

Implementation Procedures for ITOC's Debt Financing Oversight Responsibilities

Ordinance Language

"Review proposed debt financings to ensure that the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs." **[Paragraph #9]**

Background/Discussion

- The ITOC's oversight of debt financing activities should focus on obtaining an understanding of the debt financing being proposed, evaluating the pros and cons of the proposed approach as opposed to other financing options, and ensuring that the proposal is cost-effective in terms of the overall delivery of the TransNet program. The ITOC should take the following factors into consideration in reviewing debt financing proposals:
 - A. The proposed interest rate and the current interest rate environment.
 - B. The overall cost of issuance.
 - C. The risk versus the benefits from the proposed use of derivative products (interest rate swaps).
 - D. The ability to spend the bond proceeds as scheduled.
 - E. The increase or decrease in interest rate risk as a result of doing or not doing a given transaction or by the selection of one type of financing vehicle over another.
 - F. The risk of cost increases in a pay-as-you-go scenario due to price escalation.
- In reviewing the cost-effectiveness of a proposed debt financing, the ITOC should consider the costs related to the proposed financing as compared to the benefits related to accelerating the delivery of the program – such as savings resulting from avoiding cost escalation and other benefits such as travel time savings, safety improvements, energy savings, and air quality improvements associated with the congestion relief provided by the implementing the projects in an expedited manner.
- The current debt portfolio of SANDAG, serving as the San Diego County Regional Transportation Commission, is presented to the ITOC on a quarterly basis where information such as debt service coverage, cost of capital, and credit ratings can be found.

Schedule/Timing

- As future debt financing needs arise, staff will notify the ITOC at its next meeting and will coordinate with the ITOC during the debt financing process. A recommendation from the ITOC will be sought prior to final action on the proposed financing by the SANDAG Board of Directors