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**Deputy Executive  
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**Board of Harbor  
Commissioners Meeting  
November 29, 2023**



## **Consideration of an Alameda Corridor Transportation Authority (ACTA) Bond Issuance**



# Today's Focus

***Seeking approval of a bond issue for ACTA that will reduce its debt service obligation, projected shortfalls and POLA's obligation to cover a portion of the debt service payments on ACTA's bonds in Fiscal Year 2026 - 2037***

ACTA Background

Financial Commitments between the Ports and ACTA

Situation Assessment

Overview of Proposed Transaction

Requested Board Action

Schedule

# ACTA Background

## Formation

- ACTA is a Joint Powers Authority (JPA) created by the City of Los Angeles and the City of Long Beach in 1996 to construct, finance and operate a freight expressway corridor to connect the rail system near downtown L.A. to the ports.

## Governance/Management

- Governed by a seven-member board with daily operations carried out by professional staff. Operations on the Rail Corridor began in April 2002.

## Outstanding Debt

- \$1.5 billion in outstanding debt and principal & interest payments (debt service) is the largest expense. Port of Long Beach and Port of Los Angeles guarantee 40% of debt service payments.

## Source of Revenue

- The railroads pay use fees and container charges. A Use and Operating (U&O) Agreement, which is in effect until April 1, 2062, governs the relationship between ACTA and the railroads.

## Prior & Planned Restructurings

- Transactions in 2016 and 2022 eliminated need for shortfall payments through 2025.
- Planned transactions in 2025 and 2026 intend to eliminate shortfalls in 2026 – 2037.

# Financial Commitments Between the Ports and ACTA

## **POLA & POLB Commitment to ACTA**

- Ports must guarantee 40% of ACTA's annual principal and interest payments:
  - Each port guarantees 20%
  - POLA and POLB together paid ACTA a shortfall advance of \$5.9 million in September 2011 and the same amount again in 2012 for a total of \$11.8 million.

## **ACTA Commitment to Repay POLA & POLB**

- Once annual debt service obligations and administrative costs have been paid, ACTA surplus revenues must repay the Ports:
  - Benefit Amount - \$100 million
  - Reimbursement of all Shortfall Advances - \$11.8 million
  - Property Assembly Reimbursement - \$132 million
- Revenues can be applied to prepaying debt once Ports have been repaid.

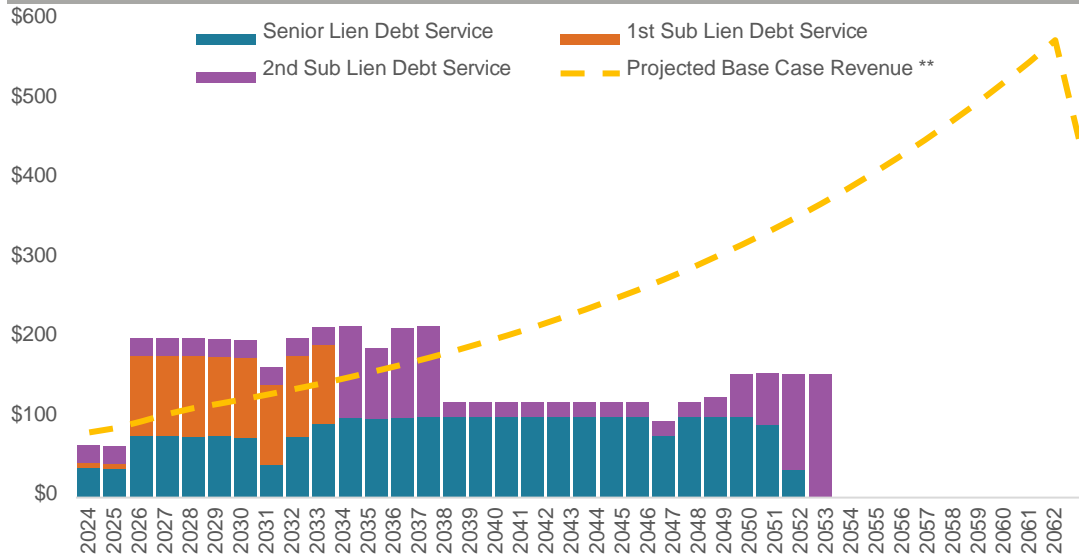
# Current Situation

While the 2022 transaction achieved ACTA's short-term goals, current revenue projections necessitate additional solutions for anticipated shortfalls in Bond Years ("BY") 2026-2037

