File No. 260624 **Committee Item No.** ______
Board Item No. 20

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: ______ **Date:** ______
Board of Supervisors Meeting **Date:** June 16, 2026

Cmte	Board	
☐	☐	**Motion**
☐	☒	**Resolution**
☐	☐	**Ordinance**
☐	☐	**Legislative Digest**
☐	☒	**Budget and Legislative Analyst Report**
☐	☐	**Youth Commission Report**
☐	☐	**Introduction Form**
☐	☒	**Department/Agency Cover Letter and/or Report**
☐	☐	**MOU**
☐	☐	**Grant Information Form**
☐	☐	**Grant Budget**
☐	☐	**Subcontract Budget**
☐	☐	**Contract/Agreement**
☐	☐	**Award Letter**
☐	☐	**Application**
☐	☐	**Public Correspondence**

OTHER

☐	☒	Draft Loan Agreement
☐	☒	Controller Memo 5/29/26
☐	☒	MTA Board Reso No. 260602-045 6/2/26
☐	☒	MTA CEQA Determination 5/20/26
☐	☒	Assembly Bill No. 117 2/19/26
☐	X	MTA Briefing Letter 6/10/26
☐	☐	
☐	☐	

Prepared by: Jocelyn Wong **Date:** June 12, 2026
Prepared by: ______ **Date:** ______

[Loan Agreement - Metropolitan Transportation Commission - Public Transit Operating Purposes - $200,000,000]

Resolution authorizing the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission as lender, for San Francisco Municipal Transportation Agency public transit operating purposes, up to a maximum principal amount of $200,000,000, for a 12 year term from July 1, 2026, through June 3, 2038, pursuant to Assembly Bill No. 117.

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) is a department of the City and County of San Francisco responsible for the management, operations, and planning of the City's transportation network; and

WHEREAS, Assembly Bill No. 117 (AB 117), signed by Governor Newsom on February 19, 2026, requires the California State Transportation Agency (CalSTA) to loan $590 million of Transit and Intercity Rail Capital Program (TIRCP) to the Metropolitan Transportation Commission (MTC) for the purpose of providing emergency transit operating assistance to eligible Bay Area transit operators; and

WHEREAS, AB 117 identifies the SFMTA as an eligible transit operator and MTC will loan up to $200,000,000 (MTC Loan) to the SFMTA pursuant to a loan agreement (MTC Loan Agreement) with terms consistent with the loan agreement between CalSTA and MTC for the TIRCP funds (CalSTA Loan Agreement); and

WHEREAS, In the absence of the loan, the SFMTA faces a projected operating deficit for Fiscal Year 2026-27 (beginning July 1, 2026) and the MTC Loan proceeds would provide critical near-term liquidity to maintain existing service levels for riders; and

WHEREAS, The proposed form of MTC Loan Agreement is on file with the Clerk of the Board of Supervisors in File No. 260624, is consistent with the form of AB 117 loan agreement between MTC and CalSTA, and includes the following terms: a maximum principal amount of up to $200,000,000; a 12-year term maturing on June 3, 2038; a variable interest rate based on the quarterly rate for the Surplus Money Investment Fund (SMIF) published by the State Controller; an interest-only period through June 30, 2028; an approximate ten-year amortization period (July 1, 2028, through June 3, 2038) with semiannual principal and interest payments; repayment secured by the revenue-based portion of State Transit Assistance Program funds allocable to the SFMTA; an absolute and unconditional repayment obligation; and proceeds restricted to SFMTA public transit operating purposes; and

WHEREAS, The MTC Loan may not be used for capital expenditures or the retirement or refinancing of existing indebtedness; and

WHEREAS, Charter, Section 8A.102(b)(13), authorizes the SFMTA to incur debt for its purposes if the SFMTA Board of Directors recommends that action to the Board of Supervisors and the Board of Supervisors concurs and authorizes the SFMTA to incur that debt and other obligations on behalf of the City as long as the City Controller first certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under those obligations as they become due, and any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA; and

WHEREAS, The MTC Loan will be a secured debt and create obligations for SFMTA purposes; and

WHEREAS, The SFMTA Board of Directors recommended and requested the Board of Supervisors to authorize the Director of Transportation to execute the MTC Loan Agreement in a form approved by the Board of Supervisors and consistent with the CalSTA-MTC loan agreement under AB 117 at its meeting of June 2, 2026, by Resolution No. 260602-045; and

WHEREAS, By a letter dated May 29, 2026, which is on file with the Clerk of the Board of Supervisors in File No. 260624, the City Controller certified sufficient unencumbered balances are expected to be available in the proper fund to meet all MTC Loan payments as they become due, and the MTC Loan is secured by revenues under the jurisdiction of the SFMTA; and

WHEREAS, The SFMTA, under authority delegated by the Planning Department, has determined that requesting approval to execute the MTC Loan Agreement is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations, Sections 15060(c) and 15378(b), with that determination (CEQA Determination) on file with the Clerk of the Board of Supervisors in File No. 260624; now, therefore, be it

RESOLVED, The Board of Supervisors hereby affirms and adopts the SFMTA's determination under CEQA for the reasons set forth in the CEQA Determination; and, be it

FURTHER RESOLVED, The Board of Supervisors authorizes the Director of Transportation to enter into the MTC Loan Agreement with the MTC in substantially the form on file, to enter into any additions, amendments or other modifications to the MTC Loan Agreement that the Director of Transportation, in consultation with the City Attorney, determines are in the best interests of the SFMTA and that do not materially increase the obligations or liabilities of the SFMTA or materially decrease the benefits to the SFMTA as provided in the MTC Loan Agreement, and to take all actions necessary to implement the MTC Loan Agreement; and, be it

FURTHER RESOLVED, That the SFMTA shall provide a copy of the executed MTC Loan Agreement to the Clerk of the Board of Supervisors within 30 days of the full execution for inclusion in the office file.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

June 11, 2026

TO: Board of Supervisors

FROM: Budget and Legislative Analyst

SUBJECT: June 16, 2026 Committee of the Whole

TABLE OF CONTENTS

File **Page**

File 26-0624	Department: Municipal Transportation Agency (MTA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission. The loan has a value of up to $200 million and a term of 12 years.

Key Points

- Changes in state law allow the State Transportation Agency to loan the Metropolitan Transportation Commission up to $590 million for Bay Area transit agencies, including $200 million to MTA. The purpose of the loan is to provide MTA interim funding until two new revenue sources become available starting in FY 2027-28, pending the outcome of the November 2026 election.
- Loan repayment begins with a two-year interest-only period, after which the loan would be repaid on a ten-year amortization schedule (meaning that the payments include principal and interest). The full $200 million plus interest must be repaid by June 3, 2038. The interest rate on the loan is variable and is based on short-term borrowing rates.

Fiscal Impact

- Based on an assumed interest rate of 4%, MTA's budget includes $8 million in each year fiscal year (FY 2026-27 & FY 2027-28) for interest only payments. Starting in FY 2028-29, MTA's annual debt service for the proposed loan is expected to be $30 million, assuming fixed payments over ten years at 4% interest. Actual debt service payments may differ because the proposed loan has a variable interest rate and the amortization schedule will not be finalized until March 2028.
- The loan is secured by State Transit Assistance funds, which are budgeted at $65.3 million in FY 2026-27 and can be used for capital projects or operations.

Policy Consideration

- Because COVID relief funding is expiring, transit and parking revenue have not recovered to pre-pandemic levels, and the General Fund is growing more slowly than it did pre-pandemic, MTA faces a structural budget deficit. The proposed $200 million loan is 13.2 percent of MTA's $1.5 billion operating revenues for FY 2026-27. MTA also has a fund balance of $161 million and a Contingency Reserve of $143 million.
- MTA's FY 2027-28 budget assumes passage of two new revenue measures that will be proposed to votes in November 2026: (1) a regional sales tax increase, which is expected to generate $155 million for MTA in FY 2027-28, and (2) a new parcel tax in San Francisco, which is expected to generate $166 million for MTA in FY 2027-28. If the new revenue measures fail, MTA will still be liable for repaying the proposed loan.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) any modification of such contracts of more than $500,000 is subject to Board of Supervisors approval.

City Charter Section 8A.103(b)(13) states that the Municipal Transportation Agency may incur debt with Board of Supervisors approval, subject to the Controller certifying that Agency revenues and/or assets secures the debt.

BACKGROUND

Assembly Bill 117

In February 2026, the Governor approved Assembly Bill 117, which amended the California Public Resources Code to require the California Transportation Agency to loan $590 million to the Metropolitan Transportation Commission (MTC), the Bay Area's regional planning agency. The purpose of the loan was to allow MTC to loan the funds to the area's transit agencies: the San Francisco Bay Area Rapid Transit District (BART), the San Francisco Municipal Transportation Agency (MTA), the Peninsula Corridor Joint Powers Board (Caltrain), and the Alameda-Contra Costa Transit District. Of the $590 million, $200 million is proposed for MTA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission. The loan has a value of up to $200 million and a term of 12 years.

