MEMORANDUM

TO: Members of the Board

FROM: Lisa Lumbard, Interim Chief Financial Officer Lisa Lumbard

DATE: March 30, 2015

RE: Adoption of Revised Debt Policy

CFX's Debt Policy requires a review every two years. As such, PFM, the Financial Advisor to CFX, and staff has reviewed and made recommendations which were presented to the Finance Committee on March 4, 2015.

Attached is a redline version of the policy. The noted recommendations include:

- Changed references from the Orlando-Orange County Expressway Authority to Central Florida Expressway Authority.
- Deleted a variable rate debt reference that is no longer applicable.
- Clarified the policy on the minimum senior lien debt service coverage.

The Finance Committee recommends that the Board approve this policy as presented.

cc: Laura Kelley, Deputy Executive Director, Finance and Administration

Resolution No. 2015-____.

A RESOLUTION OF CENTRAL FLORIDA EXPRESSWAY AUTHORITY AMENDING THE DEBT POLICY

WHEREAS, the Central Florida Expressway Authority ("CFX") previously adopted a "Debt Policy" on September 26, 2012 establishing the protocol for issuance and management of debt; and

WHEREAS, CFX Finance Committee has approved refinements to the Debt Policy regarding variable rate debt and confirming senior lien debt service coverage ratio; and

WHEREAS, CFX's governing Board concurs in the revised Debt Policy.

NOW, THEREFORE, BE IT RESOLVED BY CENTRAL FLORIDA EXPRESSWAY AUTHORITY as follows:

Section 1. ADOPTION. The current "Debt Policy" shall be amended in accordance with the attached "Debt Policy" attached hereto as Exhibit "A"

Section 2. EFFECTIVE DATE. This policy shall take effect upon adoption by the CFX governing board.

ADOPTED this ______ day of April, 2015.

____
Welton G. Cadwell
Chairman

ATTEST:__________________________
Darleen Mazzillo
Executive Assistant

Approved as to form and legality

____
Joseph L. Passiatore
General Counsel

Debt Policy

I. Purpose

The purpose of this ~~Orlando-Orange County~~Central Florida Expressway Authority (~~Authority~~CFX) Debt Policy is to establish guidelines and a framework for the issuance and management of ~~Authority's~~ CFX's debt. ~~The Authority~~CFX is committed to consistent, best practices financial management, including maintaining the financial strength and flexibility of ~~the Authority~~CFX and the full and timely repayment of all financial obligations. ~~The Authority~~CFX will be open to recommendations or ideas for any proposed transaction as well as variations from the following guidelines provided that such variation shall be fully examined in conjunction with ~~the Authority~~CFX's advisors and justified to the Board of ~~the Authority~~CFX.

II. Capital Budgeting and Debt Issuance Policy

A. ~~The Authority~~CFX has retained the services of a traffic engineer and a general engineering consultant to obtain independent professional advice on the acquisition, construction, operation and management of the system, including assistance on the development of a Five-Year Work Plan and Twenty-Five Year Master Plan. The Five-Year Work Plan is typically reviewed and updated at least annually. The Twenty-Five Year Master Plan is typically updated every five years. ~~The Authority~~CFX has developed and will maintain and update, as appropriate, a comprehensive Capital Planning Model as a tool in developing a financing plan for its Five-Year Work Plan, as well as other additional longer-term capital improvements. The Capital Planning Model incorporates the following elements, in addition to other factors:

1. System revenue projections from ~~the Authority~~CFX's traffic consultant or alternative revenue projection scenarios
2. Existing debt service requirements
3. Projected Five-Year Work Plan funding needs together with estimates to complete projects beyond the five year scope
4. Projected timing of the adopted Five-Year Work Plan projects
5. Estimated additional debt service requirements
6. Estimated investment income

B. Long-term debt will be used to finance essential capital projects and certain equipment where it is cost effective, prudent or otherwise determined to be in the best interest of ~~the Authority~~CFX. Long-term debt, which includes capital lease financings, should not be used to fund ~~the Authority~~CFX's operations. The useful life of the asset or project financed with long-term debt should exceed the payout schedule of any debt issued by ~~the Authority~~CFX to finance such asset.

C. Medium-term or "put" bonds will be used judiciously and only after careful analysis and discussion of the interest rate and rollover risks involved.

