

File No. 130861

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 09/18/2013

Board of Supervisors Meeting

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Victor Young Date September 13, 2013

Completed by: Victor Young Date _____

1 [Appropriation - \$165,000,000 of Municipal Transportation Agency 2013 Series Revenue
2 Bond Proceeds for Transportation Capital Projects and Equipment - FY2013-2014]

3 **Ordinance Appropriating \$165,000,000 of 2013 Series Revenue Bond proceeds to the**
4 **Municipal Transportation Agency for Transit, Bicycle, Pedestrian, and Parking Garage**
5 **Projects and Equipment in FY2013-2014.**

6
7 Note: Additions are *single-underline italics Times New Roman*;
8 deletions are ~~*strikethrough italics Times New Roman*~~.
9 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough-normal~~.

10 Be it ordained by the People of the City and County of San Francisco:

11
12 Section 1. The sources of funding outlined below are herein appropriated to reflect the
13 projected revenue for Fiscal Year 2013-2014.

14
15 **SOURCES Appropriation**

16 Fund	Index/Project Code	Subobject	Description	Amount
17 5M CPF XXX	TBD	80111 Proceeds	2013 Series Revenue	\$90,000,000
18 MTA Series 2013		from Revenue	Bonds for Transit	
19 Revenue Bonds		Bonds	Projects	
20				
21 5N CPF XXX	TBD	80111 Proceeds	2013 Series Revenue	\$14,000,000
22 MTA Series 2013		from Revenue	Bonds for Bicycle	
23 Revenue Bonds		Bonds	Projects	
24				
25				

1	5N CPF XXX	TBD	80111 Proceeds	2013 Series Revenue	\$16,000,000
2	MTA Series 2013		from Revenue	Bonds for Pedestrian	
3	Revenue Bonds		Bonds	Projects	
4					
5	5N CPF XXX	TBD	80111 Proceeds	2013 Series Revenue	\$30,000,000
6	MTA Series 2013		from Revenue	Bonds for Parking	
7	Revenue Bonds		Bonds	Garage Projects	
8					
9	5M XXX XXX	TBD	80111 Proceeds	2013 Series Revenue	\$9,000,000
10	MTA Series 2013		from Revenue	Bonds	
11	Revenue Bonds		Bonds		
12					
13	5N XXX XXX	TBD	80111 Proceeds	2013 Series Revenue	\$6,000,000
14	MTA Series 2013		from Revenue	Bonds	
15	Revenue Bonds		Bonds		
16					
17	Total SOURCES Appropriation				<u><u>\$165,000,000</u></u>

20 Section 2. The uses of funding outlined below are herein appropriated to reflect the
21 projected expenditures for Fiscal Year 2013-2014.

1 **Uses Appropriation**

2	Fund	Index/Project Code	Subobject	Description	Amount
3	5M CPF XXX	TBD	06700 Buildings,	Transit Projects –	\$90,000,000
4			Structures, and	Capital Improvement	
5			Improvement	Program	
6			Project - Budget		
7					
8	5N CPF XXX	TBD	06700 Buildings,	Bicycle Projects –	\$14,000,000
9			Structures, and	Capital Improvement	
10			Improvement	Program	
11			Project - Budget		
12					
13	5N CPF XXX	TBD	06700 Buildings,	Pedestrian Projects –	\$16,000,000
14			Structures, and	Capital Improvement	
15			Improvement	Program	
16			Project - Budget		
17					
18	5N CPF XXX	TBD	06700 Buildings,	Parking Garage Projects	\$30,000,000
19			Structures, and	– Capital Improvement	
20			Improvement	Program	
21			Project – Budget		
22					
23	5M CPF XXX	TBD	081C4	City Services Auditor	\$180,000
24			Controller	0.2% allocation for	
25			Internal Audits	Controller's Audit Fund	

	Fund	Index/Project Code	Subobject	Description	Amount
1					
2					
3	5N CPF XXX	TBD	081C4	City Services Auditor	\$120,000
4			Controller	0.2% allocation for	
5			Internal Audits	Controller's Audit Fund	
6					
7	5M CPF XXX	TBD	07211 Bond	Debt Service Reserve	\$7,380,000
8			Reserve		
9			Payment		
10					
11	5N CPF XXX	TBD	07211 Bond	Debt Service Reserve	\$4,920,000
12			Reserve		
13			Payment		
14					
15	5M CPF XXX	TBD	07311 Bond	Cost of Issuance and	\$1,200,000
16			Issuance Cost –	Underwriters Discount	
17			Unamortized		
18					
19	5N CPF XXX	TBD	07311 Bond	Cost of Issuance and	\$800,000
20			Issuance Cost –	Underwriters Discount	
21			Unamortized		
22					
23	5M CPF XXX	TBD	07311 Bond	Reserve pending Bond	\$240,000
24			Issuance Cost –	Sale – Market	
25			Unamortized	Uncertainty	

