

File No. 111341

Committee Item No. 6
Board Item No. 37

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance SUB-Committee Date: April 4, 2012

Board of Supervisors Meeting

Date 4/10/12

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget & Legislative Analyst Report |
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OTHER

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | *First Supplement to Indenture of Trust |
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Completed by: Victor Young
Completed by: Victor Young

Date: March 30, 2012
Date: 4-5-12

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [San Francisco Municipal Transportation Agency Revenue Bonds - Not to Exceed
2 \$80,000,000]

3
4 **Resolution authorizing the issuance of not to exceed \$80,000,000 aggregate principal**
5 **amount of San Francisco Municipal Transportation Agency revenue bonds for the**
6 **purpose of financing certain capital improvements related to the Agency, including the**
7 **refinancing of certain outstanding revenue bonds issued by various non-profit public**
8 **benefit corporations and/or The Parking Authority of the City and County of San**
9 **Francisco to finance certain improvements to garages owned by the Agency, the**
10 **Authority or the City, and/or parking meters; approving the forms of documents**
11 **relating thereto; approving the maximum interest thereon; finding that the**
12 **authorization and issuance of revenue bonds by the Agency is not a project under**
13 **California Environmental Quality Act (CEQA), CEQA Guidelines and San Francisco**
14 **Administration Code Chapter 31; and related matters.**

15
16 WHEREAS, Pursuant to Section 8A.102(b)(13) of the Charter (the "Charter") of the
17 City, the Board of Supervisors of the City (the "Board") may authorize the issuance of revenue
18 bonds by the Board of Directors (the "Board of Directors") of the San Francisco Municipal
19 Transportation Agency (the "SFMTA") for any SFMTA-related purpose and secured solely by
20 SFMTA revenues, such revenue bonds to be issued and sold in accordance with State law,
21 the Charter or any procedure provided for by ordinance; and,

22 WHEREAS, The Parking Authority of the City and County of San Francisco (the
23 "Authority") has previously issued its Series 1999-1 Parking Meter Revenue Refunding Bonds
24 (the "1999-1 Bonds") to finance and refinance the acquisition, installation, equipping,
25 improvement or rehabilitation of various Agency owned parking meters, and its Lease

1 Revenue Bonds Series 2000A (North Beach) (the "2000A Bonds" and, together with the 1999-
2 1 Bonds, the "Authority Bonds"), to finance and refinance the acquisition, construction,
3 installation, equipping, improvement or rehabilitation of the North Beach Garage; and,

4 WHEREAS, The City of San Francisco Ellis-O'Farrell Parking Corporation (the "Ellis-
5 O'Farrell Corporation") has previously issued its Parking Revenue Refunding Bonds, Series
6 2002 (the "Ellis-O'Farrell Bonds") to finance and refinance the acquisition, construction,
7 installation, equipping, improvement or rehabilitation of the Ellis-O'Farrell Garage; and,

8 WHEREAS, The City of San Francisco Uptown Parking Corporation (the "Uptown
9 Corporation and, together with the Ellis-O'Farrell Corporation and the Uptown Corporation, the
10 "Corporations") has previously its Parking Revenue Refunding Bonds, (Union Square), Series
11 2001 (the "Uptown Bonds") to finance and refinance the acquisition, construction, installation,
12 equipping, improvement or rehabilitation of the Union Square Garage; and,

13 WHEREAS, The City of San Francisco Downtown Parking Corporation (the "Downtown
14 Corporation and, together with the Ellis-O'Farrell Corporation and the Uptown Corporation, the
15 "Corporations") has previously Parking Revenue Refunding Bonds, Series 2002 (the
16 "Downtown Bonds" and, together with the Ellis-O'Farrell Bonds, the Uptown Bonds, and the
17 Authority Bonds, the "Prior Bonds") to finance and refinance the acquisition, construction,
18 installation, equipping, improvement or rehabilitation of the Fifth and Mission Garage; and

19 WHEREAS, Pursuant to the procedures outlined in a procedural ordinance (the
20 "Procedural Ordinance") to be considered concurrently by this Board, a copy of which is on file
21 with the Clerk of the Board under File No. 111354, the Board of Directors may issue revenue
22 bonds authorized in accordance with the Charter; and,

23 HEREAS, The Board of Directors, pursuant to the terms of Resolution No. 11-150,
24 adopted by the Board of Directors on December 6, 2011 (the "SFMTA Resolution"), has
25 authorized the issuance of not to exceed \$80,000,000 aggregate principal amount of its San

1 Francisco Municipal Transportation Agency Revenue Bonds (the "Bonds" or the "Revenue
2 Bonds"), for the purpose of financing the costs of acquiring, constructing, improving and
3 developing facilities under the jurisdiction of the SFMTA, the Authority, the Corporations,
4 and/or the Recreation and Park Department of the city and refunding the Prior Bonds, as well
5 as for the payment of costs of issuance and other incidental costs therefor; and,

6 WHEREAS, The Board of Directors has approved the forms of various documents
7 relating to the issuance, sale and delivery of the Bonds (collectively, the "Financing
8 Documents," as further defined in Section 9 below); and,

9 WHEREAS, The provisions of the SFMTA Resolution and the Financing Documents do
10 not conflict with the requirements of the Procedural Ordinance; now, therefore, be it

11 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
12 follows:

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

14 Section 2. Approval and Authorization of Revenue Bonds. The issuance by the Board
15 of Directors of the SFMTA Revenue Bonds for the purposes of acquiring, constructing,
16 improving and developing facilities under the jurisdiction of the SFMTA, as well as refinancing
17 the Prior Bonds, paying costs of issuance and other incidental costs, is hereby approved as
18 required by Section 43.13.4 of the Procedural Ordinance; provided however (i) the SFMTA
19 Revenue Bonds issued for new money purposes shall mature on a date not more than 30
20 years from their date of issuance, (ii) SFMTA Refunding Revenue Bonds shall not be issued
21 to refund the Prior Bonds unless the SFMTA achieves at least an aggregate 3% present value
22 savings on a true interest cost basis. The total principal amount of the SFMTA Revenue
23 Bonds shall not exceed \$80,000,000.

24 Section 3. No Conflicts with Procedural Ordinance. The Revenue Bonds shall be
25 issued pursuant to the terms of the Financing Documents as each shall be approved as to

1 form by the City Attorney, which approval shall be conclusively evidenced by the signature of
2 the City Attorney on each such agreement; provided, that the terms of the Financing
3 Documents shall not conflict with the requirements of the Procedural Ordinance.

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

7 Section 5. Approval of the Indenture and Authorization of Selection of the Trustee.
8 The forms of an indenture of trust and a first supplement to indenture of trust (collectively, the
9 "Indenture") each between the SFMTA and a trustee selected by the Director of
10 Transportation of the SFMTA or her/his designee (collectively, the "Director"), copies of which
11 are on file with the Clerk of the Board under File No. 111341, are hereby approved, with such
12 changes, additions, and modifications as the Director, in consultation with the City Attorney,
13 may make or approve in accordance with Section 9 hereof.

14 Section 6. Approval of Bond Purchase Contract relating to the Bonds. The form of a
15 bond purchase contract relating to the Bonds (the "Bond Purchase Contract"), a copy of which
16 is on file with the Clerk of the Board under File No. 111341, is hereby approved, with such
17 changes, additions, and modifications as the Director may make or approve in accordance
18 with Section 9 hereof; provided however that the compensation payable to the underwriters
19 shall not exceed .6% of the par amount of the Bonds.

20 Section 7. Approval of the Official Statement in Preliminary and Final Form. The form
21 of official statement relating to the Bonds (the "Official Statement"), a draft copy of which is on
22 file in preliminary form with the Clerk of the Board under File No. 111341, is hereby approved,
23 with such changes, additions and modifications as the Director, in consultation with the City
24 Attorney, may make or approve in accordance with Section 9 hereof. The Board's approval of
25

1 the Official Statement hereby is subject in all respects to approval of the substantially final
2 document by the SFMTA prior to its distribution and release to potential investors.

3 Section 8. Approval of the Continuing Disclosure Certificate. The form of a Continuing
4 Disclosure Certificate of the City, a copy of which is on file with the Clerk of the Board under
5 File No. 111341, is hereby approved, with such changes, additions, and modifications as the
6 Director, in consultation with the City Attorney, may make or approve in accordance with
7 Section 9 hereof.

8 Section 9. Modifications, Changes and Additions; Additional Agreements. The
9 approvals contained herein shall extend to any changes, modifications or amendments to the
10 Indenture, the Bond Purchase Contract, the Official Statement, the Continuing Disclosure
11 Certificate (collectively, the "Financing Documents") and all agreements of the Board of
12 Directors supplemental thereto, as well as to such additional agreements as the Board of
13 Directors may adopt or the SFMTA may execute for the purpose of implementing the
14 issuance, sale and delivery of the SFMTA Revenue Bonds. The Director's approval of such
15 modifications, changes or additions, made upon consultation with the City Attorney, shall be
16 conclusively evidenced by the execution and delivery by the Director of the Financing
17 Documents. In connection with the authorization to issue bonds hereunder, the SFMTA and
18 the Controller shall within six months of the issuance of the SFMTA's revenue bonds prepare
19 a report evaluating the costs and benefits of (a) using outside financial advisory services, (b)
20 using in-house City debt management staff, and (c) SFMTA's initial revenue bond issuance.

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

1 extent such revisions are deemed necessary or desirable by the Director for the issuance of
2 the Bonds based on advice from the SFMTA's financial advisors, upon consultation with the
3 Controller and the City Attorney.