The resolution would also affirm MTA's determination that the loan does not require a California Environmental Quality review and allows the Director of Transportation to amend the loan so long as the amendments do not materially increase the obligations or liabilities of MTA or materially decrease the benefits to MTA.

The terms of the loan are shown below in Exhibit 1.

Exhibit 1: Loan Terms

Lender	Metropolitan Transportation Commission
Loan Amont	$200 million
Term	12 years, maturing June 3, 2038
Interest Rate	Variable interest rate, based on the interest rate for the Surplus Money Investment Fund (SMIF) published by the State Controller.
Allowable Uses	Transit operations only. Capital and debt refinancing are prohibited uses.
Security	MTA's share of State Transit Assistance Funds
Repayment Schedule	Quarterly interest only payments for initial two years through June 2028, followed by quarterly amortized payments for ten years starting in FY 2028-29.
Prepayment	Allowed without penalty
Reporting	MTA must provide MTC and State Transportation Agency with annual audited financial statements and certify that loan proceeds are only used for transit operations

Source: Proposed Loan Agreement

As required by State law, the loan repayment begins with a two-year interest-only period, after which the loan would be repaid on a ten-year amortization schedule (meaning that the payments include principal and interest). The full $200 million plus interest must be repaid by June 3, 2038. The interest rate on the loan is variable and is based on the rate for the Surplus Money Investment Fund (SMIF), as published by the State Controller. The SMIF rate is based on short-term borrowing rates. As of March 31, 2026, the SMIF rate was 3.835%.

FISCAL IMPACT

Based on an assumed interest rate of 4%, MTA’s budget includes $8 million in each year FY 2026-27 & FY 2027-28 for interest only payments, which increases total debt payments the agency must make from $27.8 million in FY 2025-26 to $35.8 million in FY 2026-27. Starting in FY 2028-29, MTA’s annual debt service for the proposed loan is expected to be $30 million, assuming fixed payments over ten years at 4% interest. Actual debt service payments may differ because the proposed loan has a variable interest rate and the amortization schedule will not be finalized until March 2028.

The loan is secured by State Transit Assistance funds, which are budgeted at $65.3 million in FY 2026-27 and can be used for capital or operations. The Controller has certified that MTA has sufficient local funds to repay the loan, as General Fund transfers to MTA are projected to be at least $650 million annually through FY 2028-29.

POLICY CONSIDERATION

Because COVID relief funding is expiring, transit and parking revenue have not recovered to pre-pandemic levels, and the General Fund is growing more slowly than it was pre-pandemic, MTA faces a structural budget deficit. As shown below in Exhibit 2, the proposed loan is approximately 13.2 percent of MTA's FY 2026-27 operating revenues. The purpose of the loan is to provide MTA interim funding until two new revenue sources become available starting in FY 2027-28, pending the outcome of the November 2026 election.

MTA's FY 2027-28 budget assumes passage of two new revenue measures that will be proposed to votes in November 2026: (1) a regional sales tax increase, which is expected to generate $155 million for MTA in FY 2027-28, and (2) a new parcel tax in San Francisco, which is expected to generate $166 million for MTA in FY 2027-28.[1] The regional sales tax requires approval from a majority of voters across the following five counties: Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara. If the new revenue measures fail, MTA will still be liable to repay the proposed loan.

Exhibit 2: MTA Operating Revenues

Revenue	FY 2025-26	FY 2026-27	FY 2027-28
General Fund Support	554,459,347	608,494,737	601,457,892
Parking	279,237,064	287,638,481	295,773,571
Operating Grants	461,430,947	211,317,691	216,253,282
Proposed State Loan	0	200,000,000	0
Transit	113,943,426	134,039,601	141,736,543
Other	42,705,314	39,273,929	39,385,233
Fund Balance	6,446,622	17,695,244	0
Regional Sales Tax	0	17,000,000	155,000,000
Parcel Tax	0	0	166,000,000
Total Operating Revenues	**1,458,222,720**	**1,515,459,683**	**1,615,606,521**

Source: Operating Budget passed by SFMTA Board April 21, 2026.

Notes: FY 2025-26 Operating Grants include approximately $200 million in COVID relief funding. General Fund support includes parking tax and congestion management sales tax revenues and does not include General Fund support for capital projects.

[1] The regional sales tax proposal is for 14 years and would increase San Francisco sales tax by 1% and other counties by 0.5%. The parcel tax is for San Francisco parcels only and ranges from a base of $129 - $799 per parcel plus additional amounts, depending on the size and use of the parcel, with annual inflation escalation.

Other MTA funding sources include an operating fund balance of $161 million, projected for the start of FY 2026-27[2] and $143 million in a Contingency Reserve, which can be used to provide for the continuation of services in the event of natural or fiscal emergency.[3]

RECOMMENDATION

Approve the proposed resolution.

[2] The Controller's FY 2025-26 Nine Month Budget Status report projected $178 million ending fund balance for MTA operating funds in FY 2025-26. The actual ending balance will be different, as the projection assumes a $48.9 million operating surplus in FY 2025-26. MTA's proposed budget for FY 2026-27 appropriates $17 million from fund balance, so the starting fund balance in FY 2026-27 would be $161 million, if actual revenues and expenditures are consistent with the Controller's projections.

[3] MTA's Contingency Reserve Policy sets a reserve target of 10 percent of annual operating expenditures. MTA's proposed budget funds the Contingency Reserve at 9 percent of annual operating expenditures and assumes the suspension of contributions to the reserve, which would have been $9 million in FY 2026-27 and $19 million in FY 2027-28.

LOAN AGREEMENT

by and between the

METROPOLITAN TRANSPORTATION COMMISSION,
as Lender

and the

[OPERATOR],
as Borrower

Dated as of [DATE]

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of [DATE] (the "**Agreement**"), by and between the Metropolitan Transportation Commission, a public agency of the State of California duly organized and existing under the Metropolitan Transportation Commission Act (California Government Code Section 66500 et seq.), as lender (the "**Lender**" or "**MTC**"), and [Operator], an [AGENCY ORGANIZATION], as borrower (the "**Borrower**" or "[**Operator]**"). Lender and Borrower are hereinafter at times collectively referred to as the "**Parties**" and individually as a "**Party**."

W I T N E S S E T H:

WHEREAS, pursuant to the authority granted under Section 75227 of the Public Resources Code of the State of California (as the same may be amended or modified, the "Transit Law"), the State of California has authorized the California State Transportation Agency, a California State Agency ("**CalSTA**") to make a loan to MTC for the purpose of providing emergency transit operating assistance to certain Bay Area transit operators (the "**CalSTA Loan**");

WHEREAS, MTC is the designated regional transportation planning agency for the San Francisco Bay Area and is authorized under applicable law, including the Transit Law, to receive and distribute State Transit Assistance funds and to enter into loan and financing agreements on behalf of, and for the benefit of, regional transit operators;

WHEREAS, the Transit Law requires MTC to use the proceeds of the CalSTA Loan to offer loans to the specified transit entities identified therein—[the Alameda-Contra Costa Transit District ("**AC Transit**"), the Peninsula Corridor Joint Powers Board ("**Caltrain**"), the San Francisco Bay Area Rapid Transit District ("**BART**"), and the San Francisco Municipal Transportation Agency ("**SFMTA**" and, collectively, the "**Operators**")]—for public transit operating purposes, including but not limited to costs necessary to avoid or mitigate service reductions and costs to maintain or restore existing transit service levels for bus, rail, and other public transportation services (as further defined herein, "Public Transit Operating Purposes"), as each Operator faces near-term operating funding shortfalls that threaten continuity of transit service in the Bay Area;

WHEREAS, this Agreement constitutes one of [four] separate loan agreements that MTC is entering into with each Operator, the terms of which shall be consistent with the terms of the loan agreement between CalSTA and MTC providing for the CalSTA Loan, and the payment obligations under which shall be several and not joint;

WHEREAS, MTC desires to enter into this Agreement to loan a portion of the proceeds of the CalSTA Loan to [AC Transit] / [BART] / [Caltrain] / [SFMTA], and [AC Transit] / [BART] / [Caltrain] / [SFMTA] wishes to borrow such funds from MTC, all on the terms and conditions set forth herein;

WHEREAS, the Transit Law requires that [AC Transit] / [BART] / [Caltrain] / [SFMTA] use its share of State Transit Assistance funds allocated to it based on its revenues, as distinct from the population-based allocation, calculated in accordance with applicable law, as security for this Loan (as further defined herein, the "STA Revenue-Based Funds"), and such funds may be redirected to MTC as repayment for the Loan if [AC Transit] / [BART] / [Caltrain] / [SFMTA] fails to make timely payments hereunder; and

WHEREAS, the Parties intend this Agreement to constitute a legally binding obligation of both Parties, consistent with the requirements and intent of the Transit Law and the CalSTA Loan.

NOW, THEREFORE, in consideration of these premises and of the promises and mutual agreements herein contained, the Parties do hereby agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions.

