

File No. 1100465

Committee Item No. 13

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date May 20, 2016
Completed by: Linda Wong Date _____

1 [Revenue Bonds - Municipal Transportation Agency - Not to Exceed \$207,000,000]

2
3 **Resolution authorizing the sale, issuance, and execution of one or more series of San**
4 **Francisco Municipal Transportation Agency Revenue Bonds, in an amount not to**
5 **exceed \$207,000,000, which includes up to \$45,000,000 for the Mission Bay**
6 **Component; and up to \$162,000,000 for other projects, such as the light rail vehicle**
7 **procurement, the Van Ness Transit Improvement Project, and for various financing**
8 **costs; approving the form of certain financing documents including the official**
9 **statement, the bond purchase contract, the fourth supplement to indenture of trust,**
10 **and continuing disclosure certificate; authorizing the taking of appropriate actions in**
11 **connection therewith, as defined herein; and related matters approving the forms of**
12 **documents relating thereto; approving the maximum interest thereon; and finding that**
13 **a portion of the proposed revenue bond issuance is not a project under the California**
14 **Environmental Quality Act ("CEQA"), and adopting findings under CEQA, CEQA**
15 **Guidelines, and San Francisco Administrative Code, Chapter 31, for the remaining**
16 **portion of the proposed bond issuance; and related matters.**

17
18 WHEREAS, The San Francisco Municipal Transportation Agency (the "SFMTA")
19 desires to finance the costs of certain transportation projects including, but not limited to the
20 following SFMTA capital improvement programs: Muni Transit Safety and Spot Improvements,
21 Complete Street Capital Improvements, Facility Improvements, Transit Fixed Guideway
22 Improvements, Pedestrian Safety and Traffic Signal Improvements and Muni Light Rail
23 Vehicle Procurement (collectively, the "Project"); and

24 WHEREAS, Pursuant to Section 8A.102(b)(13) of the Charter (the "Charter") of the City
25 and County of San Francisco (the "City"), the Board of Supervisors of the City and County of

1 San Francisco (the "Board") may authorize the issuance of revenue bonds by the Board of
2 Directors (the "Board of Directors") of the SFMTA without voter approval for any SFMTA-
3 related purpose and secured solely by SFMTA revenues, such revenue bonds to be issued
4 and sold in accordance with state law, the Charter or any procedure provided for by
5 ordinance; and

6 WHEREAS, Pursuant to the procedures outlined in Article XIII of Chapter 43 of the San
7 Francisco Administrative Code (the "Code"), the Board of Directors may issue revenue bonds
8 authorized in accordance with the Charter (the "SFMTA Revenue Bonds"); and

9 WHEREAS, The SFMTA desires to issue revenue bonds to fund the Project; and

10 WHEREAS, The SFMTA desires to enter into a form of Bond Purchase Contract (the
11 "Purchase Contract") with the underwriter to be named therein for the purpose of selling the
12 revenue bonds; and

13 WHEREAS, The SFMTA has been presented with the form of certain documents
14 related to the revenue bonds, including the Fourth Supplement, the Purchase Contract, the
15 Preliminary Official Statement, and the Continuing Disclosure Certificate (all as defined below,
16 and collectively, the "Financing Documents"), and the SFMTA has examined each document
17 and desires to approve, authorize and direct the execution of such documents and the
18 consummation of such financing; and

19 WHEREAS, The provisions of the Financing Documents do not conflict with the
20 requirements of the Code; now, therefore, be it

21 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
22 follows:

23 Section 1. Recitals. All of the recitals herein are true and correct.

24 Section 2. Approval and Authorization of SFMTA Revenue Bonds. The issuance by the
25 Board of Directors of the SFMTA Revenue Bonds in one or more series for the purposes of

1 acquiring, constructing, improving and developing facilities under the jurisdiction of the
2 SFMTA funding a reserve fund, paying costs of issuance and other incidental costs, is
3 approved as required by Section 43.13.4 of the Code. The total principal amount of the
4 SFMTA Revenue Bonds issued from time to time shall not exceed the aggregate principal
5 amount of \$207,000,000, which includes up to \$45,000,000 for the Mission Bay Component
6 (as defined below in Section 11); and up to \$162,000,000 for other projects, such as the light
7 rail vehicle procurement, the Van Ness Transit Improvement Project, and for various financing
8 costs.

9 Section 3. No Conflicts with the Code. The SFMTA Revenue Bonds shall be issued
10 pursuant to the terms of the Financing Documents as each shall be approved as to form by
11 the City Attorney, which approval shall be conclusively evidenced by the signature of the City
12 Attorney on each such agreement; provided, that the terms of the Financing Documents shall
13 not conflict with the requirements of the Code.

14 Section 4. Maximum Interest Rate. Pursuant to Section 43.13.4(b) of the Code, the
15 maximum interest rate for the SFMTA Revenue Bonds shall not exceed 12% per annum.