4 Section 11. CEQA. This Board makes the following finding in compliance with the
5 California Environmental Quality Act (CEQA), California Public Resources Code Sections
6 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative Code Sections 15000 et seq.,
7 (CEQA Guidelines), and San Francisco Administrative Code Chapter 31 (Chapter 31); based
8 upon Planning Commission Reports (each of which are identified on Table 5 of the April 4,
9 2012 Report of the Budget and Legislative Analyst, such Planning Commission Reports being
10 on file with the Clerk of the Board), the issuance of the Bonds by the SFMTA is not subject to
11 CEQA because the proposed SFMTA projects involve existing Transit and Parking Facilities
12 which involve negligible expansions, and are thus categorically exempt from CEQA
13 guidelines, and the SFMTA shall consult with the City Attorney with respect to any project
14 prior to the expenditure of bond proceeds.

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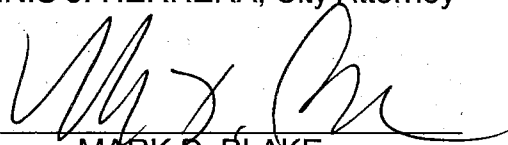
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1 Section 12. General Authority. The Director, Controller of the City, the City Attorney,
2 and all other appropriate officers, employees, representatives and agents of the City are
3 hereby authorized and directed to do everything necessary or desirable to provide for the
4 issuance of the SFMTA Revenue Bonds as provided for herein.

5
6 APPROVED AS TO FORM:

7 DENNIS J. HERRERA, City Attorney

8
9
10 By:



11 MARK D. BLAKE
12 Deputy City Attorney
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Name of Supervisor/Committee/Department

BOARD OF SUPERVISORS

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4/4/2012

Items 5, 6, 7 and 8
Files 11-1341, 11-1354, 12-0242 and
12-0243

Department:
San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objectives

- File 11-1354: The proposed ordinance would add a new Chapter 43, Article XIII Sections 43.13.1 through 43.13.8 to the City's Administrative Code, subject to Board of Supervisors approval, for the SFMTA to (a) authorize the issuance of revenue bonds for any SFMTA purpose in accordance with Charter Section 8A.102(b)(13) and (b) establish specific procedures for the SFMTA to issue and sell future revenue bonds.
- File 11-1341: The proposed amended resolution would (a) authorize the issuance of not-to-exceed \$160,000,000 principal amount of SFMTA revenue bonds to (i) finance SFMTA new capital improvements, and (ii) refinance outstanding parking garage and meter revenue bonds issued by various non-profit parking corporations and/or the Parking Authority, and finance improvements to garages under the jurisdiction of the SFMTA, the Parking Authority, nonprofit corporations, and/or the Recreation and Park Department; (b) provide that such SFMTA revenue bonds shall mature not more than 30 years from the date of issuance, and that the issuance of SFMTA refunding bonds will achieve at least a three percent present value savings calculated on a true interest cost basis, (c) approve the forms of related documents, (d) establish a maximum annual interest rate of 12 percent and provide that compensation payable to the underwriters shall not exceed .6 percent of the par amount of the bonds; (e) authorize any amendments to these agreements, subject to consultation with the Controller and City Attorney, and (f) find that the authorization and issuance of such revenue bonds is not subject to the California Environmental Quality Act (CEQA), and City Administrative Code Chapter 31.
- File 12-0242: The proposed ordinance would (a) appropriate \$46,935,000 of SFMTA 2012 Series A Parking Garage Refunding Revenue Bond proceeds, (b) re-appropriate \$2,431,363 of existing Debt Service Reserve funds from SFMTA parking meter and parking garage bonds, and (c) place the entire \$49,366,363 on Controller's Reserve pending the sale of the 2012 Series A Refunding Revenue Bonds.
- File 12-0243: The proposed ordinance would (a) appropriate \$28,300,000 of SFMTA 2012 Series B Revenue Bonds for six SFMTA Transit Projects and one Parking Garage Project to improve transit access, reliability and communication and parking garages, and (b) place the entire \$28,300,000 on Controller's Reserve pending the sale of the 2012 Series B Revenue Bonds.

Key Points

- Under the proposed legislation the Board of Supervisors would (a) grant the SFMTA the authorization to issue debt (File 11-1354), and (b) authorize the SFMTA to issue up to \$160,000,000 of revenue bonds (File 11-1341) in three separate issuances (i) \$46,935,000 for 2012 Series A, (ii) \$28,300,000 for 2012 Series B, and (iii) approximately \$80,475,000 for 2013 Series A.
- The two proposed supplemental appropriation ordinances will (a) allow SFMTA to refinance four existing City-owned parking garage and one existing parking meter revenue bonds totaling \$44,375,000 with one new \$46,935,000 SFMTA revenue bond, under the proposed \$49,366,363 supplemental appropriation (File 12-0242), and (b) allow SFMTA to partially fund six additional transit projects and one overall parking renovation project under the proposed \$28,300,000 appropriation (File 12-0243). The initial \$46,935,000 Refunding Parking Revenue Bonds (2012 Series A) and the \$28,300,000 New Transit and Parking Revenue Bonds (2012 Series B), or a total of \$75,235,000, are anticipated to be sold in June of 2012.

- The proposed authorizing legislation (Files 11-1354 and 11-1341) will also authorize SFMTA to issue the remaining \$80,475,000 under a future 2013 Series A Revenue Bond, subject to Board of Supervisors approval of a separate future supplemental appropriation ordinance. The remaining \$80,475,000 of New Transit and Parking Revenue Bonds (2013 Series A) are anticipated to be sold in mid to late 2013.

Fiscal Impacts

- SFMTA currently has five outstanding parking meter and parking garage revenue bonds totaling \$44,375,000, including Debt Service Reserve Funds of \$2,431,363. These five outstanding parking meter and parking garage revenue bonds currently average a 5.6 percent interest rate, with a remaining average term of 6.9 years. SFMTA plans to issue one refunding bond totaling \$46,935,000 to refinance all of the existing parking meter and parking garage debt, at an estimated interest rate of 3.41 percent, for 20 years, or through 2031. By reducing the interest rate on these revenue bonds, the SFMTA estimates saving \$5,009,618 on a net present value basis, or 10.5 percent of the refunded par amount.
- SFMTA plans to fund six new transit capital projects and one overall parking project, by providing a total of \$108,775,000 of additional funding, with the issuance of two additional revenue bonds, including: (a) \$28,300,000 for 2012 Series B, and (b) \$80,475,000 for 2013 Series A. The proposed ordinance (File 12-0243) would appropriate the \$28,300,000 to finance \$25,700,000 of new transit and parking garage projects, from the 2012 Revenue Bonds, Series B proceeds, as summarized in Table 4 below. The \$28,300,000 2012 Series B Revenue Bonds are estimated to have an interest rate of 5.15 percent for a 30-year term, or through 2042. Total debt service costs are estimated at \$67,310,585, including \$28,300,000 of principal plus \$39,010,585 of interest expense. Over the 30-year term, the proposed \$28,300,000 new revenue bonds would result in an average annual debt service cost of \$2,237,471 for SFMTA.
- SFMTA anticipates issuing the \$80,475,000 2013 Series A Revenue Bonds at an estimated 4.75 interest rate for a 30-year term, or through 2043. Total debt service for the remaining \$80,475,000 of revenue bonds is estimated to be \$156,927,351, including \$80,475,000 of principal plus \$76,452,351 of interest expense, or an average annual debt service cost of \$5,216,422 for SFMTA.
- SFMTA revenue bonds will be obligations of and secured by the SFMTA, with the principal and interest paid from SFMTA's gross revenues. The City's General Fund will not be pledged or otherwise available for payment of such SFMTA revenue bonds. Together, the 2012 Series A Parking Refunding Bonds, plus the 2012 Series B and 2013 Series A New Transit and Parking Project Revenue Bonds are estimated to result in SFMTA's annual debt service of approximately \$10,800,000 through 2018, decreasing to approximately \$8,800,000 through 2043. The SFMTA's maximum annual debt service is estimated to total \$11,100,000 or approximately 1.4 percent of \$796,800,000 total SFMTA FY 2012-13 revenues.
- Although the SFMTA faces annual budgetary challenges, according to Ms. Sonali Bose, Chief Financial Officer at SFMTA, the SFMTA can afford to debt finance the subject transit and parking capital projects, which will require the SFMTA to repay total principal borrowed funds plus additional annual interest expenses, because the proposed projects will result in (a) initial one-time savings of approximately \$2,182,269 in FY 2012-13 from restructuring the parking meter and garage debt, (b) annual ongoing savings of approximately \$90,000 from refunding the parking meter and garage revenue bonds at lower interest rates, (c) reduced annual maintenance expenses that cannot be currently quantified, and (d) improved transit service related to increased reliability that cannot be currently quantified.
- On September 15, 2009, based on an RFP process, the SFMTA Board of Directors approved separate five-year agreements with three financial advisory firms for the term from January 13, 2010 through January 12, 2015, for a not-to-exceed \$2,000,000, or a total not-to-exceed \$6,000,000 for the three financial advisor firms. As of the writing of this report, Mr. Steven Lee of the SFMTA advises that a total of \$663,782 has been expended, and \$2,695,074 has been encumbered for these three firms, in SFMTA's operating budget.

Policy Considerations

- The SFMTA will base its future debt financing funding decisions on the SFMTA's Debt Policy, which was approved by the SFMTA Board of Directors on September 20, 2011.
- On June 9, 2011, the Controller's Office, City Services Auditor Division issued an audit on the SFMTA which found that, among other findings, the five nonprofit parking corporations currently add an estimated \$551,000 annually to the City's costs to administer City parking garages, and do not appear to offer tangible operational advantages. Ms. Bose advises that once the proposed refunding of the parking garages outstanding debt is approved, the SFMTA will renegotiate new leases with each of the nonprofit parking corporations in order to (a) delete the provisions related to each parking garage's underlying debt, and (b) include a 90-day termination provision, subject to approval by the SFMTA Board of Directors.
- The Planning Department has issued categorical exemptions from environmental review in accordance with CEQA requirements, for the proposed transit and parking projects, such that the proposed resolution should be amended to reflect such CEQA determinations.
- Because there are so many unknowns regarding the repair and renovation of the City's 18 parking garages, the SFMTA is currently working with the Department of Public Works (DPW) to further determine the condition of each parking garage and to determine the need and detailed costs for improvements.
- If the City were to issue \$75 million of Certificates of Participation (COPs) on behalf of the SFMTA, instead of the SFMTA issuing its own \$75 million of revenue bonds, the SFMTA could realize debt service savings of approximately \$860,000 over 30 years, or approximately \$28,500 savings per year.