Unless defined above or within this Agreement, or the context clearly otherwise requires, the capitalized terms in this Agreement shall have the respective meanings set forth below.

["AC Transit" or "Borrower" means the Alameda-Contra Costa Transit District, a transit district duly established by voters in 1956 pursuant to Part 1 of Division 10 of the Public Utilities Code of the State of California (Section 24501 *et seq.*), and designated a rapid transit district.]

"Agreement" means this Loan Agreement, between Lender and the Borrower, together with all Exhibits hereto, as originally entered into and as amended from time to time pursuant to the provisions hereof.

"Amortization Period" means the approximately ten (10) year period commencing on July 1, 2028 and ending on the Maturity Date.

"Amortization Schedule" means the quarterly principal amortization schedule, to be determined by the Lender and the Borrower on or before March 1, 2028, in accordance with Section 2.05, setting forth the quarterly principal payment amounts during the Amortization Period.

["BART" or "Borrower" means the San Francisco Bay Area Rapid Transit District, a transit district organized and existing under the laws of the State.]

"Borrower Representative" shall have the meaning set forth in Section 8.08(b).

"Business Day" means any day, Monday through Friday, which is not a legal holiday of the State or a date on which banks are required or authorized by law to close.

"CalSTA" means the California State Transportation Agency, a State Agency.

"CalSTA Due Date" means the third (3rd) Business Day of September, December, March or June, commencing on September 3, 2026 and continuing through the Maturity Date.

"CalSTA Loan" means the loan from CalSTA to MTC authorized by the Transit Law, the proceeds of which shall be used to offer loans to the Operators for Public Transit Operating Purposes, as it may be amended or supplemented from time to time.

"CalSTA Loan Agreement" means the Loan Agreement, dated as of [DATE], by and between MTC and CalSTA, providing for the CalSTA Loan to MTC as authorized by the Transit Law.

["Caltrain" or "Borrower" means the Peninsula Corridor Joint Powers Board, a joint powers authority organized and existing under the laws of the State.]

"Certificate of the Borrower" means a request or certificate, in writing, signed by a duly authorized representative of the Borrower.

"Effective Date" means [DATE], the date on which this Agreement becomes effective and binding on the Parties.

"Event of Default" means any of the events described in Section 7.01.

"Fiscal Year" means the twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive.

"Interest-Only Period" means the two (2) year period commencing on the Loan Issue Date and extending to but not including July 1, 2028, in connection with which only interest payments (and no principal payments) are due on the Loan.

"Lender Representative" shall have the meaning set forth in Section 8.08(a).

"Loan" means the loan from the Lender to the Borrower in an aggregate principal amount equal to the Loan Amount made on the terms and conditions set forth herein.

"Loan Amount" means the aggregate principal amount of [LOAN AMOUNT] Dollars ($[__________]).

"Loan Issue Date" means the date on which Lender receives proceeds of the CalSTA Loan.

“Maturity Date” means June 3, 2038.

“MTC” or “Lender” means the Metropolitan Transportation Commission, acting as lender hereunder.

“Operators” means BART, SFMTA, AC Transit, and Caltrain, collectively, and “Operator” means any one of them individually.

“Payment Date” means the second (2nd) Business Day prior to each September 1, December 1, March 1, and June 1, commencing on August 28, 2026, and continuing until the final Payment Date before the Maturity Date; *provided that*, for the avoidance of doubt, payments made to the Lender on such dates shall include all interest scheduled to accrue through the immediately subsequent CalSTA Due Date.

“Public Transit Operating Purposes,” as defined in Section 75227(b)(1) of the California Public Resources Code, includes, but is not limited to, costs necessary to avoid or mitigate service reductions and costs to maintain or restore existing transit service levels for bus, rail, and other public transportation services. “Public Transit Operating Purposes” does not include capital construction costs or any other capital expenses.

“Quarterly SMIF Rate” means the State Controller’s most recently published quarterly interest rate for the Surplus Money Investment Fund (SMIF).

“Responsible Officer” means [_________].

[“SFMTA” or “Borrower” means the San Francisco Municipal Transportation Agency, an agency of the City and County of San Francisco duly constituted and established under Article VIIIA of the Charter of the City and County of San Francisco.”]

“SMIF” means the Surplus Money Investment Fund maintained by the State of California Pooled Money Investment Account, as administered by the State Controller's Office.

“STA Revenue-Based Funds” means the portion of State Transit Assistance revenues received by the Borrower based on operator revenues that would otherwise be administered by MTC pursuant to Section 99314 of the Public Utilities Code, as distinct from the population-based allocation, calculated in accordance with applicable law.

“State” means the State of California.

“State Transit Assistance” or “STA” means funds apportioned to transit operators pursuant to the State Transit Assistance Program under California Public Utilities Code Sections 99314 *et seq.*

“Tranche” shall have the meaning assigned to such term in the CalSTA Loan Agreement.

"Transit Law" means Section 75227 of the California Public Resources Code, as the same may be amended or modified, the statutory authority under which this Agreement is made.

"Undisbursed Amounts" means all undisbursed proceeds of the CalSTA Loan held by MTC from time to time for the Tranche allocated to Borrower under the CalSTA Loan Agreement.

"Undisbursed Investment Calculation Date" means the end of the calendar month preceding any Payment Date.

"Undisbursed Proceeds Investment Earnings" means, as of any Payment Date, investment earnings, if any, on Undisbursed Amounts as of the most recent Undisbursed Investment Calculation Date which have not yet been credited to the Borrower's payment obligations pursuant to Section 2.05(h) hereof.

SECTION 1.02. Rules of Construction.

Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, and pronouns inferring the masculine gender shall include the feminine gender and vice versa. All references herein to particular articles or sections are references to articles or sections of this Agreement. The headings and subheadings herein are solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

SECTION 1.03. Conditions Precedent.

As conditions precedent to the Lender's obligations hereunder, each Party shall have signed this Agreement and delivered its signature to the other Party on or before the Effective Date. If these conditions precedent are not satisfied, neither Party shall have any obligations under this Agreement. Signatures received in portable document format, with original signatures to follow within a mutually agreeable reasonable time thereafter, are deemed to satisfy this condition.

ARTICLE II TERMS OF LOAN

SECTION 2.01. Loan to the Borrower.

Lender hereby agrees to loan to the Borrower, and the Borrower hereby agrees to borrow from Lender, the Loan Amount under and subject to the terms of this Agreement. This Agreement constitutes a continuing agreement between the Borrower and Lender governing the Loan and to secure the full and final payment of the Loan, subject to the covenants, agreements, provisions and conditions herein contained. The Loan is non-revolving; amounts may not be borrowed, repaid, and re-borrowed.

SECTION 2.02. Loan Administration.

Lender shall administer and service the Loan, and shall designate a contact person pursuant to Section 8.08 who shall be responsible for day-to-day administration of this Agreement. All disbursements, notices, approvals, and other administrative actions required under this Agreement shall be performed by MTC directly, without the involvement of any third-party servicer. The Borrower shall direct all communications, disbursement requests, and certifications to MTC's designated contact person.

SECTION 2.03. Use of Proceeds.

(a) **Use of Proceeds.** The Borrower shall use all proceeds of the Loan solely for Public Transit Operating Purposes as provided in the Transit Law.

(b) **Allocation Discretion.** Subject to the restrictions set forth in subsection (a) above, the allocation of Loan proceeds to specific categories of Public Transit Operating Purposes shall be at the discretion of the Borrower in consultation with MTC.

SECTION 2.04. Disbursement; Conditions.

(a) Subject to the conditions set forth herein, Lender shall disburse the Loan Amount to Borrower as follows: (i) the first installment shall be disbursed to the Borrower within ten (10) Business Days of Lender's receipt of proceeds of the CalSTA Loan, and (ii) the second installment shall be disbursed to the Borrower on the first Business Day of calendar year 2027; *provided that*, MTC shall review, by January 1, 2027, in consultation with CalSTA, the planned distribution to [AC Transit] / [BART] / [Caltrain] / [SFMTA] and make any necessary adjustments to such remaining disbursement pursuant to the Transit Law.

(b) Lender shall not be required to disburse any amounts hereunder unless: (i) this Agreement is in full force and effect, and (ii) Lender has first received and holds proceeds of the CalSTA Loan in an amount sufficient to make such disbursement. Notwithstanding anything to the contrary herein, the Loan shall be funded solely from proceeds of the CalSTA Loan available to, and held by, the Lender. If CalSTA does not provide sufficient available proceeds of the CalSTA Loan to the Lender to fund the full amount of all loans to be made by Lender pursuant to the Transit Law, the principal amount of the Loan shall be reduced by an amount equal to the proportion of the Loan to the amount of all loans to be made by Lender under the Transit Law multiplied by the amount of the total deficiency of proceeds under the CalSTA Loan. The Lender shall not be required to apply any other funds to cure a deficiency in proceeds of the CalSTA Loan.