~~D.~~ Variable rate debt may be issued in various forms – e.g., bonds, commercial paper, bank lines. The amount of unhedged variable rate debt generally should not exceed 25% of all outstanding debt of ~~the Authority~~CFX. As a goal, ~~the Authority~~CFX desires its total hedged and unhedged variable rate debt not to exceed 25% of all outstanding long-term debt of ~~the Authority~~CFX. ~~This goal does not require the Authority to refund or refinance any of its existing debt, but shall restrict any additional variable rate debt exposure to the stated goal.~~

D.

III. Debt Service Coverage Targets and Limits

A. For ~~the Authority~~CFX to issue new bonds on a parity basis, per the Master Resolution, ~~the Authority~~CFX will need to demonstrate that revenues, as defined in the Master Resolution, shall be sufficient to cover the existing and new debt service by 1.20x.

B. ~~For planning purposes, the Authority~~CFX shall maintain a minimum senior lien debt service coverage ratio of at least 1.45x on the existing and planned debt issues. For planning purposes, staff shall make every effort to plan for a 1.60x senior lien debt service coverage ratio.

IV. Method of Sale Evaluation

~~The Authority~~CFX will sell long-term debt on a competitive basis unless, based on the advice of the CFO and Financial Advisor, the transaction is better suited for a negotiated sale or direct placement.

A. With the goal of obtaining the lowest cost of capital and completing a successful transaction, for each transaction recommended, the CFO, with advice from the Financial Advisor, will undertake an analysis to determine the recommended method of sale, including competitive, negotiated, or direct placement.

B. The evaluation will take into consideration, among other factors the following considerations as outlined in the Government Finance Officers' Association (GFOA) best practice recommendations:
1. Expected credit rating of bonds being issued
2. Strength of revenue stream
3. Structure of bonds and potential need for extensive explanation to the bond market
4. Use of insurance or other credit enhancement
5. Other factors that staff, in consultation with the financial advisor, believes favor the use of one method over the other.

C. The evaluation will be shared with the Finance Committee and a recommendation as to the method of sale will be presented.

D. Should ~~the Authority~~CFX select the use of a negotiated sale, the following guidelines will be followed to increase the likelihood of a successful transaction and fully documents negotiated sale process:

1. Underwriters will be selected through a formal RFP process under ~~the Authority~~CFX's Procurement Policies.
2. ~~The Authority~~CFX's Financial Advisor will advise ~~the Authority~~CFX on all aspects of the sale, including but not limited to structuring, disclosure preparation and bond pricing.
3. Staff and the Financial Advisor will make a recommendation for lead underwriting firm and all participating co-senior and co-manager firms based on:
   a. results of most recent RFP selection
   b. firm's contribution to development of strategies for transaction
   c. demonstrated ability of firm to successfully underwrite similar transaction
   d. previous work assigned to firm under current RFP selection.
4. Staff and the financial advisor shall review the Agreement Among Underwriters and ensure that it governs all transactions during the underwriting period.
5. Staff and the Financial Advisor shall review all orders and allocations to ensure compliance with the distribution rules and shall record the results at the conclusion of the sale.
6. The Financial Advisor shall prepare a post-sale summary and analysis that documents the pricing of the bonds relative to other similar transactions priced at or near the time of ~~the Authority~~CFX's bond sale, and record the true interest cost of the sale and the date of the verbal award. The analysis shall be shared with the Finance Committee.

E. Should a direct placement be recommended, staff and the Financial Advisor shall undertake a competitive process for selecting the placement party to ensure any ~~the Authority~~CFX's objectives are met at the lowest cost of capital. Such process may include a formal RFP or solicitation of pricing indications, as appropriate.

V. Debt Structure

A. In general, ~~the Authority~~CFX will seek to structure long-term debt so that it provides for level annual payments of principal and interest over the life of each respective issue, after a period of interest only payments and the use of capitalized interest, as appropriate, for the respective issue in order to effectively interface with other existing debt of ~~the Authority~~CFX and within the context of the Five-Year Work Plan and other considerations within this Debt Management Policy. ~~The Authority~~CFX may utilize various debt structures to accomplish its financing goals, including but not limited, to the use of premium bonds, discount bonds, capital appreciation bonds, variable rate and multimodal bonds and capitalized interest, when appropriate in order to achieve the goals provided in this Debt Management Policy.