Recommendations

1. Amend the proposed resolution (File 11-1341) to incorporate the various changes, as submitted by the SFMTA.
2. Amend the proposed resolution (File 11-1341) to reflect that all of the proposed projects have now received categorical exemptions from the Planning Department.
3. Amend the proposed resolution (File 11-1341) to request that the Controller's Office work with the SFMTA in order to report back to the Board of Supervisors within six months after the Series 2012 A and B issuances on the costs and benefits of (a) using outside financial advisors, (b) using in-house City debt management staff, and (c) SFMTA's initial revenue bond issuances.
4. Amend the proposed resolution (File 11-1341) to reduce the requested \$160,000,000 authorization to issue revenue bonds by \$80,000,000 to \$80,000,000, which would allow (a) the SFMTA to issue the initial 2012 Series A and B revenue bonds, (b) sufficient time for DPW to complete its parking garage assessment to determine the amount and priorities for improvements, and (c) the Controller's Office to report back to the Board of Supervisors on the costs and benefits of the initial SFMTA revenue bond issuances.
5. Amend the proposed ordinance (File 12-0243) to place \$1,600,000 designated for the Muni System Radio Replacement Project on Budget and Finance Committee Reserve, pending the recommendations of the Committee on Information Technology (COIT), regarding how to proceed with the City's various voice and data communications systems.
6. Approval of the proposed three ordinances (Files 11-1354, 12-0242 and 12-0243) and one resolution (File 11-1341) are policy decisions for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with City Charter Section 8A.102(b)(13), the San Francisco Municipal Transportation Agency (SFMTA), subject to the approval by the Board of Supervisors, and notwithstanding the requirements and limitations of Sections 9.107, 9.108, and 9.109¹, has the authority without further voter approval to incur debt for SFMTA purposes and to issue bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation or any other debt instruments. Section 8A.102(b)(13) of the City's Charter also provides that, upon recommendation from the SFMTA Board of Directors, the Board of Supervisors may authorize the SFMTA to incur on behalf of the City such debt or other obligations provided: (a) the Controller first certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under such obligations as they become due; and (b) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.

Background

In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness upon approval by the Board of Supervisors, without further voter approval, which became the above-noted Charter Section 8A.102.

However, according to Ms. Sonali Bose, Chief Financial Officer at the SFMTA, since the passage of Proposition A, the SFMTA has not previously requested Board of Supervisors approval to issue its own debt, such that the SFMTA currently funds transit capital projects on a cash basis with available Federal, State and local grants, San Francisco County Transportation Authority half-cent Sales Tax revenues (Proposition K) and SFMTA operating funds. Although the SFMTA is not currently authorized to issue debt, the City on behalf of the SFMTA or the Parking Authority² can issue debt. In addition, between 1955 and 1964, the City established five nonprofit parking corporations to issue debt as revenue bonds to finance the construction and renovation of six City-owned public parking garages³, which are currently under the jurisdiction of the SFMTA.

¹ Charter Section 9.107 authorizes the Board of Supervisors to provide for the issuance of revenue bonds. Charter Section 9.108 specifies provisions for lease financing of the acquisition, construction or improvement of real property or equipment. Charter Section 9.109 authorizes the Board of Supervisors to provide for the issuance of bonds to refund any outstanding General Obligation or revenue bonds of the City and County, which will result in net debt service savings to the City on a present value basis.

² In accordance with Chapter 17 of the City's Administrative Code, the SFMTA has jurisdiction and control over parking facilities open to the public that are owned by the City and County or the City's Parking Authority (except for garages under the jurisdiction of the Recreation and Park Department, for which the SFMTA has only administrative authority). The City's Parking Authority was created in accordance with California Streets and Highways Code Sections 32500 et seq., which authorizes parking authorities to issue revenue bonds.

³ The five nonprofit corporations that operate the six City parking garages are: (1) Ellis-O'Farrell Parking Corporation operates the Ellis-O'Farrell garage, (2) Downtown Parking Corporation operates the Fifth and Mission garage, (3) Japan Center Garage Corporation operates the Japan Center garage, (4) Uptown Parking Corporation operates the Sutter-Stockton garage, (5) Uptown Parking Corporation operates the Union Square garage and (6) Portsmouth Plaza Parking Corporation operates the Portsmouth Square garage. The Japan Center garage, Sutter-Stockton garage and Portsmouth Square garage do not currently have any outstanding debt related to the garages' construction or improvement.

In May 1999, the Parking Authority issued \$22,390,000 of Series 1999-1 Parking Meter Revenue Refunding Bonds to refinance the acquisition, installation, equipment and rehabilitation of SFMTA parking meters. In July 2000, the Parking Authority issued \$8,185,000 of 2000A Lease Revenue Bonds to finance the design and construction of a four-level North Beach Parking Garage. In May 2001, the Uptown Parking Corporation issued \$19,000,000 of Series 2001 Parking Revenue Bonds to finance improvements to the Union Square Garage. In June 2002, the Downtown Parking Corporation issued \$13,550,000 of Parking Revenue Refunding Bonds, Series 2002 to refinance the Series 1993 Parking Revenue Bonds originally issued to finance improvements for the Fifth and Mission Garage. In October 2002, the Ellis-O'Farrell Parking Corporation issued \$5,465,000 of Parking Revenue Refunding Bonds to refinance Series 1992 Parking Revenue Bonds originally issued to finance improvements to the Ellis-O'Farrell Garage. Currently, parking revenues from each City-owned parking garage are pledged to repay the debt service on each garage's outstanding revenue bond. Any surplus revenues from each City parking garage, after debt service and operating expenses are deducted, are transferred to the SFMTA⁴.

Table 1 below summarizes these outstanding revenue bond issuances by the Parking Authority and three of the nonprofit parking corporations totaling \$68,590,000, identifying the existing Debt Service Reserve Funds totaling \$2,431,363 and the total outstanding principal of \$44,375,000 that is projected to be remaining from each of these Revenue Bonds as of May 1, 2012.

⁴ It should be noted that parking revenues from the Sutter-Stockton Garage are also pledged to repay the debt service on the Union Square Garage. In addition, SFMTA does not receive the surplus revenues from the parking garages under the Recreation and Park Department's jurisdiction, as those surplus revenues accrue to the Recreation and Park Department.

Table 1: Existing Parking Revenue Bonds by Issuance Agency, Type and Purpose, Issuance Date, Issuance Amount, Projected Final Maturity Dates and Projected Principal Outstanding as of May 1, 2012

Issuing Agency	Type and Purpose of Bonds	Issuance Date (Month, Year)	Final Maturity Date (Month, Year)	Debt Service Reserve Funds ⁵	Issuance Amount	Projected Principal Outstanding Revenue Bonds (as of 5/1/12)
Parking Authority	Parking Meter Revenue Refunding Bonds	May, 1999	June, 2020	\$0	\$22,390,000	\$14,385,000
Parking Authority	Lease Revenue Bonds for North Beach Garage	July, 2000	June, 2022	\$673,850	8,185,000	5,455,000
Ellis-O'Farrell Parking Corporation	Parking Revenue Refunding Bonds for Ellis-O'Farrell Garage	October, 2002	April, 2017	546,500	5,465,000	2,535,000
Downtown Parking Corporation	Parking Revenue Refunding Bonds for Fifth and Mission Garage	June, 2002	April, 2018	1,211,013	13,550,000	6,095,000
Uptown Parking Corporation	Revenue Bonds for Union Square Garage	May, 2001	July, 2031	0	19,000,000	15,905,000
Total				\$2,431,363	\$68,590,000	\$44,375,000

⁵ Debt Service Reserve Funds are required to be set aside by the indenture of trust as additional security for bondholders that the debt service can be fully paid. The Parking Meter Revenue Refunding Bonds and the Union Square Garage Revenue Bonds have zero Debt Service Reserve Funds because surety bonds, which are no longer available, were established when these bonds were initially issued.

DETAILS OF PROPOSED LEGISLATION

File 11-1354: The proposed ordinance, would add a new Chapter 43, Article XIII, Sections 43.13.1 through 43.13.8 to the City's Administrative Code, providing Board of Supervisors approval for the SFMTA to (a) authorize the issuance of revenue bonds by the SFMTA for any SFMTA purpose in accordance with Charter Section 8A.102(b)(13), and (b) establish specific procedures for the SFMTA to issue and sell future revenue bonds, including (i) defining terms and setting the purposes for which SFMTA could issue debt; (ii) authorizing the SFMTA Board of Directors to approve, amend, or reject future issuances of revenue bonds; (iii) authorizing the future issuance of revenue refunding bonds, certificates of participation, or other types of debt obligations to refund any prior bond issuance, subject to the SFMTA Board of Directors approval by resolution; (iv) authorizing the SFMTA Board of Directors by resolution to also issue special facility revenue bonds, notes or commercial paper and related credit enhancement or liquidity facilities, and the related agreements, secured by a parity or subordinate lien on SFMTA revenues; (v) allowing the SFMTA Board of Directors to appoint agents and other professionals as necessary or desirable in connection with the issuance of any revenue bonds; (vi) allowing future revenue bonds to be sold at either competitive or negotiated sale, as determined by the SFMTA Board of Directors or Director of Transportation; (vii) specifying that SFMTA revenue bonds would be fully secured by SFMTA gross revenues (including parking garage and parking meter revenues, and any other specific revenues described in the bond issuance related documents, but excluding General Fund transfers), such that future SFMTA revenue bonds would be obligations of the SFMTA with the principal and interest payable solely from SFMTA revenues; (viii) specifying that the City's General Fund would not be liable for the repayment of SFMTA revenue bonds and neither the credit nor taxing power of the City, State or any political subdivision would be pledged to the repayment of the principal or interest on SFMTA revenue bonds⁶; (ix) providing that Charter Section 9.107, 9.108 and 9.109 requirements not limit the SFMTA's authority to issue revenue bonds or refunding revenue bonds, such that specific lease financing provisions would be imposed; (x) providing that the Board of Supervisors would be authorized to approve, amend, or reject the issuance of individual SFMTA revenue bonds and refunding bonds, and each refunding bond must result in net debt service savings on a present value basis, as provided by ordinance; and (xi) authorizing and directing the Mayor, Director of Transportation, City Attorney, Controller, Treasurer, City Administrator, Clerk of the Board and other officers of the City to take future actions to execute and deliver required and related financing documents.