16 Section 5. Approval of the Fourth Supplement and Authorization of the Trustee. The
17 form of a fourth supplement to indenture of trust (the "Fourth Supplement") between the
18 SFMTA and U.S. Bank, as trustee or such other trustee selected by the Director of
19 Transportation of the SFMTA or her/his designee (collectively, the "Director"), copies of which
20 are on file with the Clerk of the Board under File No. _____ is approved, with such
21 changes, additions, and modifications as the Director may make or approve in accordance
22 with Section 9 hereof.

23 Section 6. Approval of Bond Purchase Contract relating to the SFMTA Revenue Bonds.
24 The form of a bond purchase contract relating to the SFMTA Revenue Bonds (the "Bond
25 Purchase Contract"), a copy of which is on file with the Clerk of the Board under File No.

1 _____ is approved, with such changes, additions, and modifications as the Director may
2 make or approve in accordance with Section 9 hereof.

3 Section 7. Approval of the Official Statement in Preliminary and Final Form. The form of
4 an official statement relating to the SFMTA Revenue Bonds (the "Official Statement"), a copy
5 of which is on file in preliminary form with the Clerk of the Board under File No. _____ is
6 approved, with such changes, additions and modifications as the Director may make or
7 approve in accordance with Section 9 hereof.

8 Section 8. Approval of the Continuing Disclosure Certificate. The form of a continuing
9 disclosure certificate of the City (the "Continuing Disclosure Certificate"), a copy of which is on
10 file with the Clerk of the Board under File No. _____ is approved, with such changes, additions,
11 and modifications as the Director may make or approve in accordance with. Section 9 hereof.

12 Section 9. Modifications, Changes and Additions; Additional Agreements. The
13 approvals contained herein shall extend to any amendments to the Fourth Supplement, the
14 Bond Purchase Contract, the Official Statement, the Continuing Disclosure Certificate and all
15 agreements of the Board of Directors supplemental thereto, as well as to such additional
16 agreements as the Board of Directors may adopt or the SFMTA may execute for the purpose
17 of implementing the issuance, sale and delivery of the SFMTA Revenue Bonds. The Director's
18 approval of such modifications, changes or additions, made upon consultation with the City
19 Attorney, shall be conclusively evidenced by the execution and delivery by the Director of the
20 Financing Documents; provided however any such amendments or modifications shall be in
21 accordance with the grant of authorization contained in this Resolution.

22 Section 10. Modification of Financial Covenants. Notwithstanding anything to the
23 contrary in this resolution, the Director, with the advice of the financial advisors to the SFMTA,
24 may modify the financial covenants set forth in the Financial Documents, including but not
25 limited to budget and revenue covenants, additional debt covenants and the definition of

1 "Pledged Revenues" to the extent such revisions are deemed necessary or desirable by the
2 Director for the issuance of the SFMTA Revenue Bonds based on advice from the SFMTA's
3 financial advisors.

4 Section 11. CEQA. This Board makes the following findings in compliance with the
5 California Environmental Quality Act, California Public Resources Code Sections 21000 et
6 seq. (CEQA), the CEQA Guidelines, 15 Cal. Administrative Code Sections 15000 et seq.,
7 (CEQA Guidelines), and San Francisco Administrative Code Chapter 31 (Chapter 31). The
8 following three projects proposed to be funded with this Bond have been reviewed as required
9 by CEQA.

10 A. Light Rail Vehicle (LRV) Procurement. As set forth in Resolution No. _____ of
11 the SFMTA Board of Directors, dated April 4, 2016, the Department of City Planning has
12 determined that a portion of the LRV Procurement is statutorily exempt under CEQA and the
13 proposed LRVs for the Central Subway Project were reviewed as part of the Central Subway
14 Final Supplemental EIS/EIR, certified by the Planning Commission on August 7, 2008, which
15 findings and conclusions were adopted by the SFMTA Board of Directors on August 19, 2008;
16 by Resolution No. _____, the SFMTA Board of Directors found that since the certification
17 of the Central Subway Final Supplemental EIS/EIR, there have been no substantial project
18 changes, no substantial changes in project circumstances, and no new information that would
19 change the conclusions set forth in the Central Subway Final Supplemental EIS/EIR requiring
20 additional environmental review under CEQA.

21 B. Van Ness Transit Improvement Project (also known as the Van Ness BRT Project).
22 As set forth in Resolution No. _____ of the SFMTA Board of Directors, dated April 4, 2016,
23 on September 10, 2013, the San Francisco County Transportation Authority (Authority) Board
24 certified the Van Ness BRT Final EIS/EIR, and on September 17, 2013, the SFMTA Board of
25 Directors adopted Resolution No. 13-214, approving the Van Ness BRT Project and adopting

1 the CEQA Findings and Statement of Overriding Considerations for the Van Ness BRT Final
2 EIS/EIR, and subsequently affirmed, after considering a memorandum and an addendum to the
3 Final EIS/EIR prepared by the Authority, that no additional environmental review is required
4 under Public Resources Code section 21166 with respect to the Van Ness BRT Project for the
5 proposed Bond issuance.