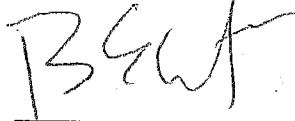
Fund	Index/Project Code	Subobject	Description	Amount
5N CPF XXX	TBD	07311 Bond	Reserve pending Bond	\$160,000
		Issuance Cost –	Sale – Market	
		Unamortized	Uncertainty	
Total USES Appropriation				\$165,000,000

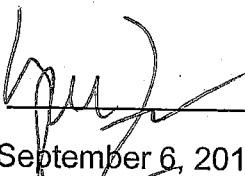
Section 3. The uses of funding outlined above are herein placed on Controller's Reserve pending sale of the Revenue Bonds.

Section 4. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this Ordinance as necessary to conform with Generally Accepted Accounting Principles.

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

FUNDS AVAILABLE
 BEN ROSENFELD, Controller

By: 
 Deputy City Attorney

By: 
 Date: September 6, 2013

**Items 2 and 3
Files 13-0861 and 13-0866**

**Department:
San Francisco Municipal
Transportation Agency (SFMTA)**

EXECUTIVE SUMMARY

Legislative Objective

The proposed resolution (File 13-0866) would authorize the San Francisco Municipal Transportation Agency (SFMTA) to issue not-to-exceed \$165,000,000 in revenue bonds; and the proposed ordinance (File 13-0861) would appropriate \$165,000,000 in bond proceeds to transit, bicycle, pedestrian and parking garage capital improvement projects, and debt service reserve and financing costs.

Key Points

- Proposition A, approved by San Francisco voters in 2007, authorized SFMTA to issue revenue bonds to finance transit, parking and other capital improvement projects 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. The Board of Supervisors approved SFMTA's first issuance of revenue bonds in an amount not-to-exceed \$80,000,000 in 2012. SFMTA issued \$63,795,000 in Series 2012 Revenue Bonds to (a) refund outstanding lease revenue and parking revenue bonds previously issued by the San Francisco Parking Authority and three non-profit parking corporations, and (b) finance transit and parking projects. According to Ms. Nadia Sesay, Director of Public Finance, because the difference of \$16,205,000 between the authorized Series 2012 Revenue Bonds of \$80,000,000 and the actual issuance of \$63,795,000 was due to changes in financing costs, SFMTA will not be able to use this authorization for future issuances.
- The proposed Series 2013 Revenue Bonds of \$165,000,000 would fund \$150,000,000 in capital projects and \$15,000,000 in debt service reserve and financing costs. Capital projects included (1) pedestrian safety and transit signal improvements; (2) street capital improvements and bicycle projects; (3) transit system improvements; (4) parking garage and Muni facility improvements; and (5) light rail vehicle procurement.

Fiscal Impact

- The proposed resolution establishes a maximum interest rate on the proposed Series 2013 Revenue Bonds not to exceed 12 percent. According to SFMTA, the actual interest rate based on current market conditions is expected to range from 4.5 percent to 6.5 percent.
- Estimated total debt service on the proposed Series 2013 Revenue Bonds is \$363.4 million, of which \$198.4 million is interest and \$165 million is principal, Estimated annual debt service on the proposed Series 2013 Revenue Bonds is \$12.3 million. Estimated combined annual debt service on the Series 2012 Revenue Bonds and Series 2013 Revenue Bonds is \$18.4 million in FY 2014-15, the first full year of debt service payments on the Series 2012 and 2013 bonds.

- SFMTA will repay the bonds from annual pledged operating revenues of \$540.8 million, which includes revenues from passenger fares, traffic and taxis fees and permits, parking meters and parking garages, and other SFMTA operating revenues. SFMTA does not include the General Fund Baseline Transfer or the General Fund Transfer in Lieu of Parking Tax 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 the pledged revenues, and the City's General Fund is therefore not liable for the payment of the principal or interest on the subject bonds.
- According to SFMTA's debt policy, aggregate annual debt service on long-term debt should not exceed 5 percent of SFMTA's annual operating expenses. Based on financial projections provided by SFMTA, combined annual debt service on the Series 2012 and Series 2013 Revenue Bonds does not exceed 2.22 percent of annual operating expenses over the 30-year term of the bonds.