SECTION 2.05. Interest Rate; Amortization Method; Payment Dates.

(a) **Interest-Only Period.** During the Interest-Only Period (from the Loan Issue Date to but not including July 1, 2028), the Loan shall accrue simple interest on the average outstanding principal balance (including on Undisbursed Amounts still held by Lender as provided in Section 2.04) for each quarter at the Quarterly SMIF Rate most recently published by the State Controller prior to the commencement of such quarter. No principal payments shall be due during the Interest-Only Period. Interest shall be due and payable on each Payment Date commencing August 28, 2026; *provided that*, for the avoidance of doubt, payments made by the Borrower on such Payment Dates shall include all accrued interest and all interest scheduled to accrue through the immediately subsequent CalSTA Due Date; *and provided further that*, the amount of interest due shall be reduced by the amount of Undisbursed Proceeds Investment Earnings applied by Lender as a credit against interest due on any Payment Date pursuant to Section 2.05(h).

(b) **Amortization Period Interest.** During the Amortization Period (commencing July 1, 2028), the Loan shall accrue simple interest for each one-year period commencing from July 1 of such year at the average of the four (4) published Quarterly SMIF Rates for the prior calendar year. Interest shall be calculated on the actual average outstanding principal balance of the Loan; *provided that*, the amount of interest due shall be reduced by the amount of Undisbursed Proceeds Investment Earnings applied by Lender as a credit against interest due on any Payment Date pursuant to Section 2.05(h).

(c) **Amortization Schedule Determination.** On or before March 31, 2028, the Parties shall jointly determine and memorialize the principal Amortization Schedule, which shall be calculated as provided in the CalSTA Loan Agreement for the applicable Tranche. [Lender shall use commercially reasonable efforts to provide a draft Amortization Schedule to the Borrower for review on or before [__________].]

(d) **Payment Dates.** Payments of interest and, during the Amortization Period, principal and interest, shall be due and payable on each Payment Date; *provided that*, for the avoidance of doubt, payments made by the Borrower on such Payment Dates shall include all accrued interest and all interest scheduled to accrue through the immediately subsequent CalSTA Due Date. The first Payment Date during the Amortization Period shall be August 30, 2028, and payments shall continue on each Payment Date thereafter until the Payment Date immediately prior to the Maturity Date, on which date all outstanding principal and accrued interest shall be due and payable in full.

(e) **Application of Payments**. All payments by Borrower shall be applied first to accrued and unpaid interest and all interest scheduled to accrue through the immediately subsequent CalSTA Due Date, and then to outstanding principal. Prepayments made on any Payment Date, in excess of the principal and interest due and payable on the immediately subsequent CalSTA Due Date, shall be applied as set forth in Section 2.06.

(f) **Business Day Adjustment.** Whenever any payment is required to be made on a day that is not a Business Day, such payment shall be required to be made on the next succeeding

Business Day with the same effect as if it had been paid on the date required, and no further interest shall accrue on such payment for the intervening period.

(g) **Unconditional Obligation.** The obligation of the Borrower to repay the Loan as set forth herein is absolute and unconditional; provided that, notwithstanding anything to the contrary herein, such obligation shall be a special, limited obligation of the Borrower, secured solely by STA Revenue-Based Funds, and the Borrower shall not be obligated to expend any of its other funds to satisfy such obligation or make any payment or satisfy any obligation hereunder. The Borrower shall not discontinue or suspend any payments of principal or interest required to be paid under this Agreement when due, and such payments shall not be subject to reduction by offset or otherwise, nor conditional upon the performance or nonperformance by any other party for any cause whatsoever. The 'notwithstanding anything to the contrary' language in this section is not intended to conflict with Section 4.01(a), and if a conflict is found between these sections, the provisions of 4.01(a) take precedence and govern.

(h) **Passthrough Obligation and Investment Earnings Credit**. Notwithstanding anything herein to the contrary, the amount of principal and interest due and payable on the Loan at any time is intended to be, and shall be, equal to the principal and interest due and payable by MTC on the Tranche allocated to the Borrower under the CalSTA Loan Agreement; *provided that*, Lender shall apply Undisbursed Proceeds Investment Earnings as a credit against the principal and interest due on any Payment Date.

SECTION 2.06. <u>Prepayment</u>.

The Borrower shall have the right to prepay any or all of the scheduled principal amortization payments, in whole or in part, in any order and as of any scheduled CalSTA Due Date, at no premium or penalty. Any such prepayment shall be applied in the order of priority set forth in Section 2.05(e). Conditional notice of any prepayment shall be provided to Lender no later than fifteen (15) Business Days prior to the intended prepayment date that is a CalSTA Due Date. Funds for such prepayment must be delivered to Lender together with regularly scheduled amounts on the applicable Payment Date.

SECTION 2.07. <u>Investment of Undisbursed Amounts</u>.

Lender shall manage all Undisbursed Amounts for the Tranche allocated to Borrower under the CalSTA Loan Agreement in accordance with Lender's investment policy for its funds. On the tenth (10th) day of any month in which a Payment Date falls, or if such day is not a Business Day, on the next succeeding Business Day, Lender shall provide Borrower with documentation of any Undisbursed Proceeds Investment Earnings, which shall be credited to Borrower's payment obligations pursuant to Section 2.05(h), and Lender shall remit such amount to CalSTA on the immediately subsequence CalSTA Due Date.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower hereby represents that each of the following are true and correct as of the Effective Date.

SECTION 3.01. Organization; Authority.

The Borrower is a[n] [AC Transit: a transit district duly established by voters in 1956 pursuant to Part 1 of Division 10 of the Public Utilities Code of the State of California (Section 24501 *et seq.*), and designated a rapid transit district] / [BART: a rapid transit district duly established pursuant to Part 2 of Division 10 of the Public Utilities Code of the State of California (Section 28500 *et seq.*)] / [Caltrain: joint exercise of powers agency duly established pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Section 6500 *et seq.*)] / [SFMTA: agency of the City and County of San Francisco, duly constituted and established under Article VIIIA of the Charter of the City and County of San Francisco], and has all necessary power and authority to enter into and perform its duties under this Agreement. The Borrower's execution, delivery, and performance of this Agreement has been duly authorized by all necessary action under applicable law, including any required approval by the Borrower's governing board.

SECTION 3.02. Transit Law Authority.

This Agreement is made under, and consistent with, the authority granted to the Parties by the Transit Law. The Parties acknowledge that the Loan is authorized under the Transit Law and shall be administered consistent with the requirements and intent of that statute.

SECTION 3.03. Agreement Valid and Binding.

This Agreement has been duly authorized, executed, and delivered by the Borrower and constitutes the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally.

SECTION 3.04. No Conflict in Execution of Agreement.

The execution and delivery by the Borrower of this Agreement and compliance with the provisions hereof will not conflict with or constitute a breach of or default by the Borrower under any law, administrative regulation, court decree, resolution, charter, bylaw, or any agreement or instrument to which the Borrower is subject or by which it is bound or by which its properties may be affected.

SECTION 3.05. No Litigation.

There is no action, suit, proceeding, or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Borrower to restrain or enjoin the execution or delivery of this Agreement, or in any way contesting or affecting the validity of this Agreement, or contesting the powers of the Borrower to enter into or perform its obligations under this Agreement.

SECTION 3.06. <u>No Breach or Default</u>.

The Borrower is not in breach of or in default under any applicable law or administrative regulation of the State or the United States, the Constitution of the State, any applicable judgment or decree, or any agreement, indenture, bond, note, resolution, or other instrument to which the Borrower is a party or is otherwise subject, which, if not resolved in favor of the Borrower, would have a material adverse impact on the Borrower's ability to perform its obligations under this Agreement.

SECTION 3.07. <u>No Consent Required</u>.

No consent, permission, authorization, order, or license of, or filing or registration with, any governmental authority (other than those already obtained) is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction contemplated herein.

SECTION 3.08. <u>Accuracy and Completeness of Information</u>.

The information relating to the Borrower submitted by or on behalf of the Borrower to Lender and CalSTA, as applicable, at any time in connection with this Agreement was true and correct at the time submitted and, as of the Effective Date, remains true and correct in all material respects. Such information did not at the time submitted, and does not as of the Effective Date (provided that any such information shall be deemed to speak only as of the date thereof), contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

SECTION 3.09. <u>Eligibility for STA Funds</u>.

The Borrower is, as of the Effective Date, an eligible recipient of State Transit Assistance funds pursuant to California Public Utilities Code Sections 99310 *et seq.*, and is in compliance in all material respects with the requirements for receipt of STA Revenue-Based Funds.

ARTICLE IV SECURITY; PLEDGE OF STA REVENUE-BASED FUNDS

SECTION 4.01. <u>Pledge of STA Revenue-Based Funds</u>.

