



MEMORANDUM

TO: Mayor
City of Cibolo City Council
City Staff

FROM: Cibolo Turnpike, LP

DATE: August 6, 2019

RE: Progress on Cibolo Parkway

Background

At our most recent presentation to the Cibolo City Council which was on June 11th, we discussed a number of items including the overall Project, Project Implementation, the Design Status, a Cost Estimate, Rights of Way/ Rights of Entry, Environmental, Permits, Procurement, the Financing Plan, Pro Forma Cibolo Parkway (Phase 1), and Next Steps. In the following paragraphs of this memorandum, we would like to bring you up to date on the status of our efforts.

Attorneys and Consultants

Our Project is one that requires a complete integration of all of the contracts, legal authority, and local, state, and federal law. Because of the Project's complexity, it requires specialized attorneys and consultants that are experts on this type of development, including, construction and financing. We have engaged the necessary law firms needed to reach Financial Closing. They are focused on producing those necessary contracts and agreements that will allow our underwriters to finance the Project. A brief listing of those attorneys and consultants is as follows:

Name	Role	Responsibility
Enoch Kever Austin, TX	Corporate Counsel	Development Agreement, TTC, some Texas matters
Hunton Andrews Kurth New York, NY	Lead Sponsor's Counsel	DB Contract, Texas matters
Locke Lorde Austin, TX	Co-Sponsor's Counsel	Operating Agreement, Toll Services Agreement, Texas matters



Nixon Peabody New York, NY	Underwriter's Counsel	Disclosure, Underwriters' matters, NY law matters
Hawkins Delafield New York, NY	Bond Counsel	Securities/Bond matters, tax exempt opinion
Ross Molino Oliveros, PC San Antonio, TX	ROW Counsel	Real Estate Acquisition matters
Infrata London, GB	Lender's Technical Advisor	Due Diligence on Behalf of the Lenders
Citigroup New York, NY	Underwriter	For underwriting the \$100+ million in debt required
Stantec New York, NY and Dallas, TX	Traffic and revenue Engineer	T&R Study upon which the financial model will be based
Huitt-Zollars Dallas, TX	Engineer	Initial Engineering and Design for the Project
CobbFendley Houston, TX	ROW Acquisition / Engineering	ROW acquisition and processing of options and purchases
aci consulting Austin, TX	Environmental Consultants	Develop Environmental Studies for the Project

Development Update

Our engineers, Huitt-Zollars and LNV have continued with the Project's design. They have been integral to supplying information and answers to questions that have and may come up during the bidding process. Huitt-Zollars has surveyed all of the parcels where we have the Right of Entry. As an update, only nine (9) parcels of the fifty-two (52) needed for the Project have not granted the Right of Entry. We have also, where permitted by the Right of Entry, done all the Geo-Technical evaluations that will be necessary for the Construction bidders to efficiently incorporate the soil conditions and ultimately, the pavement design into their bids.

Environmental

Our environmental consultant, aci consulting ("ACI") has been working diligently on the Environmental Assessment ("EA") for the Project. The purpose of the EA was to identify and minimize any known environmental effects as a cause of the Project. ACI delivered the draft EA to the City for comments. Upon receiving any clarifications to the EA, ACI will incorporate the changes and finalize the EA for the Project. The EA will then be distributed to the various resource agencies. To be clear, while some landowners have not allowed us on their property for study and inspection, that has not prevented ACI from developing the EA.

ACI performed Phase I - Environmental Site Assessments (Hazmat Investigation) on properties where studies were allowed. Previously in July, the Phase I studies were delivered to the City. Performing the Phase I studies was an effort we decided to undertake to minimize Project risk, even though this was beyond the scope of our Development Agreement.



Construction Bid Process

As you will remember, on January 31, 2019, a preproposal meeting was held, and the RFP process was begun with participating contractor partners, Kiewit, Austin Bridge and Road, J.D. Abrams, Walsh/Archer-Western, and McCarthy (the “Contractors”). The RFP was issued on March 18, 2019. Initially, the design engineer Huitt-Zollars (“HZ”) provided the existing design schematic with typical sections and all design files in ‘.dgn’ format for contractor use. Since that time, HZ has then developed cross sections to determine more accurate earthwork quantities. The design has been advanced to the point where estimated quantities could now be provided for more accurate bidding. We have been able to clarify and answer any specific design questions. Their final bids are due near the end of August.

