

Sperry Capital Inc.

September 28, 2017

Mr. Kirk Avila
Treasurer, General Manager of the 91 Express Lanes
Orange County Transportation Authority
550 South Main Street
Orange, California 92863-1584

Dear Kirk:

OCTA's September 2017 update trip to New York to meet with credit analysts was once again very successful. Since OCTA's first Measure M1 bond issues sold in 1992, Board members and staff have clearly established their credibility for OCTA's conservative philosophy and transparency. The four rating agencies and Bank of America N.A. (BANA), the provider of the \$900 million line of credit required to close the \$628.93 million TIFIA loan, were clearly impressed with OCTA's continuing success in managing its unique multi-modal transportation responsibilities as well as large capital projects like the \$1.9 billion I-405 Improvement Project.

The credit analysts at the rating agencies and BANA thanked OCTA for continuing its commitment to provide annual updates in today's challenging economic and political environment. Moody's Investors Service, Fitch Ratings, Kroll Bond Rating Agency and S&P Global were all complimentary about the quality of the September 2017 Update book and the presentations made by OCTA's Board of Directors and staff.

OCTA met with the following firms in New York on September 21st and 22nd:

Moody's Investors Service	Moody's rates OCTA's Measure M2 Sales Tax Revenue Bonds Aa2, 91 Express Lane Bonds A1 and the I-405 Improvement Project TIFIA loan Baa2.
Fitch Ratings	Fitch rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+ and 91 Express Lanes Bonds A.
Kroll Bond Rating Agency	Kroll rates the 405 Project TIFIA loan BBB-. The TIFIA loan rating is the first time OCTA has used Kroll.
S&P Global	S&P rates OCTA's Measure M2 Sales Tax Revenue Bonds AA+, 91 Express Lanes Bonds AA-, and the 405 Project TIFIA Loan BBB-.
Bank of America N.A.	BANA is the provider of the \$900 million line of credit that was required for the TIFIA loan closing.

Chair Michael Hennessey, Vice-Chair Lisa Bartlett, Chair of the Finance & Administration Committee Andrew Do, as well as CEO Darrell Johnson and Executive Director, Finance and Administration



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Andy Oftelie joined you in representing OCTA at the New York meetings. I attended the presentations as well.

The Treasury/Toll Roads Department, with support from many departments throughout OCTA, worked diligently in August and September to update and prepare the comprehensive 58-page spiral bound PowerPoint presentation, entitled the "September 2017 Update," which was presented at each of OCTA's meetings. The September 2017 Update book was organized as follows:

	Presentation Summary	i through iii
I.	Orange County Transportation Authority	I-1 through I-4
II.	I-405 Improvement Project Update	II-1 through II-5
III.	91 Express Lanes	III-1 through III-10
IV.	Orange County Economy	IV-1 through IV-9
V.	Agency Update	V-1 through V-8
VI.	Measure M2 Sales Tax Program	VI-1 through VI-7
VII.	Debt Programs and Financing Plans	VII-1 through VII-7
	Appendix	5 pages

The Appendix to the September 2017 Update presentation book contained profiles of each OCTA representative at the meetings.

Thursday, September 21, 2017

Moody's Investors Service: We arrived at Moody's for a 9:00 a.m. meeting. Moody's office at 7 World Trade Center looks directly down into the continuing dramatic reconstruction activity at the main World Trade Center site. Moody's was represented by Maria Matesanz, Kurt Krummenacker, Michael Mulvaney and Tom Devaney from their New York office and Helen Cregger called in from San Francisco. Maria is an infrastructure specialist and has led the Moody's OCTA credit review team for over 16 years.

During Chair Michael Hennessey's opening remarks, he introduced the OCTA Board members and staff and noted the long-tenure of CEO Darrell Johnson, Andy Oftelie and Kirk Avila at OCTA. He emphasized the importance of OCTA's culture by stating, "When I joined the Board as a public member, the Board members educated me about the importance of fiscal restraint." He underscored that OCTA's culture based on "promises made, promises kept" has directly translated into trust and support by Orange County voters that resulted in Measure M2 passing with a 70% approval."

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Chair Michael Hennessey used the Presentation Summary on page iii to outline OCTA's challenges and accomplishments. He noted the importance to OCTA of keeping the 405 Project moving ahead at full speed and added, "The I-405 Improvement Project is the biggest project in OCTA's history. We have Design-Build experience on the SR-22 project and we have 15 years of 91 Express Lanes operating experience. We are bringing both skills together to assure the success of the 405 Improvement Project."

Chair Michael Hennessey gave Moody's an overview of the I-405 Improvement Project. He guided the credit analysts through the overview using the four pages in Section I of the September 2017 Update Book.