File 11-1341: The proposed resolution reflects an amended version that, according to Ms. Bose, will be introduced for approval at the April 4, 2012 Budget and Finance Sub-Committee meeting. The proposed amended resolution would specifically (a) authorize the issuance of not-to-exceed \$160,000,000 principal amount of SFMTA revenue bonds to (i) finance SFMTA new capital improvements, and (ii) refinance outstanding revenue bonds issued by various non-profit

⁶ Because SFMTA revenue bonds would only be obligations of the SFMTA, SFMTA revenue bonds would not be included in the City's bonded debt limit. In accordance with Section 9.106 of the City's Charter, a limit of three percent of the assessed value of all taxable property is imposed for outstanding City General Obligation bonded indebtedness. However, the proposed ordinance would not prevent the City from issuing General Obligation Bonds to acquire, construct, improve or develop transit, transportation or other related facilities in the City.

parking corporations and/or the Parking Authority for City-owned parking garages and/or parking meters, and to finance improvements to garages under the jurisdiction of the SFMTA, the Parking Authority, nonprofit corporations, and/or the Recreation and Park Department⁷; (b) provide that these SFMTA revenue bonds shall mature not more than 30 years from the date of issuance, and that SFMTA will achieve from any refinancing at least a three percent present value savings calculated on a true interest cost basis, (c) approve the forms of related documents, including an Indenture of Trust and the First Supplement to the Indenture of Trust⁸, the bond purchase contract, Preliminary Official Statement, and Continuing Disclosure Certificates; (d) approve a maximum annual interest rate of 12 percent and provide that compensation payable to the underwriters shall not exceed .6 percent of the par amount of the bonds; (e) authorize any amendments to these agreements and additional agreements and any modifications to the financial covenants to issue, sell and deliver the subject SFMTA Revenue Bonds, upon consultation with the Controller and the City Attorney, and (f) find that the authorization and issuance of such revenue bonds is not subject to the California Environmental Quality Act (CEQA), and City Administrative Code Chapter 31.

File 12-0242: Out of the proposed issuance of \$160,000,000 principal amount of SFMTA revenue bonds, the proposed ordinance would (a) appropriate \$46,935,000 of SFMTA 2012 Series A Parking Garage Refunding Revenue Bond proceeds, (b) re-appropriate \$2,431,363 of existing Debt Service Reserve funds, for SFMTA parking meter and parking garage refunding, and (c) place the entire \$49,366,363 on Controller's Reserve pending the sale of the 2012 Series A Refunding Revenue Bonds.

File 12-0243: Out of the proposed issuance of \$160,000,000 principal amount of SFMTA revenue bonds, the proposed ordinance would (a) appropriate \$28,300,000 of SFMTA 2012 Series B Revenue Bond proceeds for Transit and Parking Garage Projects for SFMTA improvements for transit access, reliability and communication and capital improvements for parking garages, and (b) place the entire \$28,300,000 on Controller's Reserve pending the sale of the 2012 Series B Revenue Bonds.

Under the proposed authorizing legislation (File 11-1354 and File 11-1341), the four existing ~~City-owned parking garage and one existing parking meter revenue bonds totaling \$44,375,000,~~ shown in Table 1 above, would be refinanced to fund one new \$46,935,000 SFMTA revenue bond, including financing costs, under the proposed \$49,366,363 supplemental appropriation (File 12-0242) at lower interest rates, to achieve annual overall debt service savings.

In addition to refunding the existing parking garage and parking meter revenue bonds, the proposed authorizing legislation (Files 11-1354 and 11-1341) would enable the SFMTA to fully fund six new transit capital projects and one overall parking garage renovation project, by

⁷ The Recreation and Park Department is included in the proposed resolution because the Recreation and Park Commission has approved the participation of the Civic Center Garage, Union Square Garage and St Mary's Square Garage, which are under the jurisdiction of the Recreation and Park Department, to pledge a portion of their parking garage revenues to the SFMTA, as part of the proposed parking garage renovation program.

⁸ An Indenture of Trust is the agreement between the SFMTA and a trustee selected by the Director of Transportation, which sets forth the security for the bonds and remedies for the bondholders. The First Supplement to the Indenture of Trust is the agreement between the SFMTA and a trustee selected by the Director of Transportation, which provides the detail specific to the series of bonds being issued.

providing \$99,247,460 of additional funding for these projects, or a total principal issuance amount of \$108,775,000, including the issuance costs and debt service reserve funds. Attachment I, provided by Ms. Bose, (a) describes each of the six transit projects, (b) the total cost of each transit project, and (c) the total revenue bond funding proposed for each transit project. Attachment II, provided by Mr. Amit Kothari, Director of Off-Street Parking for SFMTA, identifies each of the 18 City-owned parking garages, under the jurisdiction of the SFMTA and the Recreation and Park Department, and provides a summary breakdown of the estimated costs totaling \$51,247,460, all of which would be funded with the subject revenue bonds. Attachment III summarizes the subject revenue bond portion for each of the six transit projects and one overall parking project, separating the costs into the \$28,300,000 2012 Series B Revenue Bonds and the \$80,475,000⁹ 2013 Series A Revenue Bonds (see Table 2 below), and identifies \$176,700,000 of other sources of funding that SFMTA plans to use to complete funding for each transit project, resulting in total SFMTA budgeted costs of \$275,947,460 for these projects.

In accordance with the above-noted Charter provisions, on December 6, 2011, the SFMTA Board of Directors approved a resolution recommending that the Board of Supervisors authorize the proposed bond issuance. On February 27, 2012, the City's Capital Planning Committee¹⁰ approved the proposed SFMTA authorization to issue up to \$160,000,000 in MTA revenue bonds and appropriate (a) \$46,935,000 of 2012 Parking Garage Refunding Bonds, and re-appropriate \$2,431,363 in existing Debt Service Reserve funds, and (b) \$28,300,000 of 2012 Revenue Bonds for new transit and parking garage projects. According to Mr. Brian Strong of the Capital Planning Committee, the SFMTA will be required to receive future appropriation approval of the remaining \$80,475,000 from the Capital Planning Committee, prior to submitting such an appropriation request for the Board of Supervisors approval.

FISCAL IMPACTS

Issuance Authority for Up To \$160,000,000 (File 11-1341)

The proposed resolution (File 11-1341) would authorize the SFMTA to issue up to \$160,000,000 of revenue bonds, in three separate issuances (2012 Series A, 2012 Series B and 2013 Series A), in order for the SFMTA to refinance outstanding debt for SFMTA's City-owned parking garages and meters, and plan, design, construct and improve transit facilities and parking garages, as summarized in Table 2 below:

⁹ Although the SFMTA initially estimated \$80,475,000 would be issued in the 2013 Series A Revenue Bond, this amount was recently reduced to an estimated \$80,150,000, or \$325,000 less. The actual amount that will be issued will be determined by the SFMTA prior to the issuance of the 2013 Series A Revenue Bonds in mid to late 2013. For consistency purposes, this report reflects the initial estimated \$80,475,000 amount.

¹⁰ The City's Capital Planning Committee, chaired by the City Administrator, is comprised of the President of the Board of Supervisors, Mayor's Finance Director, Controller, City Planning Director, Director of Public Works, Airport Director, Director of Transportation for SFMTA, General Manager of the Public Utilities Commission, General Manager of Recreation and Parks Department and the Executive Director of the Port. The Capital Planning Committee is responsible for making recommendations to the Mayor and the Board of Supervisors on all of the City's capital expenditures, including reviewing and approving the City's 10-Year Capital Plan, Capital Budget and issuances of long-term debt.

Table 2: Issuance Authority of up to \$160,000,000

Bond Issuances	Amount
Refunding Parking Revenue Bonds (2012 Series A)	\$46,935,000
New Transit and Parking Revenue Bonds (2012 Series B)	28,300,000
New Transit and Parking Revenue Bonds (2013 Series A)	80,475,000
Total	\$155,710,000

The initial \$46,935,000 Refunding Parking Revenue Bonds (2012 Series A) and the \$28,300,000 New Transit and Parking Revenue Bonds (2012 Series B), or a total of \$75,235,000, are anticipated to be sold in June of 2012. The remaining \$80,475,000 of New Transit and Parking Revenue Bonds (2013 Series A) are anticipated to be sold in mid to late 2013. According to Ms. Bose, the total \$155,710,000 shown in Table 2 above is \$4,290,000 less than the not-to-exceed \$160,000,000 authorization being requested in order to provide for financial flexibility to allow for potential interest rate fluctuations in the financial markets.