(a) **Security.** As security for the Loan, the Borrower hereby pledges and assigns to Lender, the STA Revenue-Based Funds allocable to the Borrower that would otherwise be administered by MTC pursuant to Section 99314 of the Public Utilities Code of the State of California. The Borrower hereby consents to Lender's pledge of its interest in, and rights to receive, payment thereof from the Borrower as security for the CalSTA Loan, including without limitation, Lender's rights to receive payment thereof from Borrower and all authority therefor conferred under this Agreement.

(b) **Offset; Limitation.** Lender shall have no right of offset of payments due under this Loan other than against the STA Revenue-Based Funds of the Borrower pursuant to Section 7.04(b)(2) or 7.04(d).

SECTION 4.03. Maintenance of STA Eligibility.

The Borrower shall take all actions necessary to maintain eligibility to receive STA Revenue-Based Funds throughout the term of this Agreement. The Borrower shall promptly notify Lender and CalSTA in writing if Borrower becomes aware of any event, action, or proceeding that could reasonably result in the suspension, reduction, or termination of the Borrower's receipt of STA Revenue-Based Funds.

ARTICLE V AFFIRMATIVE COVENANTS OF THE BORROWER

SECTION 5.01. Punctual Payment.

The Borrower hereby covenants to punctually pay, or cause to be paid, all payments required hereunder when due and in all other respects in strict conformity with the terms of this Agreement, and to faithfully observe and perform all of the conditions, covenants, and requirements of this Agreement, *provided that*, notwithstanding anything to the contrary herein, such obligations shall be special, limited obligations of the Borrower, secured solely by STA Revenue-Based Funds, and the Borrower shall not be obligated to expend any of its other funds to satisfy such obligations or make any payment hereunder. MTC shall hold all payments received from Borrower on behalf of Borrower and shall remit such payments to CalSTA as required under the terms of the CalSTA Loan Agreement. The 'notwithstanding anything to the contrary' language in this section is not intended to conflict with Section 4.01(a), and if a conflict is found between these sections, the provisions of 4.01(a) take precedence and govern.

SECTION 5.02. Books, Accounts, and Financial Statements.

(a) The Borrower hereby covenants that it will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions related to this Agreement and the Loan. Such books shall at all times during business hours be subject to the inspection of Lender or its designee.

(b) The Borrower shall prepare and file with Lender and CalSTA annually, as soon as practicable through commercially reasonable efforts, but in no event later than two hundred seventy (270) calendar days after the close of each Fiscal Year, so long as the Loan has not been repaid in full, its annual financial statements, together with any independent audit reports required by applicable law.

(c) Simultaneously with the delivery of annual financial statements, the Borrower shall deliver to Lender and CalSTA a Certificate of the Borrower stating: (1) that, to its knowledge, no Event of Default has occurred or is continuing, and, to its knowledge, no event has occurred which, with the passage of time or the giving of notice, or both, would constitute an Event of Default; and (2) such other information as may be reasonably requested by Lender or CalSTA.

SECTION 5.03. Reporting and Compliance.

(a) The Borrower shall prepare and file with Lender and CalSTA, simultaneously with the delivery of other required documentation, but in no event later than two hundred seventy (270) calendar days after the close of each Fiscal Year, a written certificate certifying that all Loan proceeds have been used in accordance with Section 2.03.

(b) The Borrower shall promptly notify MTC of any event or circumstance that would materially affect the Borrower's ability to repay the Loan.

SECTION 5.04. Transit Law Compliance.

The Parties shall comply with all requirements, conditions, and restrictions imposed by the Transit Law in connection with the Loan. The Borrower shall cooperate with any audit or review conducted by MTC, CalSTA, the State Controller, or any other State agency with oversight authority over the Loan or the use of Loan proceeds.

SECTION 5.05. Further Assurances.

The Borrower will adopt, make, execute, and deliver, or will cause to be made, executed, and delivered, any and all such further resolutions, instruments, and assurances as may be agreed upon by the parties as necessary or proper to carry out the intention or to facilitate the performance of this Agreement and for the better assuring and confirming unto Lender the rights, remedies, and benefits provided in this Agreement.

SECTION 5.06. Notice of Default.

The Borrower covenants that it will deliver to Lender, immediately upon a [Responsible Officer] of the Borrower obtaining actual knowledge of the occurrence of an Event of Default or an event that, in such Responsible Officer's reasonable determination would, with the passage of time or the giving of notice, constitute an Event of Default, a written statement setting forth the details of such event and the action which the Borrower proposes to take with respect thereto.

ARTICLE VI NEGATIVE COVENANTS OF THE BORROWER

SECTION 6.01. Limitation on Use of Proceeds.

The Borrower shall not use any Loan proceeds for any purpose other than Public Transit Operating Purposes in accordance with the Transit Law, as described in Section 2.03.

SECTION 6.02. No Amendment of CalSTA Loan Agreement Without Consent.

MTC shall not amend, waive, or otherwise modify any material term of the CalSTA Loan Agreement without the prior written consent of the Operators, which consent shall not be unreasonably withheld or delayed.

SECTION 6.03. No Impairment of Security.

The Borrower shall take no action, and shall not authorize any action, that would materially impair CalSTA or MTC's security interest in the STA Revenue-Based Funds pledged under Article IV, or that would cause the Borrower to become ineligible to receive STA Revenue-Based Funds.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default and Acceleration.

(a) Each of the following events shall constitute an Event of Default hereunder:

(1) Failure by the Borrower to pay principal or interest due on the Loan when and as the same shall become due and payable, provided that STA Revenue-Based Funds are available to the Borrower in an amount sufficient to make such payment;

(2) Failure by the Borrower to observe and perform any of the covenants, agreements, or conditions on its part contained in this Agreement, other than as referred to in subsection (1) above, for a period of sixty (60) calendar days after written notice has been given to the Borrower by Lender specifying such failure and requesting that such failure be remedied; provided, however, that if the failure stated in such notice can be corrected, but not within such sixty (60) calendar day period, Lender may, in its reasonable discretion, consent to an extension of such time if corrective action is instituted by the Borrower within such sixty (60) calendar day period and diligently pursued until such failure is corrected;

(3) The filing by the Borrower of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Borrower seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Borrower or of any substantial part of its properties; and

(4) Any representation, warranty, or other written statement made by the Borrower contained in this Agreement, or in any instrument furnished in compliance with or in reference thereto, shall prove to have been incorrect in any material respect at the time made in a manner that would reasonably result in an impairment of the ability of the Borrower to perform its obligations hereunder, including repayment of the Loan, or otherwise impair the security of MTC with respect to repayment of the Loan.

(b) If an Event of Default has occurred and is continuing, MTC may seek to enforce its rights hereunder and compel performance by pursuing any remedies available at law or in equity, including through writ of mandamus or a suit for damages. Immediately upon becoming aware of the occurrence of an Event of Default, MTC shall give written notice of such Event of Default to the Borrower and CalSTA.

SECTION 7.02. No Waiver.

Nothing in this Article VII or in any other provision of this Agreement shall affect or impair the obligation of the Borrower, which is absolute and unconditional, to pay all payments due hereunder, provided that, notwithstanding anything to the contrary herein, such obligations shall be special, limited obligations of the Borrower, payable solely from STA Revenue-Based Funds, and the Borrower shall not be obligated to expend any of its other funds to satisfy such obligations or make any payment hereunder. A waiver of any default by MTC shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of MTC to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default, or an acquiescence therein, and every power and remedy conferred by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by MTC. The 'notwithstanding anything to the contrary' language in this section is not intended to conflict with Section 4.01(a), and if a conflict is found between these sections, the provisions of 4.01(a) take precedence and govern.

SECTION 7.03. Remedies Not Exclusive.

No remedy herein conferred is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 7.04. Non-Payment Events and CalSTA Remedies.

(a) If the Borrower fails to make any payment due to Lender hereunder, which failure continues unremedied for a period of thirty (30) calendar days after written notice of such failure has been delivered to the Borrower, Lender shall have the right, and Borrower acknowledges and agrees that such right will be collaterally assigned by Lender to CalSTA under the CalSTA Loan Agreement, to pursue the remedies set forth in Section 7.04(b) with respect to the Loan, including the rights set out in Section 4.01.

(b) If an event specified in Section 7.04(a) has occurred and is continuing, Lender or CalSTA, as applicable, may:

(1) enforce all remedies available under applicable law and in equity with respect to any past due principal or interest; and

(2) after giving 10-day written notice to the Lender and the Borrower that CalSTA is exercising offset rights against the STA Revenue-Based Funds of the Borrower as to the applicable late payment, CalSTA may exercise any offset rights against the STA Revenue-Based Funds of the Borrower as to that late payment, including CalSTA taking the applicable STA Revenue-Based Funds before disbursement to the Borrower and intervening with State Controller's Office before disbursement of such funds, as set out in Section 4.01 of the CalSTA Loan Agreement.

(c) If Borrower shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Borrower seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Borrower or of any substantial part of its properties, Lender shall have the right to pursue the remedies set forth in Section 7.04(d), including the rights set out in Section 4.01, and Borrower acknowledges and agrees that such right will be collaterally assigned by Lender to CalSTA under the CalSTA Loan Agreement.

