project quality and environmental responsibility. Development of the Community Relations Plan continues, and the Board will be briefed during the May Board Meeting. Agency coordination is ongoing.

Intermittent night time lane closures will begin Sunday, May 19, 2013 and continue through July to allow roadway designers to survey the corridor and collect soil samples for construction. To minimize traffic impacts, the lane closures will only occur between the hours of 9:00 p.m. and 5:00 a.m. Lane closures will be brief, with surveyors spending approximately 15 minutes at each location. Significant noise or light impacts are not anticipated during these operations. The survey work will also involve low altitude helicopter flights over the corridor. Those flights are expected to take place the week of May 28th between the daytime hours of 9:00 a.m. and 3:00 p.m.

Drilling rigs will also be deployed the week of May 28th to collect the soil samples. Because the work will occur at night, the drilling rigs may be noticeable. There will be no lane closures during special events or on holidays, including the upcoming Memorial Day Weekend.

Bergstrom Expressway

Project Development

Public involvement and environmental activities for the study continue. The team is currently incorporating feedback from the second Open House, held on March 7th at East Austin College Prep (formerly Solid Rock Church) and a value engineering study into both the design schematic and study document. These new documents will be presented at the third Open House, tentatively scheduled for September. Prior to the Open House, the team will meet and share the updates with project stakeholders.

The project team continues to coordinate and support TxDOT with schematic development and utility coordination. Additional financial and alternative project delivery models are currently being evaluated. An example of this was my involvement with a City of Austin wastewater utility air shaft. By asking the right questions and getting buy-in from the City of Public Works Director, we were able to save an estimated $8 million in project costs.

Oak Hill Parkway

Project Development

A series of workgroup meetings developed to get environmental, design and bicycle and pedestrian input from the community for the Oak Hill Parkway Environmental Study are wrapping up. Initial design concepts were presented on May 16th at a second design workgroup. These same concepts will be shown to the general public at the second project Open House on May 23rd at Clint Small Middle School. To ensure all members of the public have the opportunity to be actively engaged in the project's development, the project team is working with the Texas A&M Transportation Institute to launch a Virtual Open House on the same day as the Open House. A link from our project website will provide online participants a similar experience to the live Open House. Team members will also be available on May 24th from 11 am – 1 pm and on May 28th from 6 pm – 8 pm to answer questions in real time through an online chat.

MoPac South Environmental Study

Project Development

A kick off meeting was held at the Lady Bird Johnson Wildflower Center to introduce all the members of the environmental team and begin schedule development. Jacobs is finalizing their schedule and development plan. Stakeholder outreach and data collection will begin this summer, and the first Open House is scheduled for this fall. Meetings with key stakeholders, including neighborhood and business associations and the environmental community will take place prior to the Open House.

Moody's
INVESTORS SERVICE

New Issue: Moody's assigns Baa2 to Series 2013A and 2013B senior lien bonds of the Central Texas Regional Mobility Authority; Baa3 to Series 2013 subordinate bonds and upgrades parity senior bonds to Baa2 and subordinate bonds to Baa3; outlook stable

Global Credit Research - 10 Apr 2013

Authority has $775 million rated debt outstanding

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY, TX
Toll Facilities
TX

Moody's Rating

ISSUE	RATING
Senior Lien Revenue Bonds, Series 2013A	Baa2
Sale Amount $158,460,000	
Expected Sale Date 04/22/13	
Rating Description Revenue: Government Enterprise	
Subordinate Lien Revenue Bonds, Series 2013	Baa3
Sale Amount $105,660,000	
Expected Sale Date 04/22/13	
Rating Description Revenue: Government Enterprise	
Senior Lien Revenue Bonds, Series 2013B	Baa2
Sale Amount $30,000,000	
Expected Sale Date 04/22/13	
Rating Description Revenue: Government Enterprise	

Moody's Outlook STA

Opinion

NEW YORK, April 10, 2013 --Moody's Investors Service assigns a Baa2 to the Series 2013A and Series 2013B senior lien revenue bonds and a Baa3 to the Series 2013 subordinate lien revenue bonds of the Central Texas Regional Mobility Authority (CTRMA). We also have upgraded the parity senior lien bonds to Baa2 from Baa3 and the subordinate lien bonds to Baa3 from Ba1. The ratings carry a stable outlook.