Recommendation

- Approve the proposed resolution (File 13-0866) and the proposed ordinance (File 13-0861).

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 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.

SFMTA Debt Policy and Board of Directors' Oversight

SFMTA implemented a debt policy in 2011 that established SFMTA's process, guidelines, restrictions, and financial criteria for issuing debt to fund capital projects. The debt policy requires that SFMTA projects financed by debt must be consistent with the five-year capital investment plan and capital budget; and that SFMTA maintain rainy day and debt reserves.

The Board of Directors received training in November 2011 regarding its due diligence and disclosure obligations under federal securities laws.

The Board of Directors approved an updated debt policy in April 2013 that established SFMTA's objectives to:

- Assure the timely delivery and finance of capital projects in accordance with the priorities identified within the City's Charter;
- Achieve the lowest cost of borrowing while identifying mitigation factors for any additional risk to the SFMTA;
- Preserve future financial flexibility; and
- Maintain strong credit ratings and good investor relations.

Revenue Bond Oversight Committee

The SFMTA Board of Directors approved a SFMTA Bond Oversight Committee in 2011, comprised of seven members, including three members recommended by the Chair and approved by the Board of Directors, two members appointed by the SFMTA Citizens' Advisory Council, one member appointed by the Director of Transportation, and one member appointed by the Controller.

According to Ms. Sonali Bose, SFMTA Chief Financial Officer, the Bond Oversight Committee Rules state that the Committee will issue their first audit of the bond program in approximately January 2014.

2012 Revenue Bonds

In April 2012 the Board of Supervisors approved an ordinance amending the City's Administrative Code, authorizing SFMTA to issue revenue bonds (File 11-1354). At the same time, the Board of Supervisors approved (1) issuance of \$80,000,000 in revenue bonds by SFMTA (File 11-1341), and (2) appropriation of \$75,235,000 in revenue bond proceeds (Files 12-0242 and 12-0243), as shown in Table 1 below.

Table 1: Prior Revenue Bond Appropriation

Series	Amount	Purpose
2012 Series A Parking Garage Refunding Revenue Bonds (File 12-0242)	\$46,935,000	Refunds lease revenue and parking revenue bonds previously issued by the San Francisco Parking Authority, and by three non-profit parking corporations (Ellis-O'Farrell, Downtown, and Uptown) to fund improvements to the parking garages.
2012 Series B Revenue Bonds (File 12-0243)	28,300,000	Funds for system wide transit access and reliability program projects, Muni Metro projects, light rail facility rehabilitation, radio replacement, and parking projects.
Total	\$75,235,000	

According to Ms. Bose, SFMTA has issued \$63,795,000 of the authorized revenue bonds of \$80,000,000 (a difference of \$16,205,000) as follows:

- \$37,960,000 of 2012 Series A Parking Garage Refunding Revenue Bonds were used to refund outstanding revenue bonds previously issued by the San Francisco Parking Authority and Ellis-O'Farrell, Downtown, and Uptown Parking Corporations. According to Ms. Bose, SFMTA issued \$37,960,000 in refunding bonds rather than the authorized amount of \$46,935,000 because SFMTA received additional proceeds from the issuance of premium bonds¹, received transfers of funds on hand from the parking corporations, and deposited less bond proceeds than anticipated into the reserve fund.

¹ A premium bond trades above its par value, in which investors paid a higher price for the bonds than the principal amount. According to Ms. Nadia Sesay, Director of the Office of Public Finance, the purchase price of the bonds was par amount of \$63.8 million plus a premium of \$7.3 million, resulting in proceeds of \$71.3 million.

- \$25,835,000 were 2012 Series B Revenue Bonds to fund system-wide transit access and reliability program projects, Muni Metro projects, light rail facility rehabilitation, radio replacement, and parking projects. According to Ms. Bose, SFMTA issued \$25,835,000 in revenue bonds rather than the authorized amount of \$28,300,000 because SFMTA received additional proceeds from the issuance of premium bonds and deposited less bond proceeds than anticipated into the reserve fund.

According to Ms. Nadia Sesay, Director of Public Finance, because the difference of \$16,205,000 between the authorized Series 2012 Revenue Bonds of \$80,000,000 and the actual bond issuance of \$63,795,000 was due to changes in financing rather than project costs, SFMTA will not be able to use this authorization for future issuances. According to Ms. Bose, SFMTA has confirmed that SFMTA has no plans to use this authorization for future issuances.

Revised Project Allocations

In December 2012, the Budget and Finance Committee approved release of \$1,600,000 of the Series 2012B Revenue Bonds to partially pay for SFMTA's Radio System Replacement Project, which the Committee had previously reserved when the Board of Supervisors approved the appropriation of the bond proceeds (File 12-1116). Funding sources for the project totaled \$114.9 million, which included federal and state grants, operating revenues, SFCTA sales tax, SFMTA operating revenues, and other funds.

In August 2013, the SFMTA Board of Directors approved re-allocation of (a) \$1,600,000 from the Radio System Replacement Project to the Systemwide Transit Access and Reliability Program, and (b) \$324,500 from the Muni Green Light Rail Facility to the Muni Metro System Public Announcement and Public Display System, as shown in Table 2 below.²

Table 2: Revised Project Allocation

	Original Allocation	Revised Allocation	Change
Systemwide Transit Access and Reliability Program	\$1,500,000	\$3,100,000	\$1,600,000
Muni Metro Sunset Tunnel Rail Rehabilitation	900,000	900,000	0
Muni Metro Turnback Rehabilitation	3,000,000	3,000,000	0
Muni Metro System Public Announcement and Public Display System	6,500,000	6,175,500	(324,500)
Muni System Radio Replacement Project	1,600,000	0	(1,600,000)
Muni Green Light Rail Facility Rehabilitation	7,200,000	7,524,500	324,500
Parking Garage Projects	5,000,000	5,000,000	0
TOTAL	\$25,700,000	\$25,700,000	\$0

According to Ms. Bose, SFMTA re-allocated:

- \$1.6 million from the Radio Replacement Project because this project has other funding sources and does not immediately require revenue bond funds. SFMTA has included

² Board of Supervisors' approval for the re-allocation of funds was not required, because the appropriation ordinance appropriated funds to the transit project capital improvement program rather than to specific projects.

\$1.6 million for the Radio Replacement Project in the proposed \$165,000,000 in 2013 Revenue Bonds.

- \$324,500 to the Muni Green Light Rail Facility to pay for increased roof replacement costs.

2013 Commercial Paper

The Board of Supervisors approved SFMTA's issuance of \$100,000,000 in commercial paper³ in July 2013 to provide interim financing for SFTMA's capital program. The SFMTA Board of Directors approved a five-year, \$3.06 billion capital improvement plan for FY 2013-17, including a \$477.8 million capital budget for FY 2013-14. SFMTA intended to use commercial paper to finance the Central Subway, pedestrian safety, traffic signal and other projects.

According to Ms. Bose, SFMTA expects to obtain the letter of credit for the \$100,000,000 in commercial paper from State Street Bank and Trust Company during the week of September 16, 2013. No commercial paper has been issued at this time.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 13-0866):

- (1) Authorizes the sale, issuance and execution of not-to-exceed \$165,000,000 aggregate principal amount of revenue bonds (Series 2013 Revenue Bonds) by the San Francisco Municipal Transportation Agency (SFMTA) to finance certain transportation related projects;
- (2) Approves the form of certain financing documents, including the official statement, the bond purchase contract, the second supplement to indenture of trust, and continuing disclosure certificate;
- (3) Authorizes the taking of appropriate actions in connection with the approval of the financing documents;
- (4) Approves the maximum interest on the bonds; and
- (5) Finds that the authorization and issuance of the revenue bonds by SFMTA is not a project under the California Environmental Quality Act (CEQA), CEQA Guidelines and San Francisco Administrative Code Chapter 31.

The proposed ordinance appropriates \$165,000,000 in Series 2013 Revenue Bonds to fund transit, bicycle, pedestrian and parking garage projects and equipment in FY 2013-14.

The proposed ordinance (File 13-0861) would appropriate the \$165,000,000 of 2013 Series Revenue Bond proceeds to the SFMTA for transit, bicycle, pedestrian and parking garage projects and equipment in FY 2013-14.

³ Commercial paper is an alternative 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 date from one to 270 days and provides for refinancing of the commercial paper with subsequent issuance of commercial paper or other forms of debt, such as bonds. The use of commercial paper can reduce overall borrowing costs associated with the issuance of long term debt because commercial paper interest rates are typically lower than long-term interest rates.

SFMTA is requesting Board of Supervisors' approval to issue up to \$165,000,000 in 2013 Series Revenue Bonds to pay for capital projects and bond issuance costs, as follows:

Table 3: Sources and Uses

Sources	Amount
Par Amount	\$165,000,000
Total Sources	\$165,000,000
Uses	
Capital Projects	\$150,000,000
Debt Service Reserve Fund (7.5% of Par Amount)	12,300,000
Costs of Issuance (1.2% of Par Amount)	2,000,000
Audit Set Aside (2% of Capital Projects)	300,000
Reserve Pending Sale - Market Uncertainty	400,000
Total Uses	\$165,000,000

The debt service reserve will be used to pay debt service if SFMTA's revenues pledged to pay debt service are insufficient, and shall be replenished at such time. SFMTA proposes to fund the debt service reserve at 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.

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 proposes to allocate \$150,000,000 in bond proceeds to the following projects:

Table 4: Project Allocation

Project	Allocation
Pedestrian Safety/ Transit Signal Improvements	\$16,000,000
Street Capital Improvements (Bicycle Projects)	14,000,000
Transit Fixed Guideway Improvements	30,500,000
Muni Transit System Safety and Spot Improvements	18,500,000
Facility Improvements	46,000,000
Muni Light Rail Vehicle Procurement	25,000,000
Total	\$150,000,000

These projects are included in the SFMTA's five-year FY 2013-17 capital improvement plan. The bond funds will pay for project development and capital costs for:

- Pedestrian safety/transit signal improvements, including installation of red light photo enforcement equipment; construction of pedestrian islands in the medians of major thoroughfares, sidewalk bulb-outs, and wider sidewalks; installation of traffic and pedestrian signs that include countdowns and accessible signals; and construction of targeted traffic calming projects.
- Street capital improvements, including new bicycle facilities (bicycle lanes, and boulevards, bicycle parking and boxes), traffic signal coordination, curb extensions, storm water management features, and other improvements.

- Transit fixed guideway improvements, including replacement of overhead wires, poles and traction power systems, improvements to SFMTA's transportation central control facilities and systems, Americans with Disabilities Act (ADA) ramps for light rail vehicle boarding, and replacement of light rail vehicle and cable care tracks and related systems.
- Muni transit system safety and spot improvements, including replacement of SFMTA's communication and dispatching system, new vehicle on-board and fixed route information system components for computer-aided dispatch and automatic vehicle location, vehicle health monitoring, on-board ADA compliant information for riders, automated fare collection, and other improvements.
- Facility improvements, including seismic upgrades to SFMTA parking garages, and Muni operations and maintenance facilities.
- Muni light rail vehicle procurement to replace existing vehicles and add new vehicles to accommodate growth in service.

Total costs for these projects are \$478,639,012, which includes \$150,000,000 in proposed revenue bonds and \$327,739,012 in other funds as shown in Attachment I, provided by SFMTA.

Capital Planning Committee Approval

The Capital Planning Committee approved the proposed projects, issuance of the associated revenue bonds and appropriation of the bond proceeds to fund these projects in their meeting on September 9, 2013.

California Environmental Quality Act (CEQA)

The proposed resolution finds that issuing the proposed Series 2013 Revenue Bonds is not subject to CEQA. According to Ms. Bose, individual projects funded by the bonds may be subject to environmental review under CEQA but issuance of the bonds is not.

FISCAL IMPACT

The proposed resolution (File 13-0866) would authorize SFMTA to issue not-to-exceed \$165,000,000 in Series 2013 Revenue Bonds. The proposed ordinance (File 13-0861) would appropriate \$165,000,000 in revenue bond proceeds, including \$150,000,000 for project costs and \$15,000,000 for debt reserve and debt issuance costs.

Interest Rates and Costs

The proposed resolution establishes a maximum interest rate on the proposed Series 2013 Revenue Bonds not to exceed 12 percent. According to Ms. Bose, the actual interest rate based on current market conditions is expected to range from 4.5 percent to 6.5 percent.

The SFMTA anticipates issuing fixed rate, tax exempt revenue bonds with a true interest cost of 6.43 percent.⁴ As shown in Attachment II, estimated total debt service over 30 years is \$363.4

⁴ The true interest cost includes all ancillary fees and costs, such as finance charges, discount points, and prepaid interest. SFMTA estimates true interest cost of 6.43 percent based on the annual debt service payments shown in Attachment II; however, given current market conditions, SFMTA now anticipates a true interest cost of 5.23 percent.

million, of which \$198.4 million is interest and \$165 million is principal. The annual debt service on the proposed revenue bonds will be \$12.3 million. Estimated combined annual debt service on the Series 2012A Refunding Bonds, Series 2012B Revenue Bonds, and Series 2013 Revenue Bonds is \$18.4 million in FY 2014-15, the first full year of debt service payments on the Series 2012 and 2013 Bonds.

Pledged Revenues

SFMTA will repay the bonds from annual pledged revenues of approximately \$540,831,000 (FY 2012-13) as shown in Table 5 below:

Table 5: SFTMA's Pledged Revenues

Revenue Sources	FY 2012-13 Revenues	SFMTA Estimate of Annual Growth Rate
Passenger fares	\$212,227,000	5% every 2 years
Traffic fines, fees, permits and taxis	123,557,000	2.45% (Bay Area CPI)
Parking meters	49,944,000	2.45% (Bay Area CPI)
Parking garages	51,745,000	2.45% (Bay Area CPI)
Other operating revenues	26,437,000	2.45% (Bay Area CPI)
State sales tax	34,812,000	2.45% (Bay Area CPI)
Other sales tax	42,108,000	2.45% (Bay Area CPI)
Total	\$540,831,000	

SFMTA does not include the General Fund Baseline Transfer or the General Fund Transfer in Lieu of Parking Tax 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 the pledged revenues, and the City's General Fund is therefore not liable for payment of the principal or interest on the subject bonds.

Debt Service as a Percent of Operating Expenses

According to SFMTA's debt policy, aggregate annual debt service on long-term debt should not exceed 5 percent of SFMTA's annual operating expenses. Based on financial projections provided by SFMTA, combined annual debt service on the Series 2012A, Series 2012B, and Series 2013 Bonds does not exceed 2.22 percent of annual operating expenses over the 30-year term of the bonds.

SFMTA's capital program anticipates additional revenue bond issuances to pay for additional capital projects: an estimated \$163 million in new revenue bonds in 2016 and an estimated \$165 million in new revenue bonds in 2019, totaling \$328 million. If SFMTA issues these revenue bonds in 2016 and 2019, estimated combined annual debt service for all new and outstanding revenue bonds over the term of the bonds will not exceed 4.99 percent of annual operating expenses over the term of the bonds, in accordance with the SFMTA's debt policy.

Debt Service Ratio

The debt service ratio is a measure of SFMTA's ability to generate sufficient revenues to pay operating expenses and debt service.⁵ The debt service ratio should exceed 1.0. Most commercial banks require that the debt service ratio exceed 1.15 to 1.35.

SFMTA's annual payments on the Series 2012A, 2012B, and 2013 Bonds will result in a net revenue debt service ratio of 3.33 in 2015, increasing to 4.03 in 2021 as annual debt service on the Series 2012A and 2012B bonds decreases.

Negotiated Sale of Bonds

The Series 2013 Revenue Bonds will be sold by negotiated sale. According to Ms. Bose, because two credit rating agencies have previously rated SFMTA bonds with different scores⁶, a negotiated sale provides the opportunity for SFMTA to present its key credit components directly to investors and focus marketing efforts to specific potential buyers.

Appropriation Ordinance

The proposed ordinance appropriates (a) \$90,000,000 to the transit capital improvement program transit projects; and (b) \$60,000,000 to the pedestrian, bicycle and parking capital improvement program. 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. The Revenue Bond Oversight Committee was established by the SFMTA Board of Directors 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.

RECOMMENDATION

Approve the proposed resolution (File 13-0866) and the proposed ordinance (File 13-0861).

⁵ The debt service ratio equals annual net income (including depreciation, interest expense and other expenses) divided by principal and interest payments.

⁶ In 2012 Moody's rated SFMTA bonds as Aa3, which is a higher score (high grade) than Standard and Poors rating of A (upper medium grade). SFMTA's credit will be reviewed by the ratings analysts prior to issuing the Series 2013 bonds.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SPMTA | CAPITAL FINANCIAL PLANNING & ANALYSIS
FINANCE AND INFORMATION TECHNOLOGY DIVISION

SPMTA-Bond(A)-FY14 Programming Recommendation

Category/Project	Outstanding	Total Bond Funds	Other Funds	Total Budget	Planning	Design	Construction	Start Date	Delivery Timeline	End Date	Env Clearance Status	Project Manager	% Soft Cost*
I. Pedestrian Safety/Traffic Signal Improvements													
Deliver pedestrian safety improvements specified in the Pedestrian Strategy on SF's high-traffic corridors. Improvements could include upgraded traffic signal timing, pedestrian crossings, traffic calming, and a current backlog of projects valued at \$8M.													
Pedestrian Signal Improvements	\$3,000,000	\$3,000,000	\$0	\$3,000,000	\$0	\$450,000	\$2,550,000	July 2013	December 2015	December 2015	Exempt	Marilo Velasco	15%
Pedestrian Safety Capital Improvements	\$13,000,000	\$13,000,000	\$0	\$13,000,000	\$0	\$1,950,000	\$11,050,000	February 2014	April 2016	April 2016	TBD	Selena Reynolds	15%
II. Complete Street Capital Improvements													
Improve pedestrian and bicycle safety conditions to support mode shift as a result of improved facilities.													
Assestic Streetscape	\$8,000,000	\$8,000,000	\$10,227,540	\$18,227,540	\$0	\$2,388,662	\$15,838,878	September 2013	October 2016	October 2016	Complete	Ken Kwong	13%
Bicycle Strategy Capital Projects	\$6,000,000	\$6,000,000	\$0	\$6,000,000	\$300,000	\$600,000	\$5,700,000	Undeveloped	October 2016	October 2016	TBD	Erin G. Smith	15%
III. Mount Transit Fixed Guideway Improvements													
Revised SF													
Request of the CPUC. Investigation and includes seismic upgrades to improve facility safety.	\$14,000,000	\$14,000,000	\$10,227,540	\$24,227,540	\$0	\$4,500,000	\$27,200,000	Undeveloped	October 2014	October 2014	Complete	Tees Karanagh	15%
R. Judd & L. Tunnel Transit Signal	\$3,000,000	\$3,000,000	\$2,000,000	\$5,000,000	\$699,500	\$1,556,800	\$8,373,700	November 2013	July 2016	July 2016	Exempt	Henry Kim	18%
Twin Peaks Tunnel	\$18,000,000	\$18,000,000	\$31,872,080	\$49,872,080	\$750,000	\$5,891,410	\$40,130,670	Undeveloped	February 2015	February 2015	Complete	David Greenway	14%
IV. Mount Transit System Safety and Signal Improvements													
Improve communications system between central control and operates to E. Radio Replacement Project													
Blue Light Phones	\$9,000,000	\$9,000,000	\$10,947,392	\$20,447,392	\$0	\$1,744,096	\$18,988,336	December 2013	September 2016	September 2016	Complete	Frank Lau	9%
Transit Signal Improvements	\$5,000,000	\$5,000,000	\$1,800,000	\$6,800,000	\$0	\$950,000	\$5,850,000	January 2014	December 2016	December 2016	Exempt or CEQA Required	Britt Turner	15%
V. Facility Improvements													
Provides a safe and reliable working environment for SPMTA operators by installing operator restrooms in areas without available facilities.													
Operator Restrooms	\$6,000,000	\$6,000,000	\$0	\$6,000,000	\$0	\$1,100,000	\$4,900,000	December 2013	December 2015	December 2015	Complete	Tees Karanagh	18%
Maintain the SOGR of SPMTA parking garages.													
Parking Facility Rehabilitation and Improvements	\$30,000,000	\$30,000,000	\$0	\$30,000,000	\$0	\$4,300,000	\$25,700,000	December 2013	December 2016	December 2016	Exempt	Ami Khatari	15%
Maintain the SOGR of SPMTA Main operators facilities (Priority projects include: Jolly Creek and M&E Equipment).													
Transit Facility Rehabilitation and Improvements	\$10,000,000	\$10,000,000	\$0	\$10,000,000	\$0	\$1,500,000	\$8,500,000	Undeveloped	October 2016	October 2016	Complete	David Greenway	15%
VI. MUNI Fleet													
Purchase LEV vehicles (part of largest LEV procurement).													
LEV Procurement	\$25,000,000	\$25,000,000	\$135,000,000	\$160,000,000	\$0	\$24,000,000	\$136,000,000	Undeveloped	Varies	Varies	Exempt	Tina Nguyen	15%
		\$150,000,000	\$277,250,000	\$478,650,000									

* Bond Funds will not pay for more than 15% of total soft costs

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
SFMTA | CAPITAL FINANCIAL PLANNING & ANALYSIS
 FINANCE AND INFORMATION TECHNOLOGIST DIVISION

SFMTA-Bond(A)-FY14 Programming Recommendation

	2013				2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
I. Pedestrian Safety/Traffic Signal Improvements																
Ped/Traffic Signal Improvements																
Pedestrian Safety Capital Improvements																
II. Complete Street Capital Improvements																
Bicycle Strategy Capital Projects																
Masonic Streetscape																
III. Muni Transit Fixed Guideway Improvements																
B. Sunset Tunnel Rehabilitation																
N. Judah & L. Taraval Transit Signal Upgrades																
Twin Peaks Tunnel																
IV. Muni Transit System Safety and Spot Improvements																
Blue Light Phones																
E. Radio Replacement Project																
Transit Spot Improvements																
V. Facility Improvements																
Operator Restrooms																
Parking Facility Rehabilitation and Improvements																
Transit Facility Rehabilitation and Improvements																
VI. MUNI Fleet																
LRV Procurement																
Procurement																

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** Overlapping Design and Construction Periods

Planning **Construction** **Close Out**

Annual and Total Debt Service
Series 2012A Refunding Bonds, Series 2012B Revenue Bonds,
Proposed Series 2013 Revenue Bonds

Fiscal Year Ending:	Series 2012A	Series 2012B	2012 Total	Series 2013	Total Debt Service
6/30/2013	\$4,142,104	\$789,080	\$4,931,184		4,931,184
6/30/2014	4,923,750	1,235,081	6,158,831	7,099,858	13,258,689
6/30/2015	4,924,300	1,235,081	6,159,381	12,287,862	18,447,243
6/30/2016	4,927,700	1,235,081	6,162,781	12,286,945	18,449,726
6/30/2017	4,909,950	1,235,081	6,145,031	12,284,611	18,429,642
6/30/2018	4,514,200	1,235,081	5,749,281	12,288,524	18,037,805
6/30/2019	3,639,000	1,235,081	4,874,081	12,285,743	17,159,824
6/30/2020	3,650,500	1,235,081	4,885,581	12,286,716	17,172,297
6/30/2021	1,744,500	1,235,081	2,979,581	12,288,278	15,267,859
6/30/2022	1,741,500	1,235,081	2,976,581	12,284,596	15,261,177
6/30/2023	1,215,750	1,580,081	2,795,831	12,288,271	15,084,102
6/30/2024	1,213,250	1,582,831	2,796,081	12,288,112	15,084,193
6/30/2025	1,209,000	1,589,581	2,798,581	12,287,310	15,085,891
6/30/2026	1,208,000	1,587,881	2,795,881	12,284,000	15,079,881
6/30/2027	1,205,000	1,590,381	2,795,381	12,288,149	15,083,530
6/30/2028	1,205,000	1,591,894	2,796,894	12,285,548	15,082,442
6/30/2029	1,202,750	1,592,381	2,795,131	12,284,305	15,079,436
6/30/2030	1,203,250	1,591,806	2,795,056	12,286,502	15,081,558
6/30/2031	1,196,250	1,600,706	2,796,956	12,286,435	15,083,391
6/30/2032	1,197,000	1,598,125	2,795,125	12,287,850	15,082,975
6/30/2033		2,795,000	2,795,000	12,285,841	15,080,841
6/30/2034		2,799,250	2,799,250	12,284,694	15,083,944
6/30/2035		2,799,000	2,799,000	12,285,320	15,084,320
6/30/2036		2,799,250	2,799,250	12,287,007	15,086,257
6/30/2037		2,799,750	2,799,750	12,287,736	15,087,486
6/30/2038		2,795,250	2,795,250	12,285,488	15,080,738
6/30/2039		2,795,750	2,795,750	12,288,244	15,083,994
6/30/2040		2,795,750	2,795,750	12,286,240	15,081,990
6/30/2041		2,795,000	2,795,000	12,288,376	15,083,376
6/30/2042		2,798,250	2,798,250	12,286,587	15,084,837
6/30/2043				12,283,150	12,283,150
TOTAL	\$51,172,754	\$55,782,730	\$106,955,484	\$363,408,286	\$470,363,770

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

EDWIN M. LEE
MAYOR

2013 SEP 10 PM 2:00

TO: Angela Calvillo, Clerk of the Board of Supervisors *AC*
FROM: *ED* Mayor Edwin M. Lee *EL*
RE: Appropriation – \$165,000,000 of Municipal Transportation Agency 2013 Series Revenue Bond Proceeds for Transportation Capital Projects and Equipment - FY2013-2014
DATE: September 10, 2013

Attached for introduction to the Board of Supervisors is the ordinance Appropriating \$165,000,000 of 2013 Series Revenue Bond proceeds to the Municipal Transportation Agency for Transit, Bicycle, Pedestrian, and Parking Garage projects and equipment in FY2013-2014.

I request that this item be calendared in Budget and Finance on September 17th, 2013.

Should you have any questions, please contact Jason Elliott (415) 554-5105.