(d) If an event specified in Section 7.04(c) has occurred and is continuing, MTC may declare the principal of the Loan, together with all accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable and Borrower acknowledges and agrees that such right shall be collaterally assigned by MTC to

CalSTA under the CalSTA Loan Agreement; and CalSTA may further exercise any offset rights against the STA Revenue-Based Funds of the Borrower, including CalSTA taking the applicable STA Revenue-Based Funds before disbursement to the Borrower and intervening with State Controller's Office before disbursement of such funds, including the rights set out in Section 4.01.

ARTICLE VIII MISCELLANEOUS

SECTION 8.01. California Law; Venue.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California. Any action or proceeding arising out of this Agreement shall be filed and maintained in the Superior Court in and for the County of [Sacramento], California.

SECTION 8.02. Assignment of Rights.

The Borrower may not assign its rights and obligations hereunder without the prior written consent of MTC, which consent shall be granted or denied in MTC's sole and absolute discretion. MTC may assign its rights and duties under this Agreement to any successor agency created by law as an authorized successor hereunder, and otherwise shall not assign its rights without the prior written approval of the Borrower, which approval shall not be unreasonably withheld. In the event of any assignment by either Party, such Party agrees to execute all documents as the other Party may reasonably require in connection with such assignment.

SECTION 8.03. Third Party Beneficiaries.

Nothing in this Agreement, expressed or implied, is intended to give to any person other than MTC and the Borrower any right, remedy, or claim under or by reason of this Agreement. All covenants, stipulations, promises, or agreements contained in this Agreement by and on behalf of the Borrower shall be for the sole and exclusive benefit of MTC and its permitted assigns.

SECTION 8.04. Successor Entities.

Whenever in this Agreement either the Borrower or Lender is named or referred to, such reference shall be deemed to include the permitted successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Borrower or Lender shall bind and inure to the benefit of the respective permitted successors and assigns thereof, whether so expressed or not.

SECTION 8.05. Amendment.

No term or provision of this Agreement may be waived or otherwise modified except by a written agreement signed by both Parties. The Parties acknowledge and agree that the previous sentence shall be interpreted, enforced, and adhered to strictly, notwithstanding any legal doctrine, rule, statute, or case law that may permit oral modification of this Agreement. To the greatest extent permissible under the law, the Parties hereby agree to waive any legal doctrine, rule, statute, or case law that permits, or could be construed to permit, modification of this Agreement by means other than a writing signed by both Parties.

SECTION 8.06. Arm's Length Transaction.

The Borrower acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's-length transaction between governmental entities; (ii) MTC is acting solely as Lender and is not acting as agent, advisor, or fiduciary of the Borrower; (iii) MTC has not assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the Loan; and (iv) the Borrower has consulted its own legal, financial, and other advisors to the extent it has deemed appropriate.

SECTION 8.07. Notices.

All written notices to be given under this Agreement shall be transmitted by a nationally recognized overnight mail carrier, or by electronic mail with confirmation of receipt, at the addresses set forth below, or at such other addresses as may be provided in writing from time to time. Notice shall be effective upon actual receipt.

If to Lender (MTC):

Metropolitan Transportation Commission
Attn: Executive Director
[Additional Notice Address Information]

If to Borrower ([AC Transit] / [BART] / [Caltrain]):

[Operator Name]
[Notice Address]

SECTION 8.08. Contact Persons.

(a) The Executive Director of MTC, or his or her permitted assignee, shall manage this Agreement for MTC and shall have authority to act on behalf of MTC in connection with this Agreement (the "**Lender Representative**"). All communications given to the Lender Representative shall be as binding as if given to the Lender.

(b) The [TITLE] of [Operator Name], or his or her permitted assignee, shall manage this Agreement for the Borrower and shall have authority to act on behalf of the Borrower in connection with this Agreement (the "**Borrower Representative**"). All communications given to the Borrower Representative shall be as binding as if given to the Borrower.

SECTION 8.09. Partial Invalidity.

The illegality, unenforceability, or invalidity of any provision of this Agreement shall not render that provision illegal, unenforceable, or invalid with regard to any other provision or circumstance. All provisions of this Agreement, in all other respects, shall remain legal, enforceable, and valid to the fullest extent permitted by law. If any provision of this Agreement is held to be illegal, unenforceable, or invalid by a court of competent jurisdiction, then such provision shall be deemed severed from this Agreement, and this Agreement shall be construed and enforced as if such provision had never been part hereof.

SECTION 8.10. Entire Agreement.

Except as expressly stated herein, this Agreement, together with the exhibits and attachments hereto, constitutes the entire agreement between the Parties with respect to the Loan. There are no understandings, agreements, representations, or warranties, express or implied, not specified herein regarding this Agreement.

SECTION 8.12. Waiver of Consequential Damages.

To the fullest extent permitted by law, the Borrower shall not assert, and hereby waives, any claim against MTC on any theory of liability for special, indirect, consequential, or punitive damages (as opposed to direct actual damages) arising from, or in connection with, this Agreement.

SECTION 8.13. Section Headings.

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

SECTION 8.14. Time of the Essence.

Time is of the essence with respect to this Agreement, the conditions of this Agreement, and the performance of each obligation contained herein. Whenever the last day for performance of any obligation falls on a Saturday, Sunday, or legal holiday in the State, the time for performance shall be extended to the next Business Day. The first day shall be excluded and the last day shall be included when computing time periods under this Agreement. Unless otherwise provided herein, all time periods shall end at 5:00 p.m. California time.

SECTION 8.15. Execution in Counterparts.

This Agreement shall become enforceable upon its execution and delivery. This Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. Signatures hereto may be provided in portable document format, with original signatures to follow within a mutually agreeable reasonable time thereafter.

SECTION 8.16. Usury Savings.

Nothing herein shall be construed as entitling Lender to charge, receive, or collect interest in a sum greater than the maximum interest rate permitted to be charged under applicable law. The Parties intend that this Agreement shall comply with applicable law and that the rate of interest charged hereunder shall not exceed such maximum rate. If any circumstance, event, or contingency should cause such interest to exceed the maximum rate, any such excess amount shall be applied to the reduction of the unpaid principal balance of the Loan.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective authorized officers, all as of the Effective Date.

METROPOLITAN TRANSPORTATION COMMISSION, as Lender

By: ____

[NAME]
Executive Director
Metropolitan Transportation Commission

[ALAMEDA-CONTRA COSTA TRANSIT DISTRICT] / [SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT] / [PENINSULA CORRIDOR JOINT POWERS BOARD] / [SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY], as Borrower

By: ____

[NAME]
[TITLE]
[OPERATOR NAME]

EXHIBIT A

FORM OF AMORTIZATION SCHEDULE CERTIFICATE

[TO BE DETERMINED ON OR BEFORE MARCH 1, 2028, IN ACCORDANCE WITH SECTION 2.05(c) OF THE LOAN AGREEMENT]

The Amortization Schedule shall set forth the scheduled quarterly principal amortization payments for the Amortization Period (July 1, 2028 through June 3, 2038), calculated in accordance with Exhibit A to the CalSTA Loan Agreement. The Amortization Schedule shall be executed by both Parties and attached hereto upon determination, and shall thereupon constitute a part of this Agreement.

CalSTA Due Date:

Wednesday, September 6, 2028

Tuesday, December 5, 2028

Monday, March 5, 2029

Tuesday, June 5, 2029

Wednesday, September 5, 2029

Wednesday, December 5, 2029

Tuesday, March 5, 2030

Wednesday, June 5, 2030

Wednesday, September 4, 2030

Wednesday, December 4, 2030

Wednesday, March 5, 2031

Wednesday, June 4, 2031

Wednesday, September 3, 2031

Wednesday, December 3, 2031

Wednesday, March 3, 2032

Thursday, June 3, 2032

Friday, September 3, 2032

Friday, December 3, 2032

Thursday, March 3, 2033

Friday, June 3, 2033

Monday, September 5, 2033

Monday, December 5, 2033

Friday, March 3, 2034

Monday, June 5, 2034

Tuesday, September 5, 2034

Tuesday, December 5, 2034

Monday, March 5, 2035

Tuesday, June 5, 2035

Wednesday, September 5, 2035

Wednesday, December 5, 2035

Wednesday, March 5, 2036

Wednesday, June 4, 2036

Wednesday, September 3, 2036

Wednesday, December 3, 2036

Wednesday, March 4, 2037

Wednesday, June 3, 2037

Thursday, September 3, 2037

Thursday, December 3, 2037

Wednesday, March 3, 2038

Thursday, June 3, 2038

OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

MEMORANDUM

TO: Julie Kirschbaum, Director, Municipal Transportation Agency

FROM: Greg Wagner, Controller

DATE: May 29, 2026

SUBJECT: **Certification of Funds for State Loan Repayment**

Charter Section 8A.102 (b) 13 provides the SFMTA with authority to incur debt for Agency purposes. Upon recommendation from the SFMTA Board of Directors, the Board of Supervisors may authorize the Agency to incur debt on behalf of the City, provided the Controller first certifies that sufficient unencumbered balances are expected to be available to meet payments as they become due.