RATINGS RATIONALE

The ratings upgrade for senior and subordinate lien bonds is based on the CTRMA's demonstrated ability to deliver and manage new toll road projects in a diverse, highly rated and growing service area (Austin, Aaa; Travis County, Aaa; Williamson County, Aa1); traffic and revenue ramp up generally in line with forecasts and expected steady continued revenue growth; and satisfactory forecasted debt service coverage ratios (DSCRs) for both liens; reasonable traffic and revenue growth assumptions; a fixed price construction contract for a phased expansion project (290E, also called Manor Expressway); strong legal covenants and an adopted toll plan of annual CPI-U indexed-based toll rate increases through 2035. These factors help mitigate construction and ramp-up risks associated with the US 290 project, nearly doubling outstanding debt, and continued, but slower than forecasted traffic ramp up of Phase II of the 183A. Available capitalized interest of $37.7million; cash- funded debt service reserve funds (DSRFs) and Texas Department of Transportation (TxDOT) grant funds provide additional liquidity and credit strength.

USE OF PROCEEDS: The Series 2013A and 2013B senior lien and 2013 subordinate bonds advance refund the $159.59

million Series 2005 senior bonds, the $45 million 2010 subordinate lien Build America Bonds (BABs) and prepay the $77 million 2005 TIFIA loan as well as cash-fund the DSRFs for the subordinate lien bonds. The TIFIA loan will be refunded into the senior lien (25%) and the subordinate lien (75%). TIFIA may be prepaid at par plus accrued interest and this avoids future accelerated pre-payments based on the CTRMA projected excess cash flow. The refunding also removes the MBIA (National) insurance insurer from the refunded bonds and yields an estimated $10.68 million in net present value savings or about 5% of refunded bonds. The $30 million Series 2013B are being issued as soft-put bonds with three year maturity schedule and a mandatory Tender Date of 1/4/2016.

LEGAL SECURITY: The senior lien bonds are secured by a first lien on net revenues of toll road system, consisting primarily of toll road revenues from the 183A and the US 290. The subordinate lien bonds are payable on a third lien basis following the payment of senior lien and junior lien debt service; however, there is no junior lien debt currently outstanding and none expected. Both senior and subordinate lien bonds have cash-funded debt service reserve funds.

INTEREST RATE DERIVATIVES: None, but authority will now have $30 million in soft put bonds.

OUTLOOK

The rating outlook is stable based on our expectation that traffic and revenue will perform as forecasted and no additional debt will be issued in the near term.

WHAT COULD MAKE THE RATING GO UP

The bond rating could be positively impacted by traffic and revenue that exceeds the base case forecast beyond the ramp-up period, and provides higher than forecasted DSCRs. Completion of the 290 project ahead of schedule and below budget also could have a positive impact on the rating.

WHAT COULD MAKE THE RATING GO DOWN

The rating could be pressured downward by recurrence of downturn in the service area economy that would depress projected traffic and revenue growth significantly below forecasts and reduce DSCR below 1.5 times for senior bonds and below 1.2 times for subordinate bonds. The rating also could face downward pressure from the addition of debt-financed projects that add leverage and are not fully supported by new revenues, particularly give the currently the authority's very high ratio of debt to operating revenue.

STRENGTHS

* Both 183A Phases were completed on schedule and within budget and Manor Expressway is under budget and scheduled to open several months early

* Service area is rapidly growing suburban area north of City of Austin with relatively stable economy anchored in state government, higher education, healthcare and high technology industries that is recovering steadily from recession

* Both 183A and 290 provide significant travel time savings due to heavily congested non-toll frontage road alternatives-all with traffic signals; traffic on Manor is well ahead of forecast for the first three months of operation

* Reasonable traffic and revenue growth assumptions based on lower than historic population and employment growth rates in service area provide satisfactory projected debt service coverage under Moody's stress scenarios

* Total debt service is fairly level, and gradually escalates to peak in 2025, then levels off

* Satisfactory legal covenants include cash funded DSRFs for both senior and subordinate lien bonds