6 C. Mission Bay Component. As set forth in Resolution No. _____ of the SFMTA
7 Board of Directors, dated April 4, 2016, the San Francisco Commission on Community
8 Investment and Infrastructure (CCII) certified the Final Subsequent Environmental Impact Report
9 (FSEIR) for the Golden State Warriors (GSW) Event Center and Mixed Use Development at
10 Mission Bay Blocks 29-32 (referred to herein as the "Mission Bay Component"), as being in
11 compliance with CEQA and made CEQA findings; on November 3, 2015, under Resolution No.
12 15-154, the SFMTA Board adopted CEQA findings and took various approval actions with
13 respect to the Mission Bay Component; the Board of Supervisors, acting as the legislative body to
14 the CCII, affirmed the certification in response to an appeal of the FSEIR by Motion M15-178 on
15 December 8, 2015; by Resolution No. _____, the SFMTA Board of Directors found that since the
16 certification of the GSW FSEIR, there have been no substantial project changes, no substantial
17 changes in project circumstances, and no new information that would change the conclusions set
18 forth in the GSW FSEIR requiring additional environmental review under CEQA.

19 As to the three projects discussed in paragraphs A, B and C above, the Board of
20 Supervisors incorporates the factual statements and affirms all findings contained in
21 Resolution No. _____ of the SFMTA Board of Directors, dated April 4, 2016.

22 D. That except as to the three projects discussed in paragraphs A, B and C above, this
23 Board finds that the issuance of the SFMTA Revenue Bonds by the SFMTA is not subject to
24 CEQA because as the establishment of a government financing mechanism that does not
25 identify individual specific projects to be constructed with the funds, it is not a project as

1 defined by CEQA and the CEQA Guidelines and that the SFMTA shall consult with the City
2 Attorney as to necessary CEQA findings and determinations with respect to any project prior
3 to the expenditure of bond proceeds. Further, this Board incorporates and adopts the findings
4 of the SFMTA Board of Directors in Resolution No. _____ that the City will not proceed
5 with any such project until it is fully compliant with CEQA and the City retains absolute
6 discretion with respect to any such specific project to modify the project to mitigate specific
7 impacts, select feasible alternatives to avoid impacts, reject the project due to significant
8 environmental impacts, or approve the project notwithstanding significant environmental
9 impacts on a finding that the economic and social benefits of the project outweigh the adverse
10 environmental impacts.

11 Section 12. The Controller, the Director, the Clerk of the Board, the City Attorney and
12 any and all other officers of the City are hereby authorized to approve and make such
13 modifications, changes or additions to the forms of Fourth Supplement, the Bond Purchase
14 Contract, the Official Statement, and the Continuing Disclosure Certificate, upon consultation
15 with the City Attorney, as may be necessary or desirable in the interests of the SFMTA, and
16 which changes do not materially increase the obligations of the SFMTA under the Fourth
17 Supplement, the Bond Purchase Contract, the Official Statement, and the Continuing
18 Disclosure Certificate. Approval of such modifications, changes or additions shall be
19 conclusively evidenced by the execution and delivery by the Controller, the Director, or the
20 Clerk of the Board, as the case may be, of the applicable document. Any such actions are
21 solely intended to further the purposes of this Resolution, and are subject in all respects to the
22 terms of the Resolution. No such actions shall increase the risk to the SFMTA or require the
23 SFMTA to spend any resources not otherwise granted herein. Final versions of any such
24 documents shall be provided to the Clerk of the Board for inclusion in the official file within 30
25 days of execution (or as soon thereafter as final documents are available) by all parties.

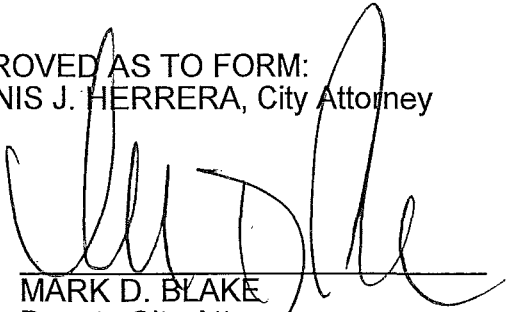
1 Section 13. The Board finds and declares that the proposed Bond issuance is (i) in
2 conformity with the priority policies of Section 101.1(b) of the San Francisco Planning Code,
3 (ii) in accordance with Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the
4 San Francisco Administrative Code, and (iii) consistent with the City's General Plan, and
5 adopts the findings of the Planning Department, as set forth in the General Plan Referral
6 Report dated April 25, 2016, a copy of which is on file with the Clerk of the Board

7 Section 14. All actions authorized and directed by this Resolution, consistent with any
8 documents presented herein, and heretofore taken are hereby ratified, approved and
9 confirmed by this Board.