Vice-Chair Lisa Bartlett updated Moody's on the 91 Express Lanes. The Moody's credit analysts were anxious to hear about the impact of the March 2017 opening of the 91 Express Lanes in Riverside County.

"Since the March 20th opening, OCTA's 91 Express Lanes traffic volumes have increased 13.7 percent and toll revenues have increased 11.8 percent when compared to the same period last year. In addition, the number of transponder accounts has increased from 122,308 to 131,381 and transponders in circulation have grown from 186,496 to 198,870 since the March 20th opening date," explained Vice-Chair Lisa Bartlett. The Moody's credit analysts were impressed.

Maria Matesanz asked about the status of the Long Beach litigation. CEO Darrell Johnson responded, "Last Tuesday night the Long Beach council approved a settlement. The settlement is in line with our previous estimations and the Seal Beach litigation looks like it will be going to trial."

Director Andrew Do presented an update on the Orange County economy stating, "Orange County is less than 1% of the state's size yet Orange County has approximately 10% of the state's population. Orange County is no longer a bedroom county for Los Angeles. And the economy, based on information technology, bio-tech and financial services, is much more stable today."

Andy Oftelie summarized the reasons for the Board's recent adoption of a lower M2 sales tax revenues explaining, "M2 sales tax revenues have softened. The Board was prudent to lower the five-year projections so that we can begin to make the adjustments to assure that we can deliver all of the M2 freeway projects to our voters."

At the end of the meeting Chair Michael Hennessey thanked the Moody's credit analysts. Maria Matesanz responded that she appreciated OCTA's continuing annual updates. Maria Matesanz noted that the Moody's 91 Express Lanes A1 rating was the highest rating Moody's has given to a single asset tolled facility in the U.S.

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Fitch Ratings: We arrived at Fitch for an 11:30 a.m. meeting at their office located one block from the Staten Island ferry and Battery Park. Fitch was represented by Cherian George, Chad Lewis and Tom Flynn from their New York office and Scott Monroe and Andrew Ward from Fitch's San Francisco office. OCTA enjoyed a lively two-hour dialogue with the Fitch credit analysts.

Chair Michael Hennessy introduced the OCTA team and summarized the highlights of the presentation. After introductions and a summary of the I-405 Improvement Project, he emphasized the stability of the OCTA's staff leadership by noting that there was only one change in the staff organization chart from the prior year "The only change in the organization chart is the consolidation of lobbying and community outreach into a single External Affairs office. It's a very stable organization which is not very exciting." Cherian George laughed and responded, "Fitch appreciates organizational stability but often finds that 'exciting' can mean risky."

The Fitch credit analysts were anxious to hear about the 91 Express Lanes extension and its impacts to the OCTA's 91 Express Lanes. Vice-Chair Bartlett said, "On March 20, 2017, the Riverside County Transportation Commission (RCTC) opened the 91 Express Lanes extension into Riverside County from the County Line to the I-15 in the city Corona." She referred the Fitch analysts to the call-out box on page III-7 that shows the double-digit growth in OCTA's 91 Express Lanes traffic volumes in each of the four months since the RCTC 91 Express Lanes opened. She added, "Approximately 50 percent of the traffic traveling through the 91 Express Lanes in Orange County continues through and uses the RCTC 91 Express Lanes and vice-versa."

In addition, Vice-Chair Lisa Bartlett added, "As a result of the opening, OCTA splits certain joint costs and revenues with RCTC."

Scott Monroe volunteered that Fitch had been watching the 91 Express Lanes performance in Orange County and Riverside County since March, and commented, "Although Fitch was skeptical of Stantec's T&R forecast of increased performance, we were wrong. OCTA's recent 91 Express Lanes performance is very impressive."

Vice-Chair Lisa Bartlett also highlighted two upcoming events stating, "We have begun the procurement of the electronic toll and traffic management system for the 91 Express Lanes and the I-405 Improvement Project and we are updating the back-office systems for adoption of 6C protocol to replace our current transponders."

When Director Andrew Do presented an overview of the Orange County economy he emphasized the impact of the changing demographics on Orange County's economy and said, "Due to the growing demand for technology workers and professional services as well as the high cost of housing, we are

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seeing a large influx of highly skilled professional workers. Although overall taxable sales growth may slow, I believe in Orange County's continued strong growth in taxable sales per capita."

Andrew Ward asked about the two initiatives in California to challenge SB1 and the potential impact on OCTA. CEO Darrell Johnson responded, "SB1 only has a small direct impact on OCTA. We have a very conservative one-year estimate for SB1 bus revenues. However, it has a large indirect impact on OCTA due to the SB funds dedicated to local city street and roads. We are watching the challenges very carefully."