Appropriation of \$49,366,363 for SFMTA Parking Garage Refunding (File 12-0242)

The proposed ordinance (File 12-0242) would appropriate a total of \$46,935,000 of the not-to-exceed \$160,000,000 authorization, plus re-appropriate \$2,431,363 of existing Debt Service Reserve Funds, as identified in Table 1 above, for a total requested supplemental appropriation of \$49,366,363 in 2012 Series A bonds to refund all outstanding SFMTA parking revenue bonds. The total estimated cost to redeem the \$44,375,000 of current outstanding parking meter and garage bonds, including additional accrued interest and redemption premium penalty for one bond (Uptown Parking Corporation Revenue Bond), would total \$45,445,890 as of May 1, 2012, as shown in Table 3 below.

In addition, as shown at the bottom of Table 3 below, an estimated \$3,427,862 would be appropriated to provide a new Debt Service Reserve Account for the SFMTA 2012 Series B Revenue Bonds, which will be calculated as the lesser of (i) 100 percent of the maximum annual debt service, (ii) 125 percent of the average annual debt service, or (iii) 10 percent of the bond proceeds. In addition, as shown at the bottom of Table 3 below, an estimated \$492,611 of the subject bond proceeds would be appropriated to cover the cost to issue the new SFMTA revenue bonds, including the underwriters discount.

Table 3: Total Estimated Cost for Redemption of Existing Parking Meter and Parking Garage Outstanding Debt

Issuing Agency	Projected Principal Outstanding (as of 5/1/12)	Additional Accrued Interest (as of 5/1/12)	Redemption Premium (% and \$)	Total Cost of Redemption of Outstanding Bonds (as of 5/1/12)
Parking Authority (Parking Meters)	\$14,385,000	\$293,003	0	\$14,678,003
Parking Authority (North Beach Garage)	5,455,000	110,058	0	5,565,058
Ellis-O'Farrell Parking Corporation	2,535,000	9,475	0	2,544,475
Downtown Parking Corporation	6,095,000	25,337	0	6,120,337
Uptown Parking Corporation	15,905,000	314,917	2% \$318,100	16,538,017
Total	\$44,375,000	\$752,790	\$318,100	\$45,445,890

Debt Service Reserve Account Estimate	\$3,427,862
Cost of Issuance Estimate	492,611
Total Supplemental Appropriation	\$49,366,362

As shown in Tables 1 and 3 above, SFMTA currently has five outstanding parking meter and parking garage revenue bonds totaling \$44,375,000, including the Debt Service Reserve Fund of \$2,431,363. These five outstanding parking meter and parking garage revenue bonds currently have an average 5.6 percent interest rate, and extend for an average additional 6.9 years, with one revenue bond (Union Square Garage) having a final maturity in 2031. If the Board of Supervisors approves the various proposed legislation, SFMTA plans to issue one refunding bond totaling \$46,935,000 to refinance all of the existing parking meter and parking garage debt, at an estimated interest rate of 3.41 percent, for 20 years, or through 2031. By restructuring and reducing the interest rate on these revenue bonds from 5.6 percent to 3.41 percent, the

SFMTA estimates saving \$5,009,618 on a net present value basis, or 10.5 percent of the refunded bonds.

Appropriation of \$28,300,000 for SFMTA New Transit and Parking Projects (File 12-0243)

In addition, as shown in Attachment III, the SFMTA plans to fully fund six new transit capital projects and one overall parking project, by providing a total of \$108,775,000 of additional funding, with the issuance of two additional revenue bonds, including: (a) \$28,300,000 for 2012 Series B, and (b) \$80,475,000 for 2013 Series A (see Table 2 above). The proposed ordinance (File 12-0243) would appropriate the \$28,300,000 to finance \$25,700,000 new transit and parking garage projects, from the 2012 Revenue Bonds, Series B proceeds, as summarized in Table 4 below.

Table 4: Proposed Expenditures for Supplemental Appropriation Request (File 12-0243)

Description of Use	Amount
1. Systemwide Transit Access and Reliability Program	\$1,500,000
2. Muni Metro Sunset Tunnel Rehabilitation	900,000
3. Muni Metro Turnback Rehabilitation	3,000,000
4. Muni Metro System Public Announcement and Public Display System Replacement	6,500,000
5. Muni Radio System Replacement Project	1,600,000
6. Muni Green Light Rail Facility Rehabilitation	7,200,000
7. Parking Projects	5,000,000
Subtotal Project Costs	\$25,700,000
Debt Service Reserve Fund	2,031,361
Cost of Issuance and Underwriters Discount	517,239
City Services Auditor Allocation of 0.2% of Project Costs	51,400
Total	\$28,300,000

According to Ms. Bose, the 2012 Series B issuance of the \$28,300,000 new revenue bonds that would be appropriated for the transit and parking projects shown in Table 4 above is anticipated to be issued in June of 2012 at an estimated interest rate of 5.15 percent for a 30-year term, or through 2042. Total debt service costs are estimated at \$67,310,585, including \$28,300,000 of principal plus \$39,010,585 of interest expense. Over the 30-year term, the proposed \$28,300,000 new revenue bonds would result in an average annual debt service cost of \$2,237,471 for SFMTA.

Future Issuance and Appropriation for SFMTA New Transit and Parking Projects

The remaining \$80,475,000 (\$108,775,000 total less \$28,300,000 proposed supplemental appropriation), which would become available from the 2013 Series A Revenue Bond proceeds would be used to finance additional transit projects and parking facilities, under a separate supplemental appropriation ordinance, subject to future Board of Supervisors approval. SFMTA anticipates issuing these 2013 Series A Revenue Bonds in mid to late 2013 at an estimated 4.75 interest rate for a 30-year term, or through 2043. Total debt service for the remaining

\$80,475,000 of revenue bonds is estimated to be \$156,927,351, including \$80,475,000 of principal plus \$76,452,351 of interest expense, or an average annual debt service cost of \$5,216,422 for SFMTA.

Ability of SFMTA to Cover New Debt Service Costs

The proposed ordinance (File 11-1354) states that SFMTA revenue bonds will be obligations of and secured by the SFMTA, with the principal and interest payable from SFMTA's gross revenues (including parking garage, parking meter, citation, traffic fines, passenger fares, and Sales Tax revenues, but excluding General Fund transfers), such that the City's General Fund will not be liable for payment of such SFMTA revenue bonds. As shown in Attachment IV, provided by Ms. Bose, in FY 2012-13, SFMTA anticipates pledging an estimated \$480,557,000 of the SFMTA's total annual \$796,800,000 FY 2012-13 revenues.

Together, the 2012 Series A Parking Refunding Bonds, plus the 2012 Series B and 2013 Series A New Transit and Parking Project Revenue Bonds are projected to result in SFMTA's annual debt service of approximately \$10,800,000 through 2018, decreasing to approximately \$8,800,000 through 2043. The SFMTA's maximum annual debt service is estimated to total \$11,100,000 or approximately 1.4 percent of the \$796,800,000 in total SFMTA FY 2012-13 revenues.

Although the SFMTA faces annual budgetary challenges, according to Ms. Bose, the SFMTA can afford to debt finance the subject transit and parking capital projects, which will require the SFMTA to repay total principal borrowed funds plus additional annual interest expenses, because the proposed projects will result in (a) initial one-time savings of approximately \$2,182,269 in FY 2012-13 from restructuring the parking meter and garage debt, (b) annual ongoing savings of approximately \$90,000 from refunding the parking meter and garage revenue bonds at lower interest rates, (c) reduced annual maintenance expenses that cannot be currently quantified, and (d) improved transit service related to increased reliability, which also cannot be currently quantified.

In accordance with the above-noted Charter provisions, (a) the Controller must first certify that ~~sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under such proposed revenue bond obligations as they become due; and (b) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.~~ On March 21, 2012, Mr. Ben Rosenfield, the City Controller executed this certification.

SFMTA's Financial Advisors

In accordance with the proposed ordinance (File 11-1354), the SFMTA Board of Directors may appoint agents and other professionals as necessary or desirable in connection with the issuance of any revenue bonds. On December 2, 2008, the SFMTA approved the issuance of a Request for Proposal (RFP) for financial advisory services to assist the SFMTA in analyzing its finances and developing a Financial Plan, including providing financial advice regarding credit, financial markets and alternative financing strategies and potential refundings. According to Mr. Steven Lee of the SFMTA, in response to the RFP, SFMTA received seven proposals and the SFMTA

approved a pool of the following three financial advisors: (a) Public Financial Management Group (PFM Group), (b) Backstrom McCarley Berry and Company, and (c) Ross Financial.

According to Mr. Lee, on September 15, 2009, the SFMTA Board of Directors approved separate five-year agreements with each of the three financial advisor firms for the term from January 13, 2010 through January 12, 2015, for a not-to-exceed \$2,000,000, or a total not-to-exceed \$6,000,000 for the three financial advisor firms. As of the writing of this report, Mr. Lee advises that a total of \$663,782 has been expended, and \$2,695,074 has been encumbered for these three firms, in SFMTA's operating budget. However, the SFMTA anticipates that a portion of these expenditures will be recovered from future SFMTA bond issuances.

In comparison to the total not to exceed \$6,000,000 that the SFMTA has authorized to be expended for five years for financial advisors, according to Ms. Nadia Sesay, Director of the Office of Public Finance in the Controller's Office, the City has expended a total of approximately \$1,700,000 on financial advisors for the five-year period from 2006 through 2011 for all City General Obligation Bonds, Certificates of Participation (COPs) and revenue bond issuances. The Budget and Legislative Analyst notes that the Office of Public Finance has in-house staff that are knowledgeable about debt financing and can provide much of the available staff financial needs without relying exclusively on outside financial analysts for support. Currently, the SFMTA does not have any in-house debt financial management staff and the SFMTA does not coordinate directly with the Controller's Office of Public Finance.