The FY 2026-27 budget approved by the SFMTA Board includes proceeds from a $200 million state loan made to the Agency pursuant to AB 117. The loan matures on June 3, 2038, with quarterly two-year interest only payments commencing August 28, 2026, and amortized principal and interest payments beginning September 5, 2028. Assuming recent historic average interest rates of 4 percent, staff estimate loan payments of approximately $8 million per year during the interest only period and $30 million per year thereafter.

Given Charter-required General Fund contributions to the MTA are projected to exceed $650 million annually through FY 2029-30, as noted in the March 2026 Update to the Five Year Financial Plan, and growing with the rate of General Fund aggregate discretionary revenue thereafter, this letter certifies availability of funds for the purposes of Charter Section 8A.102 (b) 13.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 260602-045

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) is a department of the City and County of San Francisco responsible for the management, operations, and planning of the City's transportation network; and,

WHEREAS, Assembly Bill 117 (AB 117), signed by Governor Newsom on February 19, 2026, authorizes the California State Transportation Agency (CalSTA) to make a loan of up to $590 million to the Metropolitan Transportation Commission (MTC) from the Transit and Intercity Rail Capital Program (TIRCP), for MTC to loan to the SFMTA and other eligible Bay Area transit operators pursuant to individual loan agreements consistent with the CalSTA-MTC loan agreement under AB 117; and,

WHEREAS, AB 117 requires the TIRCP funds to be transferred to MTC no later than July 1, 2026; and,

WHEREAS, The SFMTA faces a projected operating deficit for FY 26-27 (beginning July 1, 2026) and the AB 117 loan proceeds would provide critical near-term liquidity to maintain existing service levels for riders; and,

WHEREAS, To receive the funds, the Director of Transportation would need to exectue a loan agreement with the following proposed loan terms: a maximum principal amount of $200 million; a 12-year term maturing June 3, 2038; a variable interest rate based on the quarterly rate of the Surplus Money Investment Fund (SMIF) published by the State Controller; an interest-only period up to July 1, 2028; a ten-year amortization period (July 1, 2028 through June 3, 2038) with quarterly principal and interest payments; an amortization schedule to be determined by March 1, 2028; repayment secured by the revenue-based portion of STA funds allocable to SFMTA; an absolute and unconditional repayment obligation; and proceeds restricted to SFMTA public transit operating purposes; and,

WHEREAS, The SFMTA, under authority delegated by the Planning Department, determined that recommending and requesting authorization to enter into a loan agreement under AB 117 is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and is incorporated herein by reference; and, now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors recommend and request the Board of Supervisors to authorize the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission (MTC) as lender for a maximum principal amount of $200 million for SFMTA public transit operating purposes in a form approved by the Board of Supervisors and consistent with the CalSTA-MTC loan agreement under Assembly Bill 117 (AB 117); and, be it further

RESOLVED, That if approved by the Board of Supervisors, the Director of Transportation is authorized to take all steps and execute the loan agreement and all documents necessary to give effect to this resolution.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of June 2, 2026.

____

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

SFMTA

AB 117 Loan Agreement

The San Francisco Municipal Transportation Agency (SFMTA) Board of Directors proposes to authorize the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission as lender in a maximum amount of $200 million for SFMTA operations for Fiscal Year 2026-27, pursuant to Assembly Bill 117. The loan may be used solely for SFMTA operating costs incurred during Fiscal Year 2026-27 and may not be used for capital expenditures or debt refinancing.

Not a "project" under CEQA pursuant to CEQA Guidelines Sections 15060(c) and 15378(b) because the action would not result in a direct or a reasonably foreseeable indirect physical change to the environment.

Jenny Delumo May 20, 2026

Jenny Delumo Date
San Francisco Municipal Transportation Agency

Assembly Bill No. 117

CHAPTER 6

An act to add and repeal Section 75227 of the Public Resources Code, relating to transportation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor February 19, 2026. Filed with Secretary of State February 19, 2026.]

LEGISLATIVE COUNSEL'S DIGEST

AB 117, Committee on Budget. Transit and Intercity Rail Capital Program: loans: transit operating purposes: San Francisco Bay area.

Existing law establishes the Transit and Intercity Rail Capital Program, which is funded in part by a continuously appropriated allocation of a specified portion of the annual proceeds of the Greenhouse Gas Reduction Fund, to fund transformative capital improvements that will modernize California's intercity, commuter, and urban rail systems and bus and ferry transit systems to achieve certain policy objectives. Existing law requires the Transportation Agency to evaluate applications for funding under the program and to approve a multiyear program of projects, as specified, and requires the California Transportation Commission to allocate funding to applicants pursuant to the program of projects approved by the agency.

Existing law creates the Metropolitan Transportation Commission as a local area planning agency for the 9-county San Francisco Bay area with comprehensive regional transportation planning and other related responsibilities. Existing law creates various transit districts located in the San Francisco Bay area, including the San Francisco Bay Area Rapid Transit District and the Alameda-Contra Costa Transit District, with specified powers and duties relating to providing public transit services.

This bill would require, on or before July 1, 2026, the Transportation Agency, subject to various requirements, to loan to the Metropolitan Transportation Commission up to $590,000,000 of funding approved under the program for projects within the San Francisco Bay area. The bill would require the Metropolitan Transportation Commission to use the proceeds of that loan to offer loans, subject to certain conditions, for public transit operating purposes to the San Francisco Bay Area Rapid Transit District, the San Francisco Municipal Transportation Agency, the Peninsula Corridor Joint Powers Board, and the Alameda-Contra Costa Transit District. By changing the purpose for which continuously appropriated funds may be expended, the bill would make an appropriation. The bill would require the California Transportation Commission, if certain conditions are met, to establish an allocation plan for the awarded projects in the San Francisco Bay area under which future allocations under the program to those projects may be adjusted or deferred during the repayment period of the loan made to the Metropolitan Transportation Commission, as specified. The bill would require a transit operator to use its respective share of specified funding under the State Transit Assistance Program as security for any loan made by the Metropolitan Transportation Commission and would authorize the Metropolitan Transportation Commission to redirect those funds as repayment for an outstanding loan if the specified transit entity fails to make timely loan payments. The bill would make these provisions inoperative upon full repayment of the loan by the Metropolitan Transportation Commission, as specified. To the extent the bill would impose new duties on the Metropolitan Transportation Commission, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 75227 is added to the Public Resources Code, to read:

75227. (a) This section shall apply notwithstanding any other law.

(b) For purposes of this section, the following definitions apply:

(1) “Public transit operating purposes” includes, but is not limited to, costs necessary to avoid or mitigate service reductions and costs to maintain or restore existing transit service levels for bus, rail, and other public transportation services. “Public transit operating purposes” does not include capital construction costs or any other capital expenses.

(2) “Region” means the region described in Section 66502 of the Government Code.

(3) “Specified transit entities” means the San Francisco Bay Area Rapid Transit District, the San Francisco Municipal Transportation Agency, the Peninsula Corridor Joint Powers Board, and the Alameda-Contra Costa Transit District.

(c) On or before July 1, 2026, the Transportation Agency shall loan to the Metropolitan Transportation Commission up to five hundred ninety million dollars ($590,000,000) of funding approved under the Transit and Intercity Rail Capital Program for projects within the region. The Metropolitan Transportation Commission shall use the proceeds of the loan described in this section to offer loans to the specified transit entities for public transit operating purposes. The loan to the Metropolitan Transportation Commission shall be subject to all of the following:

(1) The loan is limited to being comprised of funding awarded to projects within the region that, as of December 31, 2025, have not been fully allocated funding by the California Transportation Commission.

(2) The loan shall be repaid in quarterly installments by the Metropolitan Transportation Commission to the Transportation Agency over a period of 12 years calculated from the original loan issue date, subject to all of the following:

(A) The first two years of the loan repayment period shall consist of interest-only quarterly payments.

(B) After two years from the original loan issue date, repayment shall consist of quarterly payments based on an amortization schedule factoring in full repayment of both outstanding interest and principal amounts over the remaining loan term.

(C) The rate of interest applied to a loan made pursuant to this section shall be the same rate earned on investments in the Surplus Money Investment Fund during the loan repayment period.

(3) The Metropolitan Transportation Commission shall determine the terms and conditions of loans made to the specified transit entities, including, but not limited to, the principal amount, and any conditions before disbursement, consistent with the requirements of subparagraphs (A), (B), and (C) of paragraph (2).

(d) (1) The Metropolitan Transportation Commission shall secure repayment of any loan issued by the Transportation Agency pursuant to this section by pledging and assigning, as security of last resort for the loan, the State Transit Assistance Program revenues received by the specified transit entities that would otherwise be administered by the Metropolitan Transportation Commission pursuant to Section 99314 of the Public Utilities Code. The loan agreement shall be signed by a representative of the Transportation Agency and the Metropolitan Transportation Commission and shall specify the pledged amount or method of calculation and the period during which the pledge applies. The signatories to the loan agreement may bind their respective agencies, as established by each agency's respective procedures and any necessary supporting actions to confer that authority.