After Andy Oftelie's summary of OCTA's new Measure M2 sales tax revenues, Kirk Avila presented OCTA's Debt Programs and Financing Plans in Section VII. Kirk Avila outlined OCTA's future estimated M2 sales tax bond issues summarized on page VII-5 and the resulting M2 sales tax bond debt service coverage ratios on page VII-6.

At the conclusion of OCTA's Fitch briefing, Chair Michael Hennessy thanked the Fitch analysts for their time and their insightful questions. Cherian George thanked OCTA for the annual update and said, "We look forward to a continuing conversation on the I-405 Improvement Project."

Kroll: We arrived at 2:30 p.m. at Kroll's office at 845 Third Avenue on New York's Upper East Side. Kroll was represented by Marisol Gonzales de Cosio, Harvey Zachem, Manish Consul, Andrew Lin and Bill Baneky from Kroll's New York office. Although Kroll rated OCTA's TIFIA loan, this meeting was the first time OCTA has made an annual update to Kroll.

After introductions, Chair Michael Hennessy emphasized OCTA's culture: "The most important thing I can tell you about is the Board's values. OCTA values fiscal constraint and transparency. We prefer pay-as-you-go; we don't rush to sell bonds. We want to hear the bad news early and often. Everyone makes mistakes, and the Board needs to hear mistakes in order to work with our staff to find remedies."

Chair Michael Hennessy described OCTA as a multi-modal transportation agency with responsibility for the M2 freeways and local roads, Metrolink, the LOSSAN Corridor management, the 91 Express Lanes and the I-405 Improvement Project, "Other than the airport, if it moves in Orange County, we have our hands on it."

Due to Kroll's sole rating for the I-405 Improvement Project, Vice-Chair did not present an update on the 91 Express Lanes.

Director Andrew Do described how the high median cost of housing, illustrated on page IV-9 of the

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September 2017 Update impacts Orange County's changing demographics stating, "Although Orange County's population growth is slowing, the relatively high wages of workers in information technology, bio-tech, and professional services has a positive impact on per capital income. In addition, due to the fact that no one sector of the economy has over 18% of the labor force, we feel confident about the stability of Orange County's employment and future economic growth."

Presenting the M2 Sales Tax Program in Section VI, Andy Oftelie explained that OCTA had historically averaged the M2 sales revenue forecasts of UCLA, Chapman University, and California State Fullerton. However, he noted that MuniServices five-year forecast was substantially lower than the first five years of the university's long-range forecast. Andy Oftelie explained, "After the Board's review, the Board decided to adopt the MuniServices five-year forecast and retain the average of the three university's long-range forecasts." Andy Oftelie used page VI-6 to illustrate the new forecast. Andy Oftelie said, "I'm confident that, after adjustments including allocating 91 Express Lanes excess toll revenues to two freeway projects, OCTA will complete the M2 freeway projects."

The Kroll credit analysts thanked OCTA for the September 2017 update and complimented OCTA for the update's thoroughness.

Friday, September 22, 2017

S&P Global: We arrived at 9:00 a.m. at 55 Water Street. S&P was represented by Todd Spence from their Dallas office, Joe Pezzimenti in S&P's New York office, and Chris Morgan via telephone from S&P's San Francisco office. The OCTA team gave the S&P credit analysts a two-hour update.

After introductions, Chair Michael Hennessey told the S&P analysts, "Although you have followed OCTA for a long time, I want to emphasize OCTA's continuing fiscal restraint and transparency." He also stressed that, "OCTA's success is a reflection of the Board's continuing commitment to its core values. Our Board members are of the same mind, the same culture."

During Chair Michael Hennessey's update on the I-405 Improvement Project he stated, "I told Darrell Johnson that the I-405 Project is the most important project in the history of OCTA and to devote all of OCTA's resources to assure the project's success."

Vice-Chair Lisa Bartlett briefed Standard & Poor's on the continued strong performance of the 91 Express Lanes stating, "As the chart on page III-4 shows, gross potential toll revenues are at an all-time high." She noted that the partnership with Riverside County has been very successful since the March 20, 2017 opening of the Riverside County 91 Express Lanes adding, "The traffic volume change from the prior year is up 23% westbound and 7% eastbound."

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CEO Darrell Johnson added, "The opening of the RCTC 91 Express Lanes has been very positive. Now we offer a different set of choices that has changed our customers driving patterns."

Director Andrew Do gave an overview of the Orange County economy and summarized, "We have recovered more jobs than we lost in the Great Recession. Median home prices are at the highest level ever. We are positioned to not be susceptible to the boom-and-bust cycles of the past."