10 Section 15. All documents referenced herein as being on file with the Clerk of the
11 Board are located in File No. _____, which is hereby declared to be a part of this Resolution
12 as if set forth fully herein.

13
14 APPROVED AS TO FORM:
15 DENNIS J. HERRERA, City Attorney

16
17 By:

18 
19 MARK D. BLAKE
20 Deputy City Attorney

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| | |
|--|---|
| Items 12 and 13 Files 16-0464 and 16-0465 | Department: San Francisco Municipal Transportation Agency (SFMTA) |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objective</p> <p><u>File 16-0464</u>: Ordinance appropriating \$207,000,000 of revenue bond proceeds for transportation projects, equipment, debt service reserve and financing costs.</p> <p><u>File 16-0465</u>: Resolution authorizing the SFMTA to issue not-to-exceed \$207,000,000 in revenue bonds, approving related financing documents and making CEQA determinations.</p> <p>Key Points</p> <ul style="list-style-type: none"> • Proposition A, approved by San Francisco voters in 2007, authorized SFMTA to issue revenue bonds to finance transit, parking and other capital improvement projects, subject to Board of Supervisors' approval. In 2012, SFMTA issued \$37,960,000 to refund outstanding revenue bonds and \$25,835,000 to finance transit and parking projects. • The SFMTA's second issuance of bonds in 2013 and 2014 for \$162,636,058 included \$150,000,000 to fund capital projects for (1) pedestrian safety and transit signals, (2) street and bicycle projects, (3) transit system improvements, (4) parking garage and Muni facility improvements, and (5) light rail vehicle procurement. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • On the proposed \$207 million revenue bonds, annual true interest costs would be approximately 4.32%. Estimated total debt service is \$385.4 million, of which \$178.4 million is interest. Assuming two issuances, the requested bonds will add between \$11 million to \$16 million in additional annual debt service. Combining prior debt with the new \$207 million of debt, the annual debt service would range from \$17.8 million to \$26.1 million. • SFMTA will repay the bonds from annual pledged gross revenues of \$626.3 million in FY 2015-16, from passenger fares, traffic and taxis fees, permits, parking meters and parking garages, and other SFMTA operating revenues. However, repayment of the \$35 million for the transportation improvements related to the Warriors project will be reimbursed from the Mission Bay Transportation Improvement Fund. • According to SFMTA's debt policy, aggregate annual debt service on long-term debt should not exceed five percent of SFMTA's annual operating expenses. Based on SFMTA's financial projections, combined annual debt service on the previous and proposed revenue bonds would not exceed 2.8 percent of annual operating expenses over the 30-year term. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution and ordinance. | |

MANDATE STATEMENT

Charter Section 8A.102(b)(13) authorizes the San Francisco Municipal Transportation Agency (SFMTA) to incur debt and issue bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation and other debt instruments without further voter approval, subject to Board of Supervisors approval. Charter Section 8A.102(b)(13) requires that (1) the Controller must first certify that SFMTA has sufficient unencumbered fund balances available in the appropriate fund to meet all payments on debt obligations as they become due; and (2) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.

Charter Section 9.105 requires Board of Supervisors' approval of amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

BACKGROUND

SFMTA's Prior Issuance of Debt

In 2007 San Francisco voters approved Proposition A, amending the Charter to add Section 8A.102, authorizing SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval, subject to Board of Supervisors' approval. SFMTA did not request Board of Supervisors approval to issue debt until 2012, instead funding capital projects on a cash basis with available federal, state and local grants, San Francisco County Transportation Authority (SFCTA) sales tax revenues (Proposition K, which authorized a ½ cent sales tax to pay for transportation projects), and SFMTA operating funds.

2012 Revenue Bonds

In April 2012 the Board of Supervisors approved (a) an ordinance amending the City's Administrative Code authorizing SFMTA to issue revenue bonds (File 11-1354), (b) a resolution authorizing the first issuance of up to \$80,000,000 in SFMTA revenue bonds (File 11-1341), and (c) an ordinance appropriating \$75,235,000 of the revenue bond proceeds (Files 12-0242 and 12-0243). In July 2012, the SFMTA issued and appropriated \$63,795,000 of the 2012 revenue bonds as summarized in Table 1 below.

