

Vendor Name (& Location): Barclays Capital Inc. 745 7 th Avenue, 19 th Floor New York, NY 10019	
Description: Direct Purchase of Turnpike Revenue Bonds, Series 2020 D	
PROCUREMENT TYPE:	
<input checked="" type="checkbox"/> Competitive	<input type="checkbox"/> Non-Competitive
SOLICITATION TYPE:	
<input type="checkbox"/> Bid	<input checked="" type="checkbox"/> RFP
<input type="checkbox"/> Sole Source	<input type="checkbox"/> Other
<input type="checkbox"/>	<input type="checkbox"/> State Contract

Number: RM-161210	
Total Amount: \$ 100,000 not to exceed closing costs \$42,700,000 interest costs over 7 years	
Budget Code: Various	
Contract Term (Including Options, if any): Matures 1/1/2028	
Funding Source: <input checked="" type="checkbox"/> Operating <input type="checkbox"/> Capital	
<input type="checkbox"/> FS	Funding subject to authorization through WRAF approval process.
<input type="checkbox"/> F	Funds are available in the appropriate operating/capital budgets for the referenced procurements.
<input type="checkbox"/> FF	Future Funded
<input checked="" type="checkbox"/> FP	Subject to funding availability at the time of ordering.
Requesting Department: Finance	
Director/Manager: Donna Manuelli	
Publicly advertised in the Asbury Park Press, Star Ledger and posted on the Authority's websites on November 5, 2020.	

Authorization is requested to enter into a Bondholder Agreement with Barclays Capital Inc. for the direct purchase of \$151,600,000 of Turnpike Revenue Bonds, Series 2020 D ("2020 D Bonds"). At the January 31, 2020 Commission Meeting (Agenda No. 035-01-2020) the Board authorized the adoption of the Series 2020 Turnpike Revenue Bond Resolution ("Resolution") and authorized the Executive Director to execute all documents necessary to finalize transactions contemplated in the Resolution. Among several options, the Resolution authorized the Authority to refund the Series 2017C bonds through a direct purchase of fixed rate or variable rate bonds, and to terminate any existing interest rate swap agreements if required. The Series 2017C bonds are variable rate bonds that mature on 1/1/2028 but have a mandatory tender on 1/1/2021. If the bonds are not refunded by 1/1/2021, the interest rate on the bonds will increase.

In order to avoid the escalation of the interest rate on the bonds which will result in additional cost for the Authority, the Authority must refund the bonds before 1/1/2021. In order to refund the Series 2017C Bonds, the Authority must issue new bonds, which will be the Series 2020D Bonds, the proceeds of which will be used to refund the Series 2017C Bonds. To accomplish the refunding, the Authority issued a Request for Proposal (RFP) to procure a bank to directly purchase the Series 2020D Bonds. Since the 2017C Bonds are variable rate bonds with an associated Interest Rate Swap Agreement, the Authority asked firms to propose both fixed and variable rate refunding structures so that the Authority could review the alternatives and select the structure which would achieve the lowest cost of funds with the least risk. In addition to proposing an interest rate (either fixed or variable) plus a spread to determine the interest to be paid on the bonds, the firms were asked to provide estimated not to exceed closing costs for legal fees and expenses.

The RFP was fully advertised, and the 14 commercial banks listed in the Authority's database were notified of the procurement. On November 18, 2020, six (6) proposals were received. Proposals were procured, and authorization is being sought to award this contract in accordance with *N.J.S.A. 27:23-1 et seq.*, the Authority's enabling legislation, *N.J.A.C. 19:9-2.2*, promulgated pursuant thereto, and Executive Order No. 37 (Corzine 2006). This award is contingent upon the Treasurer of the State of New Jersey completing the review of all documents submitted by the selected awardee pursuant to Public Law 2005, Chapter 51 and Executive Order No. 117 (Corzine 2008), and having no objection to same.

A review committee was established and included the Chief Financial Officer, the Deputy Executive Director, and the Director of Internal Audit. The Authority's financial advisor participated as a non-voting member of the committee. Based November 23, 2020

upon the scoring by the review committee, it was determined that Barclays Capital Inc. was the high scorer with a total score of 93.3. The Authority's financial advisor and staff reviewed the proposals received and determined that the preferred alternative which provided the lowest cost of capital at the least risk was a fixed rate refunding option. Fixed rates are currently extremely low, and even when considering the cost to terminate the existing interest rate swap agreement on the bonds, the fixed rate alternative results in a lower cost than a variable rate refunding which would leave the swap outstanding. In addition, choosing a fixed rate option allows the Authority to reduce its variable rate debt and interest rate swap agreement portfolio, which are higher risk alternatives compared to fixed rate refinancing. A fixed rate refunding also eliminates any risk from using London Interbank Offering Rates (LIBOR) rates which would have to be transitioned to an alternative index when LIBOR is no longer quoted at the end of 2021. While the Authority did receive good proposals from all the firms, Barclays Capital Inc. was the only firm which offered a fixed rate refunding option that would not only refund the Series 2017C Bonds, but also provide funding for the payment required to terminate the existing interest rate swap agreement. The Authority would not be required to use any of its own funds to complete the refunding and would only be required to pay closing costs which are capped at \$100,000. In addition to providing a comprehensive solution, Barclay's proposed a timeline which would allow closing to occur prior to 1/1/2021 with time built in for unforeseen issue. Finally, the Authority has already entered into a Direct Purchase Agreement with Barclays Capital Inc. under tight timelines, which gave the review committee confidence that they could meet the required closing date.

Accordingly, authorization is requested to enter into a Bondholder Agreement with Barclays Capital Inc. for the direct purchase by Barclays Capital Inc of \$151,600,000 of Series 2020D Turnpike Revenue Bonds on a fixed rate basis equal to the 1/1/2028 MMD rate (at closing) plus 60 basis points. The current interest rate based on this formula is estimated to be about 1.04%. The bonds will mature on 1/1/2028. Authorization is also requested to terminate the existing Interest Rate Swap Agreement on the Series 2017 Bonds, and delegate authority to the Executive Director to execute all documents required to complete the refunding of the 2017C Bonds on a fixed rate basis and issue the 2020 Series D Bonds. Closing costs, which include legal fees and expenses, will not exceed \$100,000. The total interest to be paid to Barclay's over the seven (7) year life of the bonds is estimated to be \$42,700,000 which is about \$6,100,000 in interest expense, all subject to funding availability at the time of closing.