Schedule and Financial

You will find attached to this Memo a copy of the letter from the USDOT that thanks us for our June 5, 2019 application requesting an allocation of private activity bond (PAB) authority for the Cibolo Parkway and Cibolo Expressway project. It also states that the Department of Transportation has ***approved*** our bond allocation request for \$200 million in PAB authority. We made an application to the Build America Bureau for this allocation and were the last group granted allocation out of a \$15 billion program. This tax-exempt feature may be very beneficial to the financing structure of the Project.

Currently we are scheduled for an October 2019 debt issuance/equity issuance with a November Financial Closing. Citigroup has put together the following work-in-progress schedule:

Tax-Exempt Offering	Party Responsible	Start	End
Updated T&R report distributed	Stantec	7/29/19	8/2/19
Receipt of volume cap	PWI	8/5/19	8/9/19
Commercial Contacts distributed	Hunton Andrews Kurth (Hunton)	8/5/19	8/9/19
First drafts of financing documents distributed	Hunton, Nixon Peabody (Nixon), Hawkins Delafield & Wood (Hawkins)	8/12/19	8/16/19
First draft of Independent Engineer (IE) Report	Infrata	8/19/19	8/23/19
Comments to financing documents, contracts, and reports	All	8/19/19	8/23/19



Tax-Exempt Offering	Party Responsible	Start	End
Distribute revised financing document	Hunton; Nixon; Hawkins	8/26/19	8/30/19
Distribute revised IE report	Infrata	8/26/19	8/30/19
First insurance report	Insurance Advisor (TBD)	8/26/19	8/30/19
Distribute revised contracts	PWI; Hunton	8/26/19	8/30/19
First draft of POS distributed	Nixon	8/26/19	8/30/19
Comments to financing documents, contracts, and reports	All	9/2/19	9/6/19
Distribute revised financing documents	Hunton; Nixon; Hawkins	9/2/19	9/6/19
TEFRA notice drafted and distributed to the group	Hawkins	9/2/19	9/6/19
Distribute revised contracts and reports	Hunton; Infrata; Stantec; Insurance Advisor	9/9/19	9/13/19
Comments to POS	All	9/9/19	9/13/19
TEFRA notice release (to confirm timing)	Public Finance Authority	9/9/19	9/13/19
Conference call to review financing documents	Citigroup; Hawkins; Nixon; Hunton	9/16/19	9/20/19
Distribute revised financing documents and POS	Hunton; Nixon; Hawkins	9/16/19	9/20/19
Distribute draft investor presentation	Citigroup	9/16/19	9/20/19
Comments to financing documents, POS, and investor presentation	All	9/16/19	9/20/19
Finalize financing documents and POS for PFA submission	All	9/23/19	9/27/19
Conference call(s) to review financing documents, investor presentation, and POS if needed	All	9/23/19	9/27/19
Distribute final documents to PFA	Citigroup	9/23/19	9/27/19



Tax-Exempt Offering	Party Responsible	Start	End
Refine investor presentation as needed	Citigroup	9/23/19	9/27/19
Due diligence call	Hunton; Citigroup Nixon	9/30/19	10/4/19
Finalize POS and record investor presentation	Citigroup	9/30/19	10/4/19
TEFRA Hearing	Public Finance Authority	9/30/19	10/4/19
PFA adopts bond resolution	Public Finance Authority	9/30/19	10/4/19
Mail Preliminary Official Statement	Nixon	9/30/19	10/4/19
Post Investor presentation	Citigroup	9/30/19	10/4/19
Investor Roadshow / Investor one-on-ones	PWI; Citigroup	10/7/19	10/11/19
Site Visit	PWI; Citigroup	10/7/19	10/11/19
Investor one-on-ones	PWI; Citigroup	10/14/19	10/18/19
Respond to investor follow-up questions	All	10/14/19	10/18/19
Respond to investor follow-up questions	All	10/21/19	10/25/19
Pre-pricing / market calls	PWI; Citigroup	10/21/19	10/25/19
Bond Pricing	PWI; Citigroup	10/21/19	10/25/19
Sign BPA	PWI; Public Finance Authority; Citigroup	10/21/19	10/25/19
Finalize and post Official Statement	All	10/28/19	11/1/19
Distribute revised financing documents	Hunton; Nixon; Hawkins	10/28/19	11/1/19
Distribute Closing Memorandum	Citigroup	10/28/19	11/1/19