In the Agency Report Section V, CEO Darrell Johnson highlighted OCTA's success in signing the Conservation Plan Implementing Agreement for M2 freeway projects. He said that OCTA has retained the California Community Foundation, an endowment fund manager, for the environmental mitigation program and commenced deposits into the fund and added, "Sustainable environmental mitigation and the expansion of our M2 freeway program is a win-win."

Andy Oftelie described the Board's September decision to lower the M2 sales tax projections: "It was important to make a conservative adjustment. Most of our M2 program costs are formulaic but the freeway program is not. We have made adjustments by adding 91 Express Lanes excess toll revenue for two projects and we are confident that we can deliver the entire M2 freeway program."

Kirk Avila summarized OCTA's debt programs and financing plans with the charts, debt service coverage history and projections in Section VII of the September 2017 Update book.

Bank of America, N.A.: We met with BANA Friday morning at 11:30 a.m. BANA was represented by Jeff Carey and Sandy Brinkert from their New York office, Grace Barvin from BANA's San Francisco office and Collin De La Bruere from BANA's Boston Office.

Jeff, Grace and Collin were the key credit analysts that convinced BANA's risk management to increase their initial offer by \$300 million to provide OCTA with the \$900 million line of credit. The \$900 million line of credit is the largest line of credit facility ever provided by a single commercial bank to a state or local agency at one time. Due to the \$900 million size of the line of credit, the BANA credit analysts greatly appreciated the update and the opportunity to ask questions of OCTA's Board and staff leadership.

In addition, Kevin O'Brien and Bryon Rockwell from Bank of America Merrill Lynch (BAML) joined the update presentation from BAML's Los Angeles office.

Summary

The September 2017 New York Update meetings were well received. The credit analysts at the rating agencies thanked OCTA for the detailed information in the September 2017 Update book and said that the information would be very useful for their respective 2017 surveillance reviews.

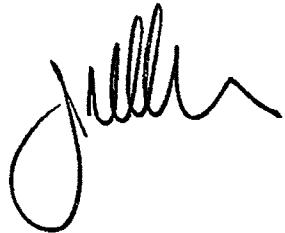
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The rating agencies and the credit analysts from BANA congratulated the Board and staff on the successful planning for the I-405 Improvement Project as well as the continued financial, operating and policy success of the 91 Express Lanes.

I have attached a complete list of the rating agency credit analysts and BANA line of credit provider credit analysts who participated in OCTA's September 2017 New York Update meetings.

Sincerely,



James W. Martling
Principal

OCTA 2017 NYC Rating Agency Update Meeting Schedule

Date	Time	Agency	Name	Title	Telephone	Location
Thursday Sept. 21 Meeting	9:00 am	Moody's Investors Service	Mike Mulvaney Maria Matesanz* Kurt Krummenacker Helen Cregger Tom Delaney	Managing Director, Project Finance SVP, Project Finance & Infra SVP, Project Finance & Infrastructure Vice President (San Francisco) Associate Analyst, Public Finance	212.553.3665 212.553.4919 212.553.7207 415.274.1720 212.553.2876	Moody's Investors Service 7 World Trade Center
Thursday Sept. 21 Meeting & Lunch	11:30 am	Fitch Ratings	Scott Monroe* Cherian George Chad Lewis Andrew Ward Tom Flynn	Director (San Francisco) Managing Director, U.S. Infrastructure/Project Finance Head Senior Director Director, Public Finance (San Francisco) Associate Director	415.732.5618 212.908.0716 212.908.0886 415.732.5617 646.582.4580	Fitch Ratings 33 Whitehall Street
Thursday Sept. 21 Meeting	2:30 pm	Kroll Bond Rating Agency	Andrew Giudici Marisol Gonzales des Cosio* Andre Lin Manish Consul Bill Baneky	Managing Director, Project Finance Senior Director, Project Finance Associate Director, Project Finance Senior Director, Project Finance Managing Director	646.731.2372 646.731.2463 646.731.2483 646.731-2395 646.731-2409	Kroll Bond Rating Agency 845 Third Avenue Fourth Floor
Friday Sept. 22 Meeting	9:00 am	S&P Global Ratings	Todd Spence* Peter Murphy Joe Pezzimenti Chris Morgan	Director, Dallas Managing Director and Analytical Manager Director	214.871.1424 212.438.0140 212.438.2038 415.371.5032	S&P Global Ratings 55 Water Street
Friday Sept. 22 Meeting	11:30 am	Bank of America N.A	Kevin O'Brien* Jeff Carey Grace Barvin Collin De La Bruere Sandy Brinkert Byron Rockwell	Managing Director (Los Angeles) (BAML) Senior Vice President Senior Vice President Associate Director (BAML) Managing Director (Los Angeles) (BAML)	310.944.4756 646.743.1345 415.913.2325 617.434.1362 646.743.1312 213.345.9585	BAML One Bryant Park

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