Therefore, the Budget and Legislative Analyst recommends that, if the Board of Supervisors approves the proposed legislation, the proposed resolution (File 11-1341) should be amended to request that the Controller's Office work with the SFMTA and report back to the Board of Supervisors within six months after the Series 2012 A and B issuances on the costs and benefits of (a) using outside financial advisors, (b) using in-house City debt management staff, and (c) SFMTA's initial revenue bond issuances.

Controller's Reserve on Both Supplemental Appropriations

Under both of the proposed supplemental appropriation ordinances (Files 12-0242 and 12-0243) all of the requested funds would be placed on Controller's Reserve pending the sale of the Revenue Bonds. As discussed above, the supplemental appropriation for \$49,366,363 from the 2012 Series A Revenue Bonds and the \$28,300,000 from the 2012 Series B new Revenue Bonds are anticipated to be sold in June of 2012.

POLICY CONSIDERATIONS

SFMTA's Recently Approved Debt Policy

Given that the SFMTA did not previously have the authority to debt finance capital projects, the Budget and Legislative Analyst questions what projects the SFMTA will determine to debt finance, through the use of revenue bonds, commercial paper, or other financing mechanisms in the future. In response, Ms. Bose advises that the SFMTA will likely debt finance those transit and parking garage capital projects that are significant infrastructure facilities in critical need of repair, that have gaps in funding that cannot be filled with other available sources of funding. In

addition, the SFMTA will base its future debt financing funding decisions on the SFMTA's Debt Policy, which was approved by the SFMTA Board of Directors on September 20, 2011.

The SFMTA's Debt Policy publicly establishes the following process, guidelines, restrictions and specific financial criteria that will direct the SFMTA in issuing debt to fund capital projects:

- Future SFMTA debt issuances would be consistent with other SFMTA planning documents, such as the SFMTA's Five-Year Capital Investment Plan and Capital Budget;
- Maintenance of a SFMTA Rainy Day/Contingency Reserve with a goal equivalent to ten percent of annual operating costs, ramped up to this desired reserve target over a ten-year period, to cover unexpected revenue losses, operating and maintenance costs, extraordinary payments and other contingencies¹¹;
- Creation and maintenance of a separate SFMTA Operational Debt Reserve with a goal equivalent to three years of annual SFMTA debt service payments, but available for other SFMTA purposes;
- Capital projects that provide new revenue sources for the SFMTA would be prioritized for new debt financing as would projects that result in lower maintenance costs;
- SFMTA could issue alternative types of long-term or short-term debt, with preference to fixed interest rates, such that variable interest rate debt cannot exceed 20 percent of all outstanding debt;
- SFMTA could enter into lease financing structures, including Certificates of Participation (COPs), lease revenue bonds and capital equipment leases;
- SFMTA may consider financial derivative products, after separate approval by the SFMTA Board of Directors, subject to Board of Supervisors future approval;
- SFMTA will seek to maintain annual debt service payments that do not exceed five percent of SFMTA's annual total operating expenses;
- All capital debt financed improvements would not exceed 120 percent of the average useful life of the assets debt financed;
- Refunding of existing SFMTA debt would achieve a minimum net present value debt service savings threshold goal of three percent of the refunded bond principal amount, unless there are other compelling reasons for defeasance;
- Bond insurance would be determined on a maturity-by-maturity basis based on a comparison of the bond insurance premium costs versus the present value debt service savings from bond insurance;
- SFMTA would determine, on a case by case basis, whether to sell bonds competitively or through negotiation, based on various factors including prevailing market conditions and the size of transaction;
- SFMTA will select professional financial advisors, legal bond counsel and other outside advisors by a competitive Request for Proposal process;

¹¹ According to Ms. Bose, the SFMTA's Rainy Day/Contingency Reserve previously had approximately \$80 million, but the SFMTA has used these funds to cover SFMTA's operating shortfalls, such that the Rainy Day/Contingency Reserve currently has an approximately \$27 million balance. Ms. Bose advises that the SFMTA plans to contribute an additional \$10 million in both FY 2013 and FY 2014 to this Fund to increase this Reserve to approximately \$47 million.

- Each debt financing would be subject to authorization by the SFMTA Board of Directors and the Board of Supervisors;
- Debt policy would be reviewed every three years, and updated more frequently, if needed, subject to approval by the SFMTA Board; and
- Circumstances may require modifications or exceptions to these policies, subject to specific authorization by the SFMTA Board.

In addition, the SFMTA Board approved a Reimbursement Resolution on September 20, 2011 which allows the use of bond proceeds to reimburse eligible project costs incurred prior to the issuance of bonds, specifying (a) the intent to use bonds to reimburse costs associated with the project; (b) that costs must be incurred within a window of 60 days of payment and within 18 months of the project being placed in service; and (c) that eligible "soft costs" (i.e. architectural, engineering, and transaction costs) can be reimbursed regardless of such timing.

SFMTA Bond Oversight Committee

On December 6, 2011, the SFMTA Board of Directors approved a SFMTA Bond Oversight Committee, comprised of seven members, including (a) three members recommended by the SFMTA Chair and approved by the SFMTA Board of Directors, (b) two members appointed by the SFMTA Citizens' Advisory Council, (c) one member appointed by the Director of Transportation, and (d) one member appointed by the Controller¹². The SFMTA Bond Oversight Committee is responsible for (1) inquiring into the disbursement and expenditure of SFMTA's bond proceeds, (2) holding public hearings to review such disbursements and expenditures, (3) inspecting facilities and infrastructure financed with such bond proceeds, (4) reviewing project statements and status reports, (5) reviewing SFMTA's efforts to maximize bond proceeds through the implementation of cost-saving measures, and (6) retaining independent auditors to analyze the disbursement and expenditure of SFMTA bond proceeds.

California Environmental Quality Act (CEQA) Requirements

The proposed resolution (File 11-1341) on page 5, Section 11 would find that issuance of the proposed \$160,000,000 SFMTA Bonds is not subject to the California Environmental Quality Act (CEQA) because, as the establishment of a government financing mechanism that does not identify individual specific projects to be constructed with the funds, it is not a project as defined by CEQA and CEQA Guidelines and that the SFMTA will consult with the City Attorney regarding CEQA requirements prior to the expenditure of bond proceeds.

However, as of the writing of this report, the Planning Department has issued categorical exemptions from environmental review in accordance with CEQA requirements, primarily because the proposed SFMTA projects involve existing transit and parking facilities which involve negligible expansions, on the specified dates shown in Table 5 below:

¹² The seven-member SFMTA Bond Oversight Committee have been appointed and currently include the following: Rudy Nothenberg, Chair, Leona Bridges, Jose Cisneros, Steve Ferrario, Harlan Kelly, Daniel Murphy and Nadia Sesay.

Table 5: Planning Department's Approval of Categorical Exemptions

Description of Use	Date of Planning Department's Certification of Categorical Exemption from Environmental Review
1. Systemwide Transit Access and Reliability Program	March 6, 2012
2. Muni Metro Sunset Tunnel Rehabilitation	February 14, 2012
3. Muni Metro Turnback Rehabilitation	February 14, 2012
4. Muni Metro System Public Announcement and Public Display System Replacement	February 6, 2012
5. Muni Metro Radio Replacement Project	December 15, 2011
6. Muni Green Light Rail Facility Rehabilitation	October 6, 2010
7. Parking Projects	March 23, 2012

Given that each of the proposed projects has received a categorical exemption from the City's Planning Department, the proposed resolution should be amended to replace the CEQA language on page 5, Section 11 to instead state that all of the proposed projects have now received categorical exemptions from the Planning Department, in accordance with CEQA requirements.

Controller's Audit on City Parking Garages

On June 9, 2011, the Controller's Office, City Services Auditor Division issued an audit on the SFMTA which found that (a) based on the results of a survey, only the City and County of San Francisco leases City-owned parking garages to five nonprofit corporations, which in turn, sublease parking operations in five of the six parking garages, (b) the five nonprofit parking corporations currently add an estimated \$551,000 annually to the City's costs to administer City parking garages, (c) nonprofit parking corporations do not appear to offer tangible operational advantages, (d) the City is unlikely to need nonprofit parking corporations to help construct or expand parking garages in the future, and (e) as of February 28, 2011, there was an estimated total of \$4.7 million in the non-profit corporations capital reserve funds available. Ms. Bose advises that once the proposed refunding of the parking garages outstanding debt is approved, the SFMTA will work to negotiate new leases with each of the nonprofit parking corporations in order to (a) delete the provisions related to each parking garage's underlying debt, and (b) include a 90-day termination provision, subject to approval by the SFMTA Board of Directors.

Proposed Parking Garage Improvements

As shown in Attachment II, SFMTA's plans to expend a total of \$51,247,460 from the proposed revenue bond proceeds to repair and renovate 18 City-owned parking garages, including \$18,310,432 or 54.9 percent of the subtotal \$33,364,232 on Architectural Services. However, in response to inquiries from the Budget and Legislative Analyst, according to Mr. Amit Kothari, Director of Off-Street Parking for SFMTA, the \$18,310,432 for Architectural Services are actually mislabeled in Attachment II and primarily represent the cost of the Parking Access and

Revenue Control System equipment and repair and replacement of elevators, as shown in Table 6 below.

Table 6: Proposed Architectural Services Breakdown for Parking Garages

Architecture Related Services*	\$1,189,600
Parking Access & Revenue Control System Equipment**	13,670,832
Elevator Repair & Replacement	3,450,000
Total	\$18,310,432

*Architectural Services includes American with Disabilities (ADA) modifications, striping of parking stalls, painting, façade repair, drainage, expansion joints and doors.

** The Parking Access & Revenue Control System Equipment includes all fee computers, gate arms, vehicle sensors and pay station equipment that together keep track of vehicle entry and exit times, calculate parking fees and generate various occupancy and revenue reports.