- **The 2022 transaction was successful in solving ACTA's near term shortfalls**
  - Total shortfalls decreased from \$1.35 billion to under \$800 million, saving ACTA \$568 million through BY 2037 and removing all shortfalls through FY 2026 (BY 2025)
- **However, given the current revenue projections, ACTA is not forecasted to have adequate annual revenues to fund debt service payments due in Bond Years 2026-2037**
  - Debt service relative to current projected revenues in BY 2026 through BY 2037 create annual shortfalls that need to be addressed
  - The Contingent Port Obligations of 40% of Annual Amounts\* is not sufficient to cover required debt service levels in BY 2026 through BY 2029

Period Ending	Total Debt Service	Projected Revenues	Debt Service Coverage	Projected Shortfall
2024	65,992,562	81,038,624	1.23x	
2025	65,148,685	89,067,339	1.37x	
2026	200,599,199	97,701,269	0.49x	(102,897,930)
2027	200,297,596	106,981,114	0.53x	(93,316,482)
2028	199,980,184	113,827,817	0.57x	(86,152,367)
2029	199,672,644	119,590,350	0.60x	(80,082,294)
2030	197,984,628	125,644,612	0.63x	(72,340,016)
2031	164,055,675	132,005,370	0.80x	(32,050,305)
2032	199,910,295	138,688,142	0.69x	(61,222,153)
2033	215,009,472	145,709,230	0.68x	(69,300,243)
2034	216,449,067	153,085,759	0.71x	(63,363,308)
2035	187,681,918	160,835,726	0.86x	(26,846,192)
2036	212,225,366	168,978,034	0.80x	(43,247,332)
2037	215,706,210	177,532,547	0.82x	(38,173,663)
2038	120,233,746	186,520,133	1.55x	
2039	120,233,746	195,962,714	1.63x	
2040	120,233,746	205,883,327	1.71x	
2041	120,233,746	216,306,170	1.80x	
2042	120,233,746	227,256,670	1.89x	
2043	120,233,746	238,761,539	1.99x	
2044	120,236,091	250,848,842	2.09x	
2045	120,234,787	263,548,064	2.19x	
2046	95,962,086	276,890,185	2.89x	
2047	120,231,536	290,907,751	2.42x	
2048	126,601,171	305,634,956	2.41x	
2049	156,037,176	321,107,725	2.06x	
2050	156,038,215	337,363,804	2.16x	
2051	156,038,750	354,442,847	2.27x	
2052	156,035,850	372,386,516	2.39x	
2053		391,238,583		
2054		411,045,036		
2055		431,854,191		
2056		453,716,810		
2057		476,686,223		
2058		500,818,463		
2059		526,172,398		
2060		552,809,876		
2061		580,795,876		
2062		334,262,979		
<b>TOTAL</b>				<b>(768,992,286)</b>

## EXISTING DEBT SERVICE VS. PROJECTED BASE CASE REVENUES



\*Annual Amounts are defined as Debt Service plus certain financing fees and any deposits into the debt service reserve funds