(2) The California Transportation Commission shall monitor and report to the Transportation Agency on the unallocated and unexpended balances of the region's project awards for the Transit and Intercity Rail Capital Program. If the total awarded but unallocated funds to projects in the region less any outstanding loan balances falls below three hundred fifty million dollars ($350,000,000), the California Transportation Commission shall do both of the following:

(A) Notify the Transportation Agency and Metropolitan Transportation Commission.

(B) In consultation with the Transportation Agency, evaluate information provided by the Metropolitan Transportation Commission and project sponsors in the region regarding their unallocated and unexpended balances of the region's projects in the Transit and Intercity Rail Capital Program to determine whether there is risk to California Transportation Commission's ability to meet the region's anticipated allocation requests and project cash flow requirements over the next two years. If the California Transportation Commission, in consultation with the Transportation Agency, determines it to be necessary, the California Transportation Commission, in consultation with the Transportation Agency, shall establish an allocation plan for the region's awarded projects, in coordination with the region's Transit and Intercity Rail Capital Program project sponsors and the Metropolitan Transportation Commission. The allocation plan shall be for projects in the region seeking allocation and the plan may adjust or defer future allocations during the period of repayment of the loan made to the Metropolitan Transportation Commission pursuant to subdivision (c).

(3) If an allocation plan established pursuant to paragraph (2) results in a material impact to a project in the region, as determined by the California Transportation Commission and the Transportation Agency, the Metropolitan Transportation Commission, in coordination with the Transportation Agency, may prioritize the use of existing sources of funds allocated by the state to the region so that the project is not materially impacted with regard to scope, schedule, and eligibility for nonstate funding. If state-allocated fund sources provided to the region are used for this circumstance, the Transportation Agency may return funds to the Metropolitan Transportation Commission from the loan repayments made pursuant to paragraph (2) of subdivision (c) equal to the state-allocated fund sources provided to the region that are committed to the affected project.

(e) A specified transit entity shall use its respective share of funding under the State Transit Assistance Program pursuant to Section 99314 of the Public Utilities Code as security for any loan made by the Metropolitan Transportation Commission pursuant to this section and those funds may be redirected by the Metropolitan Transportation Commission as repayment for any outstanding loan if the specified transit entity fails to make timely loan payments.

(f) (1) Subdivisions (a) to (e), inclusive, shall become inoperative upon full repayment of the loan by the Metropolitan Transportation Commission, as determined by the Transportation Agency in consultation with the Department of Finance.

(2) Upon the determination made in paragraph (1), notwithstanding Section 9795 of the Government Code or any other law, the Transportation Agency shall notify the Joint Legislative Budget Committee of this fact. This section shall be repealed on January 1 following the notification provided to the Joint Legislative Budget Committee.

(g) The Legislature finds and declares that this section is related to Section 91.00 of the Budget Act of 2025 (Chapters 4, 5, and 104 of the Statutes of 2025).

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 3. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

O

June 10, 2026

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Subject: Request for Approval – Loan Agreement with MTC for Up to $200 Million for SFMTA Public Transit Operating Purposes Under Assembly Bill 117

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission (MTC) for up to a maximum principal amount of $200 million for SFMTA public transit operating purposes (beginning July 1, 2026), pursuant to Assembly Bill 117 (AB 117). The draft loan agreement is on file with the Clerk of the Board of Supervisors.

Background

AB 117, signed by Governor Newsom on February 19, 2026, requires the California State Transportation Agency (CalSTA) to loan $590 million to MTC from the Transit and Intercity Rail Capital Program (TIRCP). MTC will in turn loan the proceeds to four Bay Area transit operators—BART ($285 million), SFMTA ($200 million), AC Transit ($55 million), and Caltrain ($50 million)—to address near-term operating funding shortfalls. Loan proceeds may be used solely for public transit operating purposes and may not be used for capital expenditures or debt refinancing.

SFMTA has been facing significant budgetary pressures driven by rising operating costs, declining fare revenues, and the expiration of federal COVID-19 emergency relief funding. Prior to the FY2026-27 and FY2027-28 budget cycle, the agency has projected a substantial operating deficit for Fiscal Year 2026-27. The MTC loan provides critical near-term liquidity to address this deficit while spreading repayment over a manageable 10-year period and serves as a bridge to the potential November 2026 regional sales tax measure.

Proposed MTC Loan Terms

The proposed MTC loan terms for SFMTA include:

- **Maximum Principal Amount:** Up to $200 million
- **Loan Term:** 12 years, maturing June 3, 2038

- **Interest Rate:** Variable, based on the quarterly rate for the Surplus Money Investment Fund (SMIF) published by the State Controller (currently approximately 4%)
- **Interest-Only Period:** Effective date through June 30, 2028 (approximately two years)
- **Amortization Period:** July 1, 2028 through June 3, 2038 (approximately 10 years); semiannual principal and interest payments.
- **Amortization Schedule:** To be determined jointly by the parties on or before March 1, 2028 based on outstanding principal and average SMIF rate during the interest only period
- **Security:** Revenue-based portion of State Transit Assistance Program funds allocable to SFMTA, pledged by MTC to CalSTA
- **Repayment Obligation:** Absolute and unconditional; not subject to offset or reduction
- **Prepayment:** Permitted at any time on a scheduled payment date, at no premium or penalty
- **Use of Proceeds:** Solely for SFMTA public transit operating purposes

Funding Impact

The MTC loan would provide up to $200 million in near-term liquidity to help balance SFMTA's FY2026-27 Operating Budget. At the current SMIF rate of approximately 4 percent, staff estimates annual interest cost of approximately $8 million per year on a fully drawn $200 million principal during the interest-only period, subject to rate fluctuation. Beginning in Fiscal Year 2028-29, semiannual principal and interest payments will be due. The amortization schedule will be determined by March 1, 2028, and will be memorialized by the MTC and the SFMTA. Debt service payments will be incorporated into SFMTA's future operating budgets and multi-year financial plan. Staff estimate annual payments of approximately $30 million per year on $200 million, subject to rate fluctuation. In a letter dated May 27, 2026, the City Controller certified sufficient unencumbered balances are expected to be available in the proper fund to meet all MTC loan payments as they become due, and the MTC loan is secured by revenues under the jurisdiction of the SFMTA.

Reporting Requirements

Under the MTC loan agreement, no later than two hundred seventy (270) calendar days after the close of each fiscal year, the SFMTA will be required to provide MTC with annual financial statements and an annual written certificate certifying that all loan proceeds have been used for public transit operating purposes under AB 117.

Stakeholder Engagement

SFMTA staff has engaged with MTC, the California Department of Finance, and CalSTA staff regarding the AB 117 loan program and the MTC loan agreement terms for SFMTA's participation. Staff has reviewed the draft CalSTA-MTC loan agreement and the draft MTC-SFMTA loan agreement, which is consistent with the CalSTA-MTC loan agreement.

Environmental Review
The SFMTA, under authority delegated by the Planning Department, determined that the SFMTA resolution to request the Board of Supervisors to authorize the Director of Transportation to enter into the MTC loan agreement under AB 117, further described below, is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b), as it involves only financial and administrative actions with no direct physical impact on the environment. A copy of the CEQA determination is on file with the Clerk of the Board of Supervisors.

SFMTA Board of Director Approval
The SFMTA Board of Directors adopted a SFMTAB Resolution No. 260602-045 at its meeting on June 2, 2026 to recommend and request the Board of Supervisors to authorize the Director of Transportation to execute the MTC loan agreement.

Request for Approval
Board of Supervisors approval is required pursuant to Charter Section 8A.102(b)(13) because the proposed MTC loan agreement would create a debt. The SFMTA respectfully requests that the Board of Supervisors approve the attached resolution authorizing the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission in a maximum principal amount of $200 million for SFMTA public transit operating purposes pursuant to AB 117, to enter into any additions, amendments or other modifications to the MTC loan agreement that the Director of Transportation, in consultation with the City Attorney, determines are in the best interests of the SFMTA and that do not materially increase the obligations or liabilities of the SFMTA or materially decrease the benefits to the SFMTA as provided in the MTC loan agreement, and to take all actions necessary to implement such agreements.

Sincerely,

Julie Kirschbaum
Director of Transportation

OFFICE OF THE MAYOR
SAN FRANCISCO

DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Dexter Darmali, Legislative & Ethics Secretary
RE: Loan Agreement – Metropolitan Transportation Commission - $200,000,000 – Public Transit Operating Purposes
DATE: June 2, 2026

Resolution authorizing the Director of Transportation to enter into a loan agreement with the Metropolitan Transportation Commission as lender up to a maximum principal amount of $200,000,000 for San Francisco Municipal Transportation Agency public transit operating purposes pursuant to Assembly Bill 117.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141