Table 1: 2012 SFMTA Revenue Bonds

| Series 2012 | Amount | Purpose |
|--|---------------------|---|
| 2012 Series A Parking Garage Refunding Revenue Bonds | \$37,960,000 | Refunded bonds previously issued by San Francisco Parking Authority and three non-profit parking corps (Ellis-O'Farrell, Downtown, and Uptown). |
| 2012 Series B Revenue Bonds | 25,835,000 | System wide transit access and reliability projects, Muni Metro projects, light rail facility rehabilitation, radio replacement and parking projects. |
| Total | \$63,795,000 | |

Because the difference of \$16,205,000 between the authorized Series 2012 Revenue Bonds of up to \$80,000,000 and the actual bond issuance of \$63,795,000 was due to changes in financing rather than project costs, SFMTA cannot use this previous authorization for future issuances. As of April 2016, SFMTA reports that all of the 2012 Series A and B revenue bond proceeds were expended as budgeted, except for \$57,278 reallocated to SFMTA's radio replacement project and \$7,000 for additional parking garage projects.

2013 Commercial Paper

In 2013, the SFMTA Board of Directors approved a five-year \$3.06 billion capital improvement plan for FY 2013-17. In July 2013, the Board of Supervisors approved SFMTA's issuance of \$100,000,000 in commercial paper¹ to provide interim financing for SFMTA's capital program. According to Ms. Sonali Bose, SFMTA Chief Financial Officer, to date, the SFMTA has not issued any commercial paper.

2013 and 2014 Revenue Bonds

In September 2013 the Board of Supervisors approved a second issuance of a not to exceed \$165 million SFMTA revenue bonds and appropriated these revenue bond proceeds, including \$150 million for SFMTA project costs (Files 13-0866 and 13-0861). Chapter 43, Article XIII of the City's Administrative Code authorizes the SFMTA Board of Directors to issue authorized revenue bonds in one or more series on one or more dates. The SFMTA split this revenue bond authorization into two sales as summarized in Table 2 below.

Table 2: 2013 and 2014 Revenue Bond Proceeds

| Projects | 2013 Bonds | 2014 Bonds | Total |
|--|---------------------|---------------------|----------------------|
| Pedestrian Safety/ Transit Signal Improvements | \$5,437,587 | \$11,000,000 | \$16,437,587 |
| Street Capital Improvements (Bicycle Projects) | 9,000,000 | 15,227,540 | 24,227,540 |
| Transit Fixed Guideway Improvements | 28,562,413 | --- | 28,562,413 |
| Muni Transit System Safety and Improvements | 11,000,000 | 16,500,000 | 27,500,000 |
| Facility Improvements | 8,500,000 | 30,000,000 | 38,500,000 |
| Muni Light Rail Vehicle Procurement | 12,500,000 | 2,272,460 | 14,772,460 |
| Total SFMTA Project Costs | \$75,000,000 | \$75,000,000 | \$150,000,000 |
| Debt Service Reserve and Issuance Costs | 7,243,319 | 5,392,739 | 12,636,058 |
| Total Revenue Bond Issuances | \$82,243,319 | \$80,392,739 | \$162,636,058 |

Of the total \$150 million of 2013 and 2014 bond proceeds available for SFMTA project funding, SFMTA reports expending a total of \$52,241,849, leaving a remaining balance of \$97,758,151, as summarized in Table 3 below. Of the remaining balance of approximately \$98 million, the SFMTA anticipates expending approximately \$25 million by December 2016 and the remaining \$73 million by December 2017. SFMTA also advises that \$13.5 million of the funds appropriated for Transit Fixed Guideway Improvements need to be redirected to Islais Creek Phase II Facility Improvements, after SFMTA informs the SFMTA Bond Oversight Committee and SFMTA Board.

¹ Commercial paper is a form of short-term interim financing for capital projects that permits the City to pay project costs on an ongoing basis. Commercial paper has a fixed maturity of up to 270 days and provides for refinancing with subsequent issuances of commercial paper or debt, such as bonds. Commercial paper can reduce overall borrowing costs because commercial paper interest rates are typically lower than long-term interest rates.

Table 3: Expenditures to Date from \$150 Million 2013 and 2014 Bonds

| Projects | Total Bond Proceeds | Expenditures To Date | Remaining |
|--|----------------------|----------------------|---------------------|
| Pedestrian Safety/ Transit Signal Improvements | \$16,437,587 | \$3,414,033 | \$13,023,554 |
| Street Capital Improvements (Bicycle Projects) | 24,227,540 | 2,756,898 | 21,470,642 |
| Transit Fixed Guideway Improvements | 28,562,413 | 10,478,066 | 18,084,347 |
| Muni Transit System Safety and Improvements | 27,500,000 | 7,357,273 | 20,142,727 |
| Facility Improvements | 38,500,000 | 19,008,090 | 19,491,910 |
| Muni Light Rail Vehicle Procurement | 14,772,460 | 9,227,489 | 5,544,971 |
| Total | \$150,000,000 | \$52,241,849 | \$97,758,151 |

SFMTA Outstanding Debt

Based on the SFMTA's previous issuances in 2012, 2013 and 2014, the SFMTA has issued a total of \$226.4 million of revenue bonds to refinance debt and finance transportation capital projects. Since each issuance, SFMTA has made annual debt service payments on these bonds. As shown in Table 4 below, SFMTA currently has \$185,835,000 of outstanding revenue bonds, with existing debt extending to 2044.