* CTRMA has rate-setting autonomy and rates are currently programmed to increase annually based on CPI. Authority has independent rate-setting

* Strong current cash position with board target of maintaining at least one year of operations in unrestricted balances

CHALLENGES

*Traffic and revenue on 183A was about 10% lower than forecasted in FY 2011 and 2012 due to the recession-related slowdown in service area construction, and delayed construction of two feeder roads at northern end of 183A , which are now open

* Some construction risk remains for Manor Expressway project, though substantially mitigated by design-build construction contracts; acquisition of all right-of-way; project contingencies and capitalized interest one year beyond expected project completion

*Limited, though expanding history of tolling in the Central Texas area; traffic ramp-up is somewhat dependent on ramp-up on other toll roads in the area constructed by Texas Turnpike Authority (TTA), though thus far actual performance is generally in line with forecast

*Authority has been identified as lead agency to develop new projects in the service area and these projects could designated as part of the CTRMA system (System designation can be done by official act of board of directors, but no additional bond financed projects are currently planned

* Regional economy has experienced a slowdown, affecting high tech industries in particular, though Austin area is recovering faster than many areas and unemployment rate of 5.9% is lowest level since 2008 and below both state and national levels

DETAILED CREDIT DISCUSSION/RECENT DEVELOPMENTS

The 183A Phase II project was completed and opened in April 2012, on schedule and within budget expectations. FY 2012 traffic and revenue have been about 10% lower than forecasted in 2011 due to slower development than expected and delayed construction of two feeder roads at the northern end of Phase II. However, these were recently completed and traffic growth has begun to accelerate with average weekday transactions reportedly up 37% over last year. Slower economic development along the corridor attributable to the recession; reduced employment and more local traffic patterns than forecasted due to commercial also contributed to lower than forecasted traffic growth.

The traffic consultant has revised downward the forecasted population and employment growth in the service area based on more conservative development assumptions on actual traffic on 183A. The revised growth rates are now lower than those forecasted by Capital Area Municipal Planning Organization (CAMPO). The traffic consultant's service area population growth forecast is 2.1% compared to CAMPO's 2.5%lower than CAMPO and the employment forecast 15% to 24% lower than latest CAMPO model and population growth through 2035. Moody's regards these more conservative forecasts underpinning traffic and revenue growth as reasonable, particularly given the travel time advantages of 183A relative to free alternatives ranging from four to eight minutes.

Full Build Phase II of the 6.2 mile Manor Expressway is currently under construction, under budget and expected to open ahead of schedule. The project is $26 million under the $426.4 million project budget with Phase II ROW 100% obtained and construction 56% complete. Phase I and Interim Milestone Phase II began tolling in January 2013 and average weekday transactions and revenue are coming in 100% higher than and approximately five years ahead of forecast. While the traffic consultant is not revising the underlying forecast assumptions, the 2014 revenue forecast has been adjusted to reflect the expected early opening of Full Build Phase II and implementation of tolling in August 2014 compared to the forecasted January 2015. The assumed three years of ramp-up may be faster than forecasted due to the 290's role as congestion reliever. The toll rate at opening will be 25.6 cents mile or $1.59 for a full length trip, which is among the highest per mile rates for US toll roads, though we note time-savings is significant.

Manor Expressway faces limited competition as there is no highway east-west connection between SH-130 to the east and IH-35 to the west in north central Austin. Existing 290 frontage roads are congested and have six traffic signals (between 183 and 130).

Total 183A and 290 transaction growth forecast averages 8% from 2013 to 2023 and 3.4% from 2023 to 2033 and the revenue growth forecast averages 10.8% and 6.6%, respectively, including the programmed 3% annual rate increases. After 290 ramp-up ends in 2016 and through 2026, transaction growth is forecasted to average 6.6% annually and revenue growth 9.3% .

Management's base case forecast shows senior minimum DSCR of 1.8 times and 1.3 times for all debt. Moody's estimates that the project can withstand revenues that are 15% lower in every year than those projected and still provide for minimum 1.49 times coverage of senior debt and 1.06 times coverage for all debt. We believe this haircut is in line with the pressure that could accompany a moderate economic downturn and a five-year delay in development.

On a bond resolution basis FY 2012 senior DSCR was 2.02 times senior and total DSCR was 1.25 times and on a Moody's calculated basis 1.97 times and 1.22 times, including TIFIA debt repayment. The FY 2013 budget is conservative with estimated toll revenues of $31.6 million compared to a forecasted $37.6 million.

Liquidity was healthy at the end of FY 2012 with $6.785 million unrestricted cash on hand (operating and general funds); $9.45 million in TXDOT grant funds, which may be used for operations; cash-funded DSRFs of $64.7 million; $168 million in project construction funds and $35.5 million capitalized interest, equivalent to 995 days cash on hand. As of February 28, 2013 balances were $7.459 million in operating and general funds; $9.461 million in the grant fund; $68 million in construction funds and $22.5 million in capitalized interest in addition to cash funded DSRFs.

The service area economy performing well according to Moody's Economy.com and Austin is expanding at a firm pace. Employment is growing at more than twice the national rate, and payrolls are now 6% above their prerecession peak. Most industries are advancing, with professional services leading the way. Even state government, which plays an above-average role in the local economy and had been declining since mid- 2010 under the pressure of the state budget deficit, has now bottomed out. The unemployment rate has declined to 5.8%, its lowest level since late 2008, and the labor force is growing strongly. Austin's economy will expand at a steady pace in 2013, bolstered by significant gains in professional and information technology-related services. Housing will strengthen measurably, particularly multifamily, supported by job gains, a young working age population, and good credit quality. Longer term, a well-educated labor force, high concentration of technology businesses, and strong population gains will enable Austin to perform better than the state and nation.

CTRMA is the lead transportation planning and financing agency in the Austin Metro Area and as such has first right of refusal for projects in its service area. The agency does not, however, expect to debt finance any new projects over the next three years. Additional debt financed projects could place downward pressure on the ratings.

The authority and TxDOT have executed two Financial Assistance Agreements for the 290 project that provides for TxDOT to make $128.9 million available in quarterly payments over a period of five fiscal years. A portion of the funds are to be used to pay costs of construction the Manor Expressway Project. The TxDOT Grant Funds are not subject to repayment but the authority is required to use surplus revenues, if any, from the project to pay costs of other transportation projects in an amount up to the amount of the funds granted.

CTRMA BACKGROUND/GOVERNANCE

CTRMA was the first regional mobility authority formed in Texas in 2002 to improve transportation networks in Travis and Williamson Counties. CTRMA is identified by CAMPO as the lead agency for lead transportation planning and financing agency in Austin Metro Area and has first right of first refusal on all major transportation projects.

The authority built and operates the US 183A Project Phase I and Phase II . 183A is 11.6 mile limited access toll road roughly parallel to existing US 183 northwest of the City of Austin, Williamson, and Travis counties connecting at its southern end to the western end of SH 45. CTRMA projects are part of an integrated system of new toll roads in the greater Austin area. Authority also operates Phase I and Interim Milestone Phase IIof the Manor Expressway in Austin and Travis County which was built with TX DOT funds and began tolling in January 2013 and is constructing Full Build Phase II. The Manor Expressway is a 6.2 mile project with tolled mainlines and non-tolled frontage roads. Full Build Phase II construction is in construction and under budget with expected project completion in May 2014 and tolling expected in August 2014 compared to previously forecasted in January 2015.

CTRMA is overseen by a seven-member Board of Directors. The chairman is appointed by the Governor. The County Commissioners of Travis and Williamson counties each appoint three board members.

KEY INDICATORS:

Type of toll road: Multi-asset start-up toll road, primarily passenger cars

Toll rate, 183A: 24.7 cents/mile

Toll rate, 290E: 25.6 cents/mile at Full Build Phase II completion

Actual Population CAGR 2000-2010: [1] 2.5%

Revised Population CAGR through 2035: 2.1%[1]

Total forecast AAG transaction growth, 2013-2023/2023-33: 8%/3.5%

Total forecast AAG revenue growth:, 2013-2023/2023-33: 10.9%/6.5%

FY 2012 Senior/total Bond ordinance DSCR: 2.02/1.25x