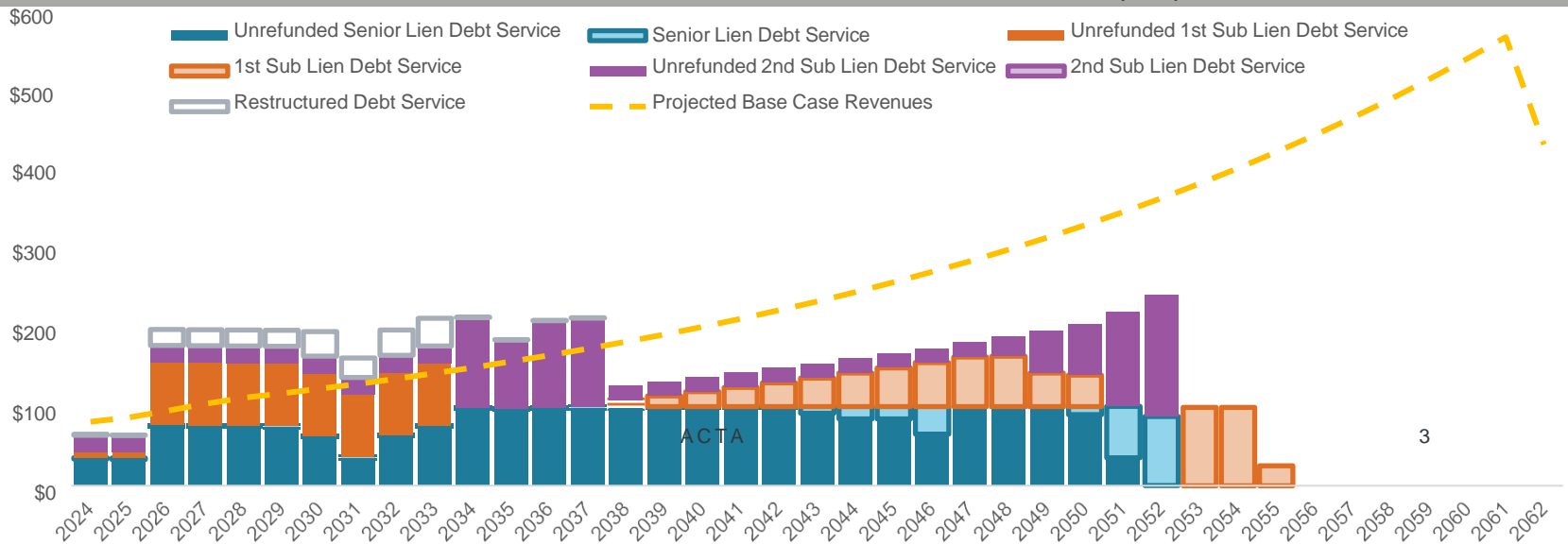
\*\* Assumes a 2.5% inflation adjustment and 2.6% volume growth to average 5.1% increase per year

# Pro Forma Results from Proposed 2024 Transaction

The proposed 2024 transaction will be part of a multi-year financing strategy, expected to be completed in 2026, to address the projected shortfalls through Bond Year 2037

- The size of the 2024 Tender transaction, and resulting impact to ACTA shortfalls, is a function of investor participation and unknown at the time of launch
  - Last summer's transaction included a sizeable Tender component that received tenders of 32% (\$590 million) of targeted bonds
- Based upon a conservative 20% assumed participation, shortfalls are reduced by \$208 million through BY 2037 as a result of the proposed 2024 transaction
  - This leaves \$561 million of shortfalls through BY 2037 that will need to be addressed, assuming base case revenue projections
  - It also creates \$493 million in new debt service burden to be paid BY 2038 through BY 2055

## PRO-FORMA CASHFLOW RESULTS AFTER 2024 TENDER REFUNDING/ RESTRUCTURING TRANSACTION (\$MM)



# Requested Board Approval

ACTA bond issuance requires board approval of related documents given POLA's role as a partial guarantor of ACTA's debt

## **Staff requests Board approval of disclosure and related documents:**

- Board Resolution
- Continuing Disclosure Certificate
- Letter of Representation
- Financial & Operating Disclosure

# Schedule

## Key next steps for ACTA Bond Transaction

<b>Date</b>	<b>Milestone</b>
November 29, 2023	POLA Board considers documents for transaction
December 11, 2023	POLB Board considers documents for transaction
December 14, 2023	ACTA Board considers documents for transaction
February 2024	Transaction closes