In addition, in response to the Budget and Legislative Analyst's questions regarding why Attachment II indicates that SFMTA plans to expend \$17,883,228 or 53.6 percent of the \$33,364,232 subtotal parking garage repair and renovation costs for Other Costs (Project Management, Construction Management, Design, Legal and Contingency), Mr. Kothari advises that because there are so many unknowns regarding the repair and renovation of the City's parking garages, all of these soft project management, construction management, and contingency costs are higher than would normally be expected.

According to Mr. Kothari, the SFMTA is currently working with the Department of Public Works (DPW) to further determine the condition of each parking garage and to determine the need and detailed costs for improvements. Mr. Edgar Lopez, Deputy Division Manager of Capital Projects at DPW advises that DPW anticipates conducting a detailed assessment of each of the 18 City garages, similar to what DPW did for the Fire Department's Fire Stations to identify and prioritize objectives (seismic, life safety, maintenance), specify criteria for improvements, conduct testing in each garage and estimate costs for improvements. Given that the total estimated \$51,247,460 (Attachment II) for the 18 parking garages includes an estimated ~~\$13,670,832 is for the Parking Access and Revenue Control System equipment as shown in~~ Table 6 above, the remaining \$37,576,628 would be available for construction improvements and related project design and management costs. According to Mr. Lopez, the cost for such improvements for all of the 18 parking garages is likely to exceed the total estimated \$37,576,628. However, Mr. Lopez cannot estimate the total costs until the DPW's detailed assessment of the 18 parking garages is completed, which is estimated to take approximately six months to complete and cost approximately \$500,000.

As shown in Attachment III and Table 4 above, SFMTA is requesting \$5,000,000 for the parking garages from the initial 2012 Series B issuance, to be sold in June of 2012. Mr. Kothari advises that, although a specific budget is not available, the \$5,000,000 will be needed to fund DPW's assessment, prepare bid packages, provide project management and begin to undertake some of the initial parking garage testing and work. As shown in Attachment III, the remaining \$46,247,460 for the parking garages is included in the 2013 Series A bond issuance, representing 57.5 percent of the total \$80,475,000 2013 Series A bond, to be sold in mid to late 2013.

Given that (a) the SFMTA will not know the actual amount required to complete the renovations of the City's 18 parking garages until the DPW assessment is completed, and the priorities for completing the garages are established, (b) the requested supplemental appropriation (File 12-0243) provides \$5,000,000 of funding for the parking garages, and (c) the Budget and Legislative Analyst recommends that the Controller's Office work with the SFMTA and report back to the Board of Supervisors within six months after the Series 2012 A and B issuances on the costs and benefits of the initial revenue bond issuances, the Budget and Legislative Analyst also recommends reducing the requested \$160,000,000 authorization to issue revenue bonds (File 11-1341) by \$80,000,000 to \$80,000,000, which would allow the SFMTA to issue the initial 2012 Series A and B and allow sufficient time for DPW to complete its parking garage assessment.

Muni Radio Replacement Project

As shown in Attachments I and III, SFMTA is planning to expend a total of \$115,000,000 on a Muni System Radio Replacement Project. As shown in Table 4 above, the proposed \$28,300,000 supplemental appropriation ordinance (File 12-0243) includes \$1,600,000 for this Muni System Radio Replacement Project. Mr. Shahnam Farhangi of the SFMTA advises that in December 2009 the SFMTA issued an RFP for the SFMTA's Radio Replacement Project. According to Mr. Farhangi, SFMTA received two proposals, both of which were deemed non-responsive. Based on SFMTA's request to both proposers to rebid, one firm responded, and SFMTA has now selected this firm, Harris Corporation, to enter into an \$86,648,058 agreement, with options for an additional \$22,572,461 for this Radio Replacement Project. Mr. Farhangi advises that this agreement will be subject to the SFMTA Board of Directors approval in April 2012.

However, Mr. Jon Walton, Acting Chief Information Officer for the Department of Technology advises that the Department of Technology, the Department of Emergency Management, and SFMTA have all recently agreed to hire a consultant through the City's Computer Store to evaluate the City's three major voice and data communications systems currently being proposed to be improved and upgraded, including the (a) recently approved regional Motorola interoperable communication system, (b) City's existing 800 Mhz voice radio system, and (c) proposed SFMTA voice and data communication system, to determine which City systems are justified and whether significant efficiencies can be achieved. Mr. Walton advises that the proposed evaluation is projected to be completed for a final presentation to the Committee on Information Technology (COIT) in May 2012. Therefore, the Budget and Legislative Analyst recommends that the requested \$1,600,000, under the proposed supplemental appropriation (File 12-0243), be placed on Budget and Finance Committee Reserve, pending the recommendations of COIT, regarding how to proceed with the City's various voice and data communication systems.

Alternatives

As noted above, currently the City may issue debt on behalf of the SFMTA. Based on a March 15, 2012 analysis completed by Backstrom McCarley Berry and Co., LLC, one of SFMTA's financial advisors, if the City were to issue approximately \$75 million of Certificates of Participation (COPs) on behalf of the SFMTA, instead of the SFMTA issuing its own \$75 million of revenue bonds, the SFMTA could realize debt service savings of approximately \$860,000 over 30 years, or approximately \$28,500 savings per year. It should be noted that if the

City were to issue COPs for an enterprise department, such as the SFMTA, the cost of such COP issuance would not be included in the City's General Fund debt limits.

However, as noted above, Charter Section 8A.102(b)(13) authorizes the SFMTA to issue bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation or any other debt instruments, subject to the approval by the Board of Supervisors, which the SFMTA is now requesting. Therefore, approval of the proposed three ordinances and one resolution are policy decisions for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution (File 11-1341) to incorporate the various changes as submitted by the SFMTA.
 2. Amend the proposed resolution (File 11-1341) to replace the CEQA language on page 5, Section 11 to instead state that all of the proposed projects have now received categorical exemptions from the Planning Department, in accordance with CEQA requirements.
 3. Amend the proposed resolution (File 11-1341) to request that the Controller's Office work with the SFMTA in order to report back to the Board of Supervisors within six months after the Series 2012 A and B issuances on the costs and benefits of (a) using outside financial advisors, (b) using in-house City debt management staff, and (c) SFMTA's initial revenue bond issuances.
 4. Amend the proposed resolution (File 11-1341) to reduce the requested \$160,000,000 authorization to issue revenue bonds by \$80,000,000 to \$80,000,000, which would allow (a) the SFMTA to issue the initial 2012 Series A and B revenue bonds, (b) sufficient time for DPW to complete its parking garage assessment to determine the amount and priorities for improvements, and (c) the Controller's Office to report back to the Board of Supervisors on the costs and benefits of the initial SFMTA revenue bond issuances.
-
5. Amend the proposed ordinance (File 12-0243) to place \$1,600,000 designated for the Muni System Radio Replacement Project on Budget and Finance Committee Reserve, pending the recommendations of COIT, regarding how to proceed with the City's various voice and data communications systems.
 6. Approval of the proposed three ordinances (Files 11-1354, 12-0242 and 12-0243) and one resolution (File 11-1341) are policy decisions for the Board of Supervisors.

San Francisco Municipal Transportation Agency (Multiple Capital Improvement Projects)

SFMTA will apply the \$48 million in Bonds proceeds to finance the projects and programs summarized below.

Systemwide Transit Access and Reliability Program



Description:

Projects that support development of pedestrian and bicycle amenities that expand the ridership area and utility of public transit stops and stations. Projects must have a functional relationship to a public transportation facility. In addition, projects would include small signal upgrades or modifying signal phases at an intersection, adding bus or pedestrian bulbs to coordinate with a paving project, or street design changes to reduce delays for transit at busy intersections.

Benefits:

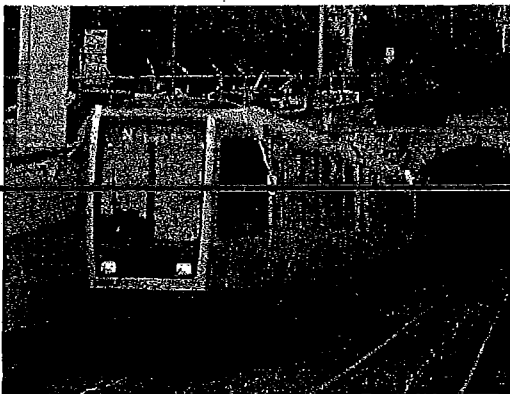
The proposed program would increase transit ridership and improve the path of travel to transit stops and stations. It would also minimize delays encountered by Muni transit vehicles associated with customer boarding and alighting, the time required to pull into and out of bus zones, and the delays associated with traffic signals.

Estimated Budget: \$8.8M

Estimated Bond Proceeds: \$7.5M

The improvement program budget is \$8.8 million and will be funded primarily through bond proceeds and local sales taxes.

Muni Metro Sunset Tunnel Rail Rehabilitation



Description:

The Sunset Tunnel was built in October 1928 and lies directly beneath Buena Vista Park. The western entrance to the tunnel is located near the intersection of Carl and Cole Streets in Cole Valley. The eastern entrance is at Duboce and Noe Streets, in the Duboce Triangle neighborhood adjacent to Duboce Park. The Muni Metro N-Judah line uses the tunnel for approximately 70,000 trips per year. Upgrade of the rail track, ties and ballast is essential to continuing the outstanding record of operation in the tunnel. The project would occur concurrently with the Carl and Cole Rail Replacement project, during which time the N-Judah line will be shut down, resulting in significant cost savings for this project.

Benefits:

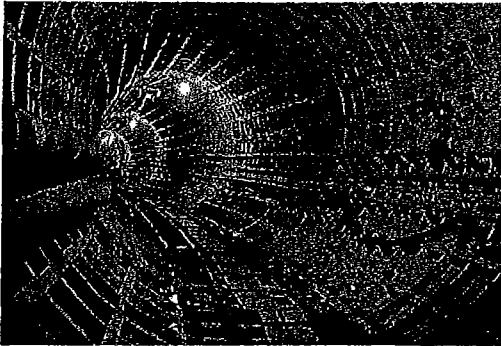
The proposed project would improve the safety, reliability and quality of the ride on the system's busiest rail line.