B. ~~The Authority~~CFX will consider interest rate swap transactions only as they relate to its debt management program and not as an investment instrument. No swap transaction should impair the outstanding uninsured bond rating of ~~the Authority~~CFX. Additionally, no interest rate swap transactions will be considered if it causes ~~the Authority~~CFX to exceed the targets in its Interest Rate Risk Management Policy. (For additional details, see Authority's Interest Rate Risk Management Policy.)

VI. Call Provisions

A. Call provisions for ~~the Authority~~CFX bond issues shall be made as short as possible consistent with the lowest interest cost to ~~the Authority~~CFX, taking into consideration the option value of such call provisions.

B. When possible, all Authority bonds shall be callable only at par.

VII. Debt Refunding

~~The Authority~~CFX staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding or refinancing outstanding debt. As a general rule, the present value savings of a particular refunding should equal or exceed 3% of the refunded maturities. For an advance refunding a higher minimum savings threshold should be required, depending on how soon the bonds may be called. However, in order to meet certain restructuring or risk management goals, ~~the Authority~~CFX may elect to lower the present value savings threshold for any individual transaction.

VIII. Credit Enhancement and Liquidity

Bond insurance, surety policies, letters of credit, liquidity facilities and other credit enhancements or liquidity facilities will be used when it provides economic savings or risk management opportunities for ~~the Authority~~CFX.

IX. Continuing Disclosure

~~The Authority~~CFX is committed to providing continuing disclosure of financial and pertinent credit information relevant to ~~the Authority~~CFX's outstanding securities, and has and will continue to comply with those provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure. ~~The Authority~~CFX has engaged the services of Disclosure Counsel to provide guidance and advice to ~~the Authority~~CFX concerning securities law and disclosure issues.

Additionally, ~~the Authority~~CFX will maintain financial information on its website to provide timely information to the market and public. Such information will include, but not be limited to, comprehensive annual financial reports, monthly cash flow reports, reports on revenue and expenses, transactional information, current official traffic and revenue forecasts and current year budgets. It will be noted that monthly financial information will not be audited and will not be reported on a full accrual basis, but is available to provide timely information to interested parties.

X. Credit Objectives

A. It is ~~the Authority~~CFX's intent to maintain and improve the credit ratings on its outstanding and proposed bond issues. ~~The Authority~~CFX will maintain long-term debt ratings from at least two of the three major bond rating agencies – Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. ~~The Authority~~CFX may discontinue the use of ratings from any agency which currently rates the debt of ~~the Authority~~CFX if, based on advice from ~~the Authority~~CFX's Financial Advisor and underwriting team, the discontinuance of such rating will not adversely affect the rates that can be achieved in selling ~~the Authority~~CFX's debt without such rating.

B. ~~The Authority~~CFX's CFO will maintain frequent communications with the credit rating agencies that currently assign ratings to ~~the Authority~~CFX's various debt obligations, bank credit providers/lenders, and bond insurers that currently enhance any of ~~the Authority~~CFX's various debt obligations. This effort shall include providing periodic updates on ~~the Authority~~CFX's general financial condition along with coordinating meetings and presentations, as necessary, in conjunction with a new debt issuance.

C. ~~The Authority~~CFX's CFO will develop, in conjunction with the Financial Advisor and Disclosure Counsel, an investor relations program that will be designed to keep present and future investors in ~~the Authority~~CFX's debt fully informed on current developments related to ~~the Authority~~CFX and its long-term debt.

XI. On-going Reporting Requirements

At least twice each year, the Board shall receive a report on the status its debt. The report shall at a minimum include:

- Amount and percentage of total debt by categories:
    - natural fixed
    - synthetic fixed
    - natural variable
    - synthetic variable
- Current mark-to-market value of all interest rate exchange agreements
- Historical rate performance for all variable rate bonds
- Any changes in ratings for credit enhancers and swap counterparty

~~The Authority~~CFX's CFO, with the assistance of the financial advisor, shall be responsible for analyzing any unsolicited proposals received relative to debt issues, responding to the proposal as appropriate, and recommending to the Finance Committee any action to be taken in a timely manner.

XII. Policy Review

This policy shall be reviewed at least every two years.

APPROVED AND ADOPTED BY THE BOARD ON _______________________.

MINUTES
CENTRAL FLORIDA EXPRESSWAY AUTHORITY
FINANCE COMMITTEE MEETING
March 4, 2015

Committee Members Present:
Edward Bass, Committee Chair, Seminole County
Fred Winterkamp, Orange County
Chris McCullion, City of Orlando
Michael Kurek, Osceola County
Steve Koontz, Lake County

Also Present:
Ruth Valentin Recording Secretary/Office Coordinator
Laura Kelley, Deputy Executive Director of Finance & Administration
Lisa Lumbard, Interim Chief Financial Officer
Joseph Passiatore, General Counsel
Brent Wilder, PFM
Hope Davidson, PFM
Joe Stanton, Broad & Cassel
Steve Zucker, Shutts & Bowen
Sylvia Dunlap, National Minority Consultants
Steve Alexander, PFM
Matt Williams, Bank of America Merrill Lynch
John Martinez, PNC
Todd Morley, Wells Fargo
Tamaa Patterson, Jefferies
Rawn Williams, Jefferies
Manuella de Barros, RBC

CALL TO ORDER

The meeting was called to order at 2:01 p.m. by Chairman Edward Bass.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF MINUTES

A motion was made by Mr. Winterkamp and seconded by Mr. McCullion to approve the November 5, 2014 Finance Committee minutes as presented. The motion carried unanimously with five members voting AYE by voice vote.

APPROVAL OF FINANCIAL POLICIES

Debt Policy

Mrs. Lumbard explained the proposed changes for the Debt Policy:

> Section II. D. Variable rate debt may be issued in various forms - e.g., bonds, commercial paper, bank lines. The amount of unhedged variable rate debt generally should not exceed 25% of all outstanding debt of the Authority. As a goal, the Authority desires its total hedged and unhedged variable rate debt not to exceed 25% of all outstanding longterm debt of the Authority. ~~This goal does not require the Authority to refund or refinance any of its existing debt, but shall restrict any additional variable rate debt exposure to the stated goal.~~
>
> Section III. B. ~~For planning purposes, the~~ The Authority shall maintain a minimum senior lien debt service coverage ratio of at least 1.45x on the existing and planned debt issues. For planning purposes, staff shall make every effort to plan for a 1.60x senior lien debt service coverage ratio.

A motion was made by Mr. Kurek and seconded by Mr. McCullion to approve the changes to the Debt Policy as presented. The motion carried unanimously with five members voting AYE by voice vote.

INTEREST RATE RISK MANAGEMENT POLICY

Mrs. Lumbard explained the proposed changes for the Interest Rate Risk Management Policy:

> Section III. Exist Strategies - The CFO and the Authority's financial advisors and designated QIR (as defined herein) should constantly monitor market rates, termination values, counterparty credit ratings, and other relevant factors to determine if voluntary termination is warranted. Generally, a voluntary early termination will be warranted if it is economically advantageous and/or if a reduction in the Authority's current or anticipated risk can be accomplished at no cost. The Authority shall seek to maintain sufficient liquidity, including without limitation through balances in the Authority's Swap/ Debt Management Contingency, short term financing capacity, and/or other borrowing capacity, to make any Swap termination payments that may become due, to the extent not paid or payable from other sources.
>
> Section VI. The Swap Dealer/Counterparty (6th bullet point) - The swap dealer/counterparty shall provide its financial statements showing the economic capability of the entity, the amount of its swaps outstanding and credit ratings, all of which shall be acceptable to the Authority. At the time of entering into the Swap transaction, swap dealers/counterparties (or their guarantor) shall ~~either~~ (i) be rated at least AA-/Aa3/ AA- by at least ~~two~~ one of the three nationally recognized credit rating

agencies and not be rated lower than A/A2/A by any of the three nationally recognized credit rating agencies. Collateral should be required upon a downgrade from ~~the~~ these levels. ~~have a minimum capitalization of $100 million, or (ii) alternatively, post suitable and adequate collateral, given the undertaking involved with the particular Swap transaction.~~

A motion was made by Mr. Koontz and seconded by Mr. McCullion to approve the changes to the Interest Rate Risk Management Policy as presented. The motion carried unanimously with five members voting AYE by voice vote.

DIRECTION ON HOW TO GO FORWARD WITH 2008B1-4CREDIT FACILITY REPLACEMENTS

Mr. Wilder reported on the results of the Request for Recommendations and Pricing Indications for Letters of Credit, Direct Placement Index Floaters or other options relating to the variable rate revenue bonds, Series 2008B1-4 which was distributed on November 21, 2014:

- Responses were due on December 5, 2015
- CFX received 16 responses
  - 2 response proposed both an LOC or a direct placement
  - 5 responses proposed only LOCs
  - 5 responses proposed only direct placements
  - 5 responses proposed only recommended publicly offered alternatives

Mr. Wilder explained the three main options for the Series 2008B-1, B-2, B-3, and B-4 variable rate debt:

- Retain floating rate notes with current facility provider, Wells Fargo, and LOC's with BMO Bank and TD Bank.
  - The "Do Nothing" Option: The FRNs can be kept with Wells Fargo until expiration in March, 2016 and the Series 2008B-2 LOC with TD Bank until expiration in May, 2016.
  - The Series 2008B-1 Bonds LOC with BMO Bank expires 5/10/2015 so must be renewed or replaced now
  - Modification of existing credit facility terms in all credit facilities recommended due to terms of TIFIA loan agreement
- Terminate the associated swaps and issue fixed rate bonds
  - This is not an economical option based on the current market and would produce significant dissaving of approximately 14.0% per swap/sub-series for the Series 2008B1-4 Bonds as of March 2015
- Modify or replace existing LOCs and FRNs to reduce current credit spread and improve terms
  - Based on indications received from the November 21, 2014 solicitation, the Authority may be able to achieve debt service savings for all Series 2008B Bonds.
  - Modification of existing credit facility terms recommended due to terms of TIFIA loan agreement

Staff recommends the third option.

A motion was made by Mr. Winterkamp and seconded by Mr. McCullion that, in light of recommendations from staff in item number three, initially the finance committee recommends that staff seek a three year Letter of Credit (LOC) with BMO Harris as an extension or restatement of the existing LOC at the rates indicated, but without the terms of acceleration and those other terms that are problematic for the TIFIA loan. In the event that it is accepted that's as far as we go. Failing that, plan B is that the Board seek a 60 or 90 day extension to allow for an opportunity to look at other options. The motion carried unanimously with five members voting AYE by voice vote.

A motion was made by Mr. Winterkamp and seconded by Mr. Koontz to direct staff to look at what is the most advantageous combination of a four or five year LOC from TD bank and up to a five year direct purchase from either Barclays, Wells Fargo, or Bank of America to see which of those may be willing to give us the terms that we need and look at which one would do it honoring their indications to result in the lowest cost to the Authority from those individuals and their willingness to adopt these terms that would remove the acceleration and remove the other onerous terms that would impact our TIFIA loan as discussed. The motion carried unanimously with five members voting AYE by voice vote.

TIFIA LOAN STATUS

Mrs. Lumbard reported that the commercial closing date for the Bond Anticipation Notes is scheduled for March 25th, 2015 in Washington D.C. The Board will be asked to approve the documents at the next meeting on March 12th, 2015.

Mr. Wilder reported that we are suggesting issuance of the Bond Anticipation Notes in May 2015 with a maturity date of January 1, 2019. We anticipate receiving the funds from on the TIFIA loan in July 2018.

We are trying to schedule rating agency presentations for early April. The committee members are invited to attend.

REFUNDING OPPORTUNITY MONITORING

Mr. Wilder informed the committee that the 2007A Bonds continue to be the most promising refunding candidate based on current market rates, but does not achieve the threshold that we recommend proceeding with at this time.

OTHER BUSINESS

Ms. Kelley updated the committee on the subpoena from the Securities and Exchange Commission. We have furnished the documents they requested.

ADJOURNMENT

A motion was made by Mr. McCullion and seconded by Mr. Kurek to adjourn the meeting at 3:06 pm. The motion carried unanimously with five members voting AYE by voice vote.

Pursuant to the Florida Public Records Law and CFX Records Management Policy, audio tapes of all Board and applicable Committee meetings are maintained and available upon request to the Custodian of Public Records at publicrecords@CFXway.com or 4974 ORL Tower Road, Orlando, FL 32807.