Tax-Exempt Offering	Party Responsible	Start	End
Finalize financing documents and Closing Memorandum	Hunton; Nixon; Hawkins; Citigroup	11/4/19	11/8/19
Pre-closing	All	11/4/19	11/8/19
Closing and funding	All	11/4/19	11/8/19

Toll System

The City sent a letter of intent to the Central Texas Regional Mobility Authority (“CTRMA”) requesting that an interlocal agreement be developed to allow the CTRMA and/or its vendors to provide toll system services for the planned toll road. The item was discussed by the full board of the CTRMA on July 24, 2019, *AGENDA ITEM #17, Briefing and discussion regarding a potential tolling systems agreement with the City of Cibolo*. The agreement would be similar to the interlocal agreements the CTRMA has signed with various Regional Mobility Authorities around the state. A draft of the agreement will be sent to City for review and comment. It would be expected that all costs associated with providing the Toll System Services would be borne by Cibolo Turnpike LP as developer on behalf of the City of Cibolo’s interests. The interlocal agreement would be brought to the CTRMA Board for consideration at its next meeting.

Acquisition of ROW

As we previously reported, after the Initial Financial Closing, we had raised additional funds to start acquiring options for the Project ROW. An "option agreement" is a contract gives the right to purchase property for an agreed upon price up to a certain time frame. We are pleased to report that we have executed the first Option Agreement and Memorandum of Option Parcel #41. We are negotiating with other landowners and have numerous other offers in the queue. Our process is being handled by CobbFendley a professional engineering company specializing in ROW acquisition, along with the law firm, Ross Molinos Oliveros, PC. CobbFendley’s representatives are making offers, agreeing to a price and then documenting with the Option Agreement. We are sending under separate cover the Cibolo Parkway ROW Status Report spreadsheet.

‘Seahorse’s’ Impacts On T&R Study

After the exciting announcement of Project Seahorse or Aisin’s ‘AW Texas Inc.’, we asked our traffic engineer, Stantec to re-evaluate the Traffic & Revenue Study as it related to new or more rapid development of the southern parts of the City near the new manufacturing facility.

They looked at:

(1) the Value of Time – the baseline traffic and revenue stream is reported in real, current dollars. The value of time sensitivity used in the update is based on an assumption that incomes will increase faster than the toll escalation rate. We have seen trends in other cities that this differential in growth has previously occurred. They assumed that the Value of Time would increase by 0.5% per year. Over a 22-year period, the resulting cumulative value of time increase is 9% higher than the baseline Investment Grade Study scenario. They also looked at the Median



Household Income – median household income was revised to match the 2017 American Community Survey’s 5-year estimates which includes sample data for the years 2013 - 2017. The value of time for the baseline Investment Grade Study forecast was based on the 2016 Census median household income for Guadalupe County, and will remain unchanged. However, individual TAZ incomes for the baseline analysis were based on the unadjusted AAMPO income for 2010. For this update, the TAZ incomes were revised to reflect actual Census household income data. Only TAZs in the project study area were revised.

(2) Revenue Days – The baseline forecast assumes an annualization factor of 280. The Update is based on an annualization factor of 300. Throughout the US it is not uncommon to see annualization factors of 300 and 310 on existing tolled facilities.

(3) Truck Percentage – The baseline forecast assumes that truck traffic, as a percentage of total traffic on the Cibolo Parkway, will be constant at 3%. Some, but not all of the tolled roadways in the Austin area and other parts of Texas and the US, are experiencing truck shares higher than 3%. In some cases, trucks account for more than 10% of the total tolled traffic. The update assumes that trucks will constitute a larger share of vehicles (up to 6%) throughout the forecast period, due in part to the investment zone and new associated industrial uses. This is intended to be the upper limit of truck shares.

(4) Operating Constraints – The 70-year T&R forecast for the baseline scenario is based on travel demand models for 2020, 2030, and 2040, and extrapolated, declining growth rates in transactions and revenue beyond 2040. The baseline Investment Grade Study forecast assumes that the Cibolo Expressway, featuring one lane per direction, may become congested sometime around 2055, and future transaction and revenue growth would be slower beyond this point. It is possible that the Developer may elect to construct additional capacity or make operational changes to relieve future projected congestion when it occurs. For the purposes of the model, the free movements were omitted, so that there is no interference to paid traffic on the Cibolo Expressway. If there can be no separation of free and paid traffic on the Project, physically or operationally, paid users would experience some congestion, and the system T&R would be lower as a result.

(5) Demographics – The baseline Investment Grade Study forecast is based on population and employment growth estimates developed by an independent demographer. The update includes a number of changes, as described above, and also assumes that the amount of growth between 2030 and 2040 would be 10% higher than the baseline Investment Grade Study. A contributing factor for this upside occurrence could include continuing to achieve a migration rate closer to 1.0. The baseline Investment Grade Study includes approximately 1.0-1.5% demographic growth per year between these forecast years for the AAMPO region.

The final update of the report will be available in the next two weeks. Once we have the new numbers, we will begin the associated financial modeling that will be required for the issuance of additional equity and other debt instruments required for Financial Closing.

Yet to Do

We will be working diligently to get all the necessary documents and agreements in place over the next number of weeks. Particularly with the following:

Operating Agreement – the Development Agreement included a form of Operating Agreement. As we move forward toward Project financing, we will look to revising with



specificity the Operating Agreement, and to work with the City in the development of the Operations and Procedures Manual.

TxDOT - We will ask the City to have its representative help us in some formal conversations with the San Antonio District of TxDOT relating to the connection to the State system, and the turnback of FM 1103 as well as discussing some new construction ideas that may be advantageous to the City.

We will also be required to hold a public hearing as required by the Tax Equity & Fiscal Responsibility Act of 1982 (“TEFRA”) before we issue any tax-exempt bonds. We will get the details surrounding that TEFRA hearing to City staff in the next few weeks.

We will also likely request the City’s representative to be involved with some investor presentations that should occur in late September. We are looking forward to finishing the financing and breaking ground soon. We will have another update in the next few weeks.



**U.S. Department
of Transportation**

Office of the Secretary
of Transportation

Under Secretary for Policy

1200 New Jersey Avenue, SE
Washington, DC 20590

July 30, 2019

PROVISIONAL BOND ALLOCATION APPROVAL LETTER

Mr. John Crew
Manager
Cibolo Turnpike, L.P.
3811 Turtle Creek Blvd, Suite 330
Dallas, TX 75219

Mr. Michael LaPierre
Public Finance Authority
2999 Oak Road, Suite 710
Walnut Creek, CA 94597

Dear Mr. Crew and Mr. LaPierre:

Thank you for your June 5, 2019 application for an allocation of private activity bond authority for the Cibolo Parkway (Phase 1) and Cibolo Expressway (Phase 2) (collectively, the Project).

The purpose of this letter is to inform you that the U.S. Department of Transportation (USDOT) has reviewed the application and applicable statutory and regulatory requirements, and is provisionally allocating up to \$200 million of private activity bond authority to the Public Finance Authority (PFA), as requested in your application. The bond authority is allocated for the Project described in that application with the conditions listed below.

First, a final bond counsel tax and validity opinion must be issued at the time of the closing of the bond issue in substantially the form that you provided with the application.

Second, this provisional allocation will automatically expire on December 31, 2019. Any portion of the private activity bond authority allocated for the Project that has not been used for the issuance of bonds by that date will automatically return to USDOT's remaining aggregate amount of private activity bond authority, and will be available for reallocation to other eligible applicants. If this provisional allocation expires, you may resubmit an application, and it will be reviewed without preference or priority being given as a result of its prior submission.

Third, please notify the Build America Bureau immediately upon issue of any and all bonds allocated for the Project.

The USDOT appreciates your interest in the private activity bond program and we look forward to the successful financing and delivery of your project. For additional information or questions, please contact Alfiya Mirzagalyam in the Build America Bureau at (202) 366-2988.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel Szabat". The signature is fluid and cursive, with a large, sweeping initial "J" and a distinct "S" at the end.

Joel Szabat
Acting Under Secretary of Transportation for Policy

cc: Assistant Secretary for Budget & Programs, Office of the Secretary
General Counsel, Office of the Secretary
Administrator, Federal Highway Administration