Estimated Budget: \$23.4M

Estimated Bond Proceeds: \$8.4M

The estimated project budget is \$23.4 million for the conceptual engineering, design and construction of improvements. Funding includes bond proceeds, federal funds and local sales taxes.

Muni Metro Turnback Rehabilitation (MMT)



Description:

The MMT extends Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station has been damaged over time by water intrusion from the San Francisco Bay. The worn track has resulted in numerous

service delays.

Benefits:

Completion of this work would improve service reliability by reducing train and control failures, improving the system safety margin by reducing the number of trains that need to be on manual operation, and reducing on-going maintenance costs. The project is currently in the Conceptual Engineering Phase.

Estimated Budget: \$7.7M

Estimated Bond Proceeds: \$7.7M

The estimated project budget is between \$7.7 million, to fund conceptual engineering, design and construction. The project would replace the rail in the MMT, determine and mitigate water intrusion issues in this portion of the Muni Metro System. The project will be paid for by Bond Proceeds.

Muni Metro System Public Announcement and Public Display System Replacement



Description:

Terminals and transfer points are stops that handle significant customer interchanges and/or handle vehicle layovers. Specific improvements include the installation of the LED displays (visual) for passenger info for the nine stations for a total of 108 signs. Station improvements also include speakers, microphones, ambient noise sensors and digital voice announcement system. The project is currently in the design phase.

Benefits:

The proposed project would improve the customer experience within the Muni Metro system through the replacement of the existing 28-year old subway Public

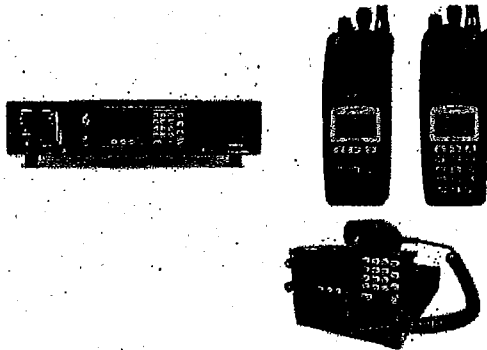
Address System & Platform Display systems (PDS). Linking this system with the Advanced Train Control System will increase system reliability through integration of these two systems.

Estimated Budget: \$25.8M

Estimated Bond Proceeds: \$10.0M

The estimated project budget is \$25.8 million for the construction of improvements. Funding includes Bond Proceeds, Federal Funds and Local Sales Taxes.

Muni System Radio Replacement Project



Description:

The project will replace and modernize the SFMTA's radio communication system using seventeen 700 MHz voice channels and six 800 MHz data channels as the basis for the communication network. The new system will utilize five existing antennae sites and will meet the regional Intelligent Transportation Standard and the P25 interoperability criteria.

Benefits: The project will modernize the Muni Transit fleet communication system and meet Federal Communication Commission (FCC) narrow banding requirements, including Computer Aided

Dispatch/Automatic Vehicle Monitoring (CAD/AVL) and integrated incident management/reporting, as well as ADA compliant traveler information (i.e. DVAS) on the Muni Light Rail Fleet.

Estimated Budget: \$115M

Estimated Bond Proceeds: \$4.0M

The estimated total project budget for this project is \$115 million, of which \$4 million would be from Bond Proceeds, in addition of Federal Funds and Local Sales Taxes.

Muni Green Light Rail Facility Rehabilitation



San Francisco Municipal Railway Green Division Yard in San Francisco, CA on 4-10-06. This Muni Metro (Light Rail) facility is named for former General Manager, Curtis Green.

Description:

The Green Rail Facility was redesigned in 1974 to store the Boeing Light Rail Vehicles (LRVs) that were put into operation in 1979 with the purpose of storing and maintaining the LRVs. Of the total SFMTA LRV fleet of 151 cars, SFMTA currently stores 89 or more Breda LRVs at Green. The scope of this project is to replace approximately 11,200 track feet of worn rails and track switches at the north and south ladder track in the Green Light Rail Facility. Most of the track is beyond its useful life. In addition, the project would include the replacement of the roof at the Green Maintenance Yard, which is also beyond its useful life.

Benefits: The project will enhance system reliability, while reducing the need for excess maintenance. The planning and design phases of this project are complete.

Estimated Budget: \$44M

Estimated Bond Proceeds: \$10.4M

The estimated total project budget for this project is \$44 million, of which \$12 million would be from Bond Proceeds, in addition of Federal Funds and Local Sales Taxes.

Estimated Costs to Improve 18 Parking Garages With SFMTA's Lease Revenue Bonds

Facility	Architectural	Electrical	Fire Protection	Mechanical	Structural & Waterproofing	Total
16th and Hoff	\$430,875	\$166,000	\$5,000	\$6,500	\$45,000	\$653,375
Fifth and Mission	2,320,526	275,000	15,000	4,000	2,232,500	4,847,026
Civil Center	1,555,642	650,000	0	279,500	195,000	2,680,142
Ellis-O'Farrell	1,172,000	180,000	0	54,000	1,579,000	2,985,000
Golden Gateway	828,642	228,000	0	240,000	52,000	1,348,642
Japan Center	1,159,000	205,000	0	295,000	37,000	1,696,000
Lombard	520,000	180,000	0	63,500	119,000	882,500
Mission-Bartlett	441,075	214,000	60,000	213,500	31,000	959,575
Moscone Center	1,264,000	220,000	0	8,500	23,000	1,515,500
North Beach	594,000	166,000	0	18,000	49,000	827,000
Performing Arts	558,000	150,000	10,000	38,000	357,000	1,113,000
Pierce Street	48,680	173,300	0	15,000	189,000	425,980
Polk-Bush	706,000	187,000	5,000	52,000	17,000	967,000
SF General Hospital	1,264,000	217,000	35,000	55,000	210,000	1,781,000
St. Mary's Square	864,914	200,000	10,000	121,000	122,000	1,317,914
Sutter-Stockton	1,820,000	460,000	20,000	285,000	478,000	3,063,000
Union Square	1,552,300	760,000	0	611,500	1,675,000	4,598,800
Vallejo Street	1,210,778	335,000	15,000	76,000	66,000	1,702,778
SUBTOTAL	\$18,310,432	\$4,966,300	\$175,000	\$2,436,000	\$7,476,500	\$33,364,232
OTHER (Project Management/Construction Management/Design/ Legal/Contingency)						17,883,228
TOTAL						\$51,247,460

SFMTA BOND PROGRAM OF PROJECTS

PROJECT	SERIES 2012B	SERIES 2013A	OTHER SOURCES	TOTAL BUDGET
Systemwide Transit Access and Reliability Program	\$ 1,500,000	\$ 6,000,000	\$ 1,300,000	\$ 8,800,000
Muni Metro Sunset Tunnel Rehabilitation	\$ 900,000	\$ 7,500,000	\$ 15,000,000	\$ 23,400,000
Muni Metro Turnback Rehabilitation	\$ 3,000,000	\$ 4,700,000	-	\$ 7,700,000
Muni Metro System Public Announcement and Public Display System Replacement	\$ 6,500,000	\$ 3,500,000	\$ 15,800,000	\$ 25,800,000
Muni System Radio Replacement Project	\$ 1,600,000	\$ 2,400,000	\$ 111,000,000	\$ 115,000,000
Muni Green Light Rail Facility Rehabilitation	\$ 7,200,000	\$ 3,200,000	\$ 33,600,000	\$ 44,000,000
Parking Projects	\$ 5,000,000	\$ 46,247,460	-	\$ 51,247,460
PROJECT TOTALS	\$ 25,700,000	\$ 73,547,460	\$ 176,700,000	\$ 275,947,460
FINANCING COSTS & RESERVE	\$ 2,600,000	\$ 6,927,540		
TOTAL	\$ 28,300,000	\$ 80,475,000		1

SFMTA | BOND FINANCING PROGRAM OF PROJECTS
DETAILED PROJECT FUNDING PLANS BY PROJECT & FUND
 FUND: SFMTA-Bond-FY12

BOND PROJECT HIGH LEVEL FUNDING ANALYSIS

PROJECT	SERIES 2012B	SERIES 2013A	OTHER SOURCES	TOTAL BUDGET
Systemwide Transit Access and Reliability Program	\$ 1,500,000	\$ 6,000,000	\$ 1,300,000	\$ 8,800,000
Muni Metro Sunset Tunnel Rehabilitation	\$ 900,000	\$ 7,500,000	\$ 15,000,000	\$ 23,400,000
Muni Metro Turnback Rehabilitation	\$ 3,000,000	\$ 4,700,000	\$ -	\$ 7,700,000
Muni Metro System Public Announcement and Public Display System Replacement	\$ 6,500,000	\$ 3,500,000	\$ 15,800,000	\$ 25,800,000
Muni System Radio Replacement Project	\$ 1,600,000	\$ 2,400,000	\$ 111,000,000	\$ 115,000,000
Muni Green Light Rail Facility Rehabilitation	\$ 7,200,000	\$ 3,200,000	\$ 33,600,000	\$ 44,000,000
Parking Projects	\$ 5,000,000	\$ 46,247,460	\$ -	\$ 51,247,460
PROJECT TOTALS	\$ 25,700,000	\$ 73,547,460	\$ 176,700,000	\$ 275,947,460

BOND PROJECT FUNDING PLANS

Systemwide Transit Access and Reliability Program

FUND	AMOUNT
Local Proposition K Sales Tax	\$ 300,000
Local Proposition AA Vehicle Licence Fees	\$ 1,000,000
SFMTA Revenue Bond	\$ 7,500,000
TOTAL:	\$ 8,800,000

Muni Metro Sunset Tunnel Rehabilitation

FUND	AMