

File No. 160464

Committee Item No. 12

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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| <input type="checkbox"/>            | <input type="checkbox"/> | Resolution                                   |
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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"/> | 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                       |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
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#### OTHER

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Completed by: Linda Wong Date May 20, 2016  
 Completed by: Linda Wong Date \_\_\_\_\_

1 [Appropriation - Municipal Transportation Agency Revenue Bond Proceeds - Transportation  
 2 Capital Projects and Equipment - \$207,000,000 - FY2016-2017]

3 **Ordinance appropriating \$207,000,000 of Revenue Bond proceeds to the Municipal**  
 4 **Transportation Agency for transportation projects and equipment in FY2016-2017.**

5  
 6 Note: Additions are *single-underline italics Times New Roman*;  
 7 deletions are *strikethrough italics Times New Roman*.  
 8 Board amendment additions are double underlined.  
 Board amendment deletions are ~~strikethrough normal~~.

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

10  
 11 Section 1. The sources of funding outlined below are herein appropriated to reflect  
 12 the projected revenue for Fiscal Year 2016-17.

13  
 14 **SOURCES Appropriation**

Fund	Index/Project Code	Subsubject	Description	Amount
XX XXX XXX	TBD	80111 Proceeds	Revenue Bonds for	\$207,000,000
MTA Revenue Bonds		from Revenue	Transportation Projects	
		Bonds		
<b>Total SOURCES Appropriation</b>				<u><u>\$207,000,000</u></u>

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 16  
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 21  
 22 Section 2. The uses of funding outlined below are herein appropriated to reflect the  
 23 projected expenditures for Fiscal Year 2016-17.

1 **Uses Appropriation**

2	Fund	Index/Project Code	Subobject	Description	Amount
3	XX XXX XXX	TBD	06700 Buildings,	Light rail vehicle (LRV)	\$107,000,000
4	MTA Revenue		Structures, and	procurement	
5	Bonds		Improvement		
6			Project – Budget		
7					
8	XX XXX XXX	TBD	06700 Buildings,	Van Ness Bus Rapid	\$48,000,000
9	MTA Revenue		Structures, and	Transit Project	
10	Bonds		Improvement		
11			Project – Budget		
12					
13	XX XXX XXX	TBD	06700 Buildings,	Mission Bay	\$35,000,000
14	MTA Revenue		Structures, and	Transportation	
15	Bonds		Improvement	Capital	
16			Project – Budget	Improvements	
17					
18	XX XXX XXX	TBD	081C4	City Services Auditor	\$380,000
19			Controller Internal	0.2% allocation for	
20			Audits	Controller's Audit Fund	
21					
22	XX XXX XXX	TBD	07211 Bond	Debt Service Reserve	\$14,620,000
23			Reserve Payment		
24					
25					

1	Fund	Index/Project Code	Subobject	Description	Amount
2	XX XXX XXX	TBD	07311 Bond	Cost of Issuance and	\$2,000,000
3			Issuance Cost –	Underwriters Discount	
4			Unamortized		
5					
6	<b>Total USES Appropriation</b>				<b>\$207,000,000</b>

7

8 Section 3. Of the above appropriated amount, \$380,000, representing 0.2% of the

9 expenditure budget net of bond financing and audit costs, is to be allocated and available to

10 support the Controller's Audit Fund, pursuant to Charter Appendix F1.113. These

11 appropriations may be increased or decreased by the Controller based on changes to

12 expenditure appropriations or actual gross bond proceeds to conform to the applicable

13 Charter and Administrative Code formulas.

14

15 Section 4. The uses of funding outlined above are herein placed on Controller's

16 Reserve pending sale of the Revenue Bonds.

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18 Section 5. The Controller is authorized to record transfers between funds and adjust

19 the accounting treatment of sources and uses appropriated in this Ordinance as necessary to

20 conform with Generally Accepted Accounting Principles.

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

By:   
THOMAS OWEN  
Deputy City Attorney

FUNDS AVAILABLE  
BEN ROSENFELD, Controller

By:   
BEN ROSENFELD  
Controller



Ben Rosenfield  
Controller

Todd Rydstrom  
Deputy Controller

## MEMORANDUM

**TO:** The Honorable Board of Supervisors  
Clerk of the Board

**FROM:** Ben Rosenfield, Controller

**DATE:** May 2, 2016

**SUBJECT:** San Francisco Municipal Transportation Agency (MTA)  
Mayor's FY 2016-17 & FY 2017-18 Proposed Budget

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This memorandum outlines items included in the SFMTA FY 2016-17 & FY 2017-18 Mayor's Proposed Budget over which the Board of Supervisors has line-item approval authority.

Pursuant to Charter Article 8A.106, the Board of Supervisors (Board) may allow the MTA's budget to take effect without any action on its part, or it may reject the MTA's budget by a seven-elevenths' vote. The Board may only approve or reject the entire budget, and has no discretion to modify or reject specific expenditures contained therein. However, additional General Fund support to the MTA over the base amount stipulated in the Charter is subject to normal budgetary review and amendment under the general financial provisions of the Charter.

The FY 2016-17 & FY 2017-18 Mayor's Proposed Budget for the MTA appropriates the following General Fund and other sources subject to line-item review and approval. Approval of expenditures related to these sources follows the general provisions of the Charter, under which the Board may modify proposed expenses at the level of appropriation.

1. Mission Bay Transportation Improvement Fund transfers from the General Fund of \$3,050,000 in FY 2016-17 and \$2,310,000 in FY 2017-18.
2. Development impact fees for various capital projects as proposed by the Interagency Plan Implementation Committee (IPIC) of \$23,085,100 in FY 2016-17 and \$17,720,910 in FY 2017-18.
3. Transit Sustainability Fees for various transit related capital projects of \$10,942,660 in FY 2016-17 and \$2,209,042 in FY 2017-18.
4. A supplemental ordinance appropriating \$207,000,00 of revenue bond proceeds for various transportation projects and equipment in FY 2016-17 accompanies the May 1 Appropriation Ordinance. The Board of Supervisors has approval authority over the specific projects funded by these proceeds.

Memorandum

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Please note that the appropriation for the Mission Bay Transportation Improvement Fund includes \$350,000 in FY 2016-17 and \$270,000 in FY 2017-18 from SFMTA fund balance originating from baseline funding. These amounts follow the procedure specified under Charter Article 8A.106, where the Board has no discretion to modify or reject specific expenditures.

cc: Melissa Whitehouse, Mayor's Budget Office  
Sonali Bose, MTA  
Severin Campbell, Board of Supervisors Budget & Legislative Analyst

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

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
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<p><b>Items 12 and 13</b> <b>Files 16-0464 and 16-0465</b></p>	<p><b>Department:</b> San Francisco Municipal Transportation Agency (SFMTA)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objective</b></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 style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution and ordinance.</li> </ul>	

**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.
<b>Total</b>	<b>\$63,795,000</b>	

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 paper<sup>1</sup> 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
<b>Total SFMTA Project Costs</b>	<b>\$75,000,000</b>	<b>\$75,000,000</b>	<b>\$150,000,000</b>
Debt Service Reserve and Issuance Costs	7,243,319	5,392,739	12,636,058
<b>Total Revenue Bond Issuances</b>	<b>\$82,243,319</b>	<b>\$80,392,739</b>	<b>\$162,636,058</b>

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.

<sup>1</sup> 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
<b>Total</b>	<b>\$150,000,000</b>	<b>\$52,241,849</b>	<b>\$97,758,151</b>

**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
<b>Total</b>	<b>\$185,835,000</b>	

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
<b>Total Sources</b>	<b>\$207,000,000</b>
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
<b>Total Uses</b>	<b>\$207,000,000</b>

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
<b>Total</b>	<b>\$190,000,000</b>

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)<sup>2</sup>, (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.<sup>3</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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
<b>Total</b>	<b>\$626,312,000</b>

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.