Table 4: Outstanding SFMTA Debt

| Bond Series Issuance | Outstanding Debt | Final Maturity of Bonds |
|----------------------|----------------------|-------------------------|
| 2012A | \$24,600,000 | 2032 |
| 2012B | 25,835,000 | 2042 |
| 2013 | 67,725,000 | 2033 |
| 2014 | 67,675,000 | 2044 |
| Total | \$185,835,000 | |

In FY 2016-17, SFMTA anticipates expending \$16.6 million for debt service on the outstanding debt. As SFMTA debt is front loaded such that debt service payments are higher in the earlier years, existing annual debt service costs will decrease to \$13.3 million in FY 2022 -23 and \$7.3 million in FY 2033-34.

Revenue Bond Oversight Committee

In 2011, the SFMTA Board of Directors approved a SFMTA Bond Oversight Committee, comprised of seven members, to oversee the spending of bond proceeds and inform the Board of Directors and the public on the status of the projects funded by debt. The SFMTA Bond Oversight Committee has issued annual reports for FY 2012-13, FY 2013-14 and FY 2014-15.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 16-0465):

- (1) Authorizes the issuance of not-to-exceed \$207,000,000 aggregate principal amount of revenue bonds in one or more series on one or more dates by the SFMTA to finance certain transportation related projects, a reserve fund if advisable, and issuance costs.
- (2) Authorizes the revenue bonds to be sold in either competitive or negotiated sale.
- (3) Approves a maximum interest rate of 12% per year on the bonds.
- (4) Approves the fourth supplement to the indenture of trust agreement between SFMTA and U.S. Bank as trustee.
- (5) Approves the form of certain financing documents, including the official notice of sale, notice of intention to sell bonds, the bond purchase contract, official statement in preliminary and final form and continuing disclosure certificate.
- (6) Authorizes modifications to these financial documents as deemed necessary by the SFMTA Director based on advice from SFMTA’s financial advisors and the Director, Controller, City Attorney or other City officials to take necessary actions to accomplish the purposes of this resolution, without increasing the City’s risk or expenditures.
- (7) Makes specific findings for three projects in compliance with the California Environmental Quality Act (CEQA).

The proposed ordinance (File 16-0464) would appropriate the \$207,000,000 of SFMTA Revenue Bond proceeds to the SFMTA to fund \$190 million of transportation capital projects as well as debt service reserve, bond issuance and auditor costs as shown in Table 5 below.

Table 5: Sources and Uses

| Sources | Amount |
|--|----------------------|
| Par Amount | \$207,000,000 |
| Total Sources | \$207,000,000 |
| Uses | |
| SFMTA Capital Projects | \$190,000,000 |
| Debt Service Reserve Fund | 14,620,000 |
| Costs of Issuance | 2,000,000 |
| City Services Auditor (0.2% of Capital Projects) | 380,000 |
| Total Uses | \$207,000,000 |

The appropriation ordinance would place the entire \$207 million on Controller’s Reserve pending the actual sale of the SFMTA revenue bonds. According to Ms. Bose, she anticipates one or two issuances, depending on the timing of capital project needs for the SFMTA and pending resolution of litigation regarding the Warriors project.

SFMTA’s financial advisors will determine whether the proposed bonds can be issued without a debt service reserve fund. If necessary, the debt service reserve would be funded from the bond proceeds, held by the bond trustee and used to pay debt service if SFMTA’s revenues

pledged to pay debt service are insufficient. The debt service reserve will be the lesser of (a) maximum annual debt service, (b) 125 percent of average annual debt service, or (c) 10 percent of the outstanding principal amount of the bonds.

Revenue bond issuance costs include the fees for the co-financial advisors, co-bond counsel, disclosure counsel, underwriters and their counsel, rating agency fees, and other expenses related to the issuance of the requested bonds.

SFMTA would allocate \$190,000,000 in bond proceeds to the following three capital projects:

Table 6: SFMTA Capital Project Fund Allocation

| SFMTA Capital Projects | Allocation |
|---|----------------------|
| Light Rail Vehicle Procurement | \$107,000,000 |
| Van Ness Bus Rapid Transit Project | 48,000,000 |
| Mission Bay Transportation Capital Improvements | 35,000,000 |
| Total | \$190,000,000 |

These three projects are included in the SFMTA's five-year FY 2017-21 capital improvement plan. The bond funds will pay for project development and capital costs for:

- Light Rail Vehicle (LRV) Procurement: In 2014, the Board of Supervisors approved a 15-year contract between SFMTA and Siemens to purchase up to 260 new LRVs to replace and expand the Muni fleet at a cost up to \$1.2 billion (File 14-0882). The funding sources identified to pay for this Siemens LRV contract included approximately \$107 million from the requested SFMTA revenue bonds.
- Van Ness Bus Rapid Transit Project: This dedicated transit-only lane and timed traffic signals on Van Ness Avenue will reduce bus travel times, increase transit reliability and improve safety on this 2-mile corridor. Beginning in 2016 with the replacement of underground sewer, water and electrical systems, this 3-year capital project is estimated to cost \$190 million, including funding sources from the requested \$48 million SFMTA revenue bonds.
- Mission Bay Transportation Capital Improvements, are associated with the Golden State Warriors event center and mixed-use development at Mission Bay Blocks 29-32, including construction of a new center boarding platform for the T-Third Street line with crossover tracks, transit and traffic signals, and other related improvements to increase transit capacity and reduce walking distance to the Warriors arena and UCSF Hospital. These Warriors-related transportation improvements are estimated to cost a total of \$61.9 million, including funding sources of \$35 million from the requested SFMTA revenue bonds.

Total estimated costs for these three projects are \$1.56 billion, which include \$190,000,000 in proposed revenue bonds and \$1.37 billion in other funds.

Competitive or Negotiated Sale of Bonds

The previous 2012, 2013 and 2014 Revenue Bonds were sold by negotiated sale because SFMTA was a new revenue bond issuer, and negotiated sales allowed SFMTA to present its key credit

components directly to investors and focus marketing efforts to specific potential buyers. The proposed \$207 million of SFMTA revenue bonds allow the Director of Transportation to determine whether the bonds would be sold through competitive or negotiated sale. Ms. Bose advises that SFMTA is likely to issue the new revenue bonds through competitive sale.

Capital Planning Committee Approval

The Capital Planning Committee approved the proposed three capital projects, issuance of the associated revenue bonds and appropriation of the bond proceeds to fund these projects on May 9, 2016.

California Environmental Quality Act (CEQA)

The subject resolution makes findings regarding CEQA for the three specified projects, by stating that the (1) Central Subway Project Final Supplemental Environmental Impact Statement/Report (EIS/EIR)², (2) Van Ness Bus Rapid Transit Final Environmental Impact Report and (3) Golden State Warriors Final Supplemental Environmental Impact Report are adequate with no substantial changes in the projects or environmental impacts since issuance of these respective reports. These documents are incorporated in the resolution by reference, to allow decision-making bodies to take action for possible funding of these projects with the subject revenue bonds.

The proposed resolution also notes that issuance of SFMTA revenue bonds is a financing mechanism which is not subject to CEQA, and that SFMTA will not proceed with any project until it is fully compliant with CEQA.

FISCAL IMPACT

The proposed resolution (File 16-0465) would authorize SFMTA to issue not-to-exceed \$207,000,000 of revenue bonds. The proposed ordinance (File 16-0464) would appropriate \$207,000,000 in revenue bond proceeds, including \$190,000,000 for capital project costs and \$17,000,000 for debt reserve, auditor and debt issuance costs.

Interest Rates and Costs

The resolution establishes a maximum interest rate on the proposed revenue bonds not to exceed 12 percent. According to Ms. Bose, the SFMTA anticipates issuing two fixed rate, tax exempt revenue bonds for a 30-year term with a true interest cost of approximately 4.32 percent.³ Estimated total debt service over 30 years would be approximately \$385.4 million, of which \$178.4 million is interest and \$207 million is principal. Assuming two issuances, SFMTA estimates the requested bonds will add an average of \$11 million to \$16 million in additional annual debt service.

² The Central Subway Project EIS/EIR is determined adequate for the Board's use as the decision-making body for the actions relative to possible funding of the light rail vehicle procurement project with the subject bonds.

³ The true interest cost includes all ancillary fees and costs, such as finance charges, discount points, and prepaid interest.

As noted above, SFMTA currently pays annual debt service of approximately \$16.6 million on the outstanding 2012, 2013 and 2014 revenue bonds. Combining this existing debt, with the proposed new \$207 million of debt, the combined annual debt service would range from \$17.8 million to \$26.1 million.

Pledged Revenues

SFMTA will repay the bonds from SFMTA gross annual revenues, which totaled approximately \$626,312,000 in FY 2015-16 as summarized in Table 7 below.

Table 7: SFMTA’s Gross Revenues

| Revenue Sources | FY 2015-16 Revenues |
|--|----------------------|
| Passenger fares | \$214,677,000 |
| Traffic fines, fees, permits and taxis | 128,437,000 |
| Parking meters | 56,958,000 |
| Parking garages | 68,766,000 |
| Other operating revenues | 33,056,000 |
| State sales tax | 38,811,000 |
| State Transit Assistance | 40,508,000 |
| Trans. Development Act Sales Tax | 45,099,000 |
| Total | \$626,312,000 |

SFMTA does not include General Fund Baseline Transfer, General Fund Transfer in Lieu of Parking Tax or restricted grant funds in the revenues pledged to repay these bonds. According to the official statement for the revenue bonds, SFMTA is not obligated to pay principal or interest on the bonds from any source of funds other than pledged revenues, such that the City’s General Fund is not liable for payment of the principal or interest on the subject bonds.

However, SFMTA advises that \$35 million Mission Bay Transportation Capital Improvements of the subject \$207 million revenue bonds are directly related to the Warriors project. Based on the Board of Supervisors previous approval of a Mission Bay Transportation Improvement Fund which captures General Fund revenues attributable to the Warriors project, the debt service and related financing costs for the \$35 million would come from the Mission Bay Transportation Improvement Fund revenues. The City would then appropriate the necessary funds to the SFMTA to pay these expenses (see File 16-0466 included in the Budget and Legislative Analyst’s May 25, 2016 report to the Budget and Finance Committee).

Debt Service as a Percent of Operating Expenses

SFMTA implemented and updated debt policies in 2011 and 2013 which established SFMTA’s process, guidelines, restrictions, and financial criteria for issuing debt to fund capital projects.

According to SFMTA’s debt policy, aggregate annual debt service on long-term debt should not exceed 5% of SFMTA’s annual operating expenses. Based on financial projections provided by SFMTA, combined annual debt service on the previous Series 2012A, Series 2012B, Series 2013 and Series 2014 Bonds, together with the proposed new \$207 million bonds would not exceed 2.8% of SFMTA’s annual operating budget over the 30-year term of the bonds.

Appropriation Ordinance

As shown in Table 6 above, the proposed ordinance appropriates (a) \$107,000,000 for light rail vehicle procurements, (b) \$48,000,000 for the Van Ness Bus Rapid Transit Project and (c) \$35,000,000 for Mission Bay capital improvement projects. While Board of Supervisors' approval is required to reallocate funds between the transit capital improvement program and the pedestrian, bicycle and parking capital improvement program; the SFMTA Board of Directors can authorize the reallocation of funds within the transit capital improvement program and within the pedestrian, bicycle and parking capital improvement program without further Board of Supervisors' approval. For example, Board of Supervisors approval is not required for SFMTA to reallocate funds from the Columbus Avenue Streetscape Project to the Masonic Avenue Streetscape Project; however, Board of Supervisors approval would be required to reappropriate funds from the Columbus Avenue Streetscape Project to the Muni Metro Twin Peaks Tunnel Rail Replacement Project.

Memorandum of Understanding

A Memorandum of Understanding (MOU) between the SFMTA and the City is anticipated to be executed once litigation is concluded regarding the Warriors arena. Ms. Bose advises that this MOU is being sought by the SFMTA to ensure that SFMTA receives timely and full payments from the City to cover all SFMTA debt service payments and related financing costs for the \$35 million Mission Bay component of the subject bonds related to the Warriors arena project. Ms. Bose notes that the SFMTA would not issue the requested \$35 million of SFMTA revenue bonds for the Mission Bay Transportation Capital Improvements until the City enters into such MOU.

RECOMMENDATION

Approve the proposed resolution and ordinance.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

May 2, 2016

Angela Calvillo, Clerk of the Board of Supervisors
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached is the Mayor's proposed May 1 Budget comprised of the following 13 departments: Airport Commission, Board of Appeals, Child Support Services, Environment, Law Library, the Public Library, Municipal Transportation Agency, Port, Public Utilities Commission, Rent Board, Retirement System, and Office of County Education. Also attached are the following 11 pieces of legislation:

- One supplemental appropriation ordinance for the Two-Year Capital Budgets for the Municipal Transportation Authority (MTA)
- One resolution approving the issuance and sale of revenue bonds by the MTA
- One supplemental appropriation ordinance for Mission Bay Improvement Fund for Warrior Arena Improvement Capital Projects for the MTA
- One supplemental appropriation ordinance for surplus revenue and reappropriation for debt service payment for the Public Library
- Three supplemental appropriation ordinances for the Two-Year Capital Budgets of each of the Public Utilities Commission (PUC) Enterprises – Water, Wastewater, and Hetch Hetchy
- Three resolutions approving the issuance and sale of Power, Water, and Wastewater revenue bonds by the PUC
- One Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

Additionally, there are two letters attached; one memo from the Controller related to the MTA budget and a release of reserve request for the PUC. We request that all items be scheduled for the May 18, 2016 Budget and Finance meeting.

If you have any questions please feel free to contact me at 554-6253.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa Whitehouse".

Melissa Whitehouse
Mayor's Budget Director, Acting

cc: Members of the Board of Supervisors
Harvey Rose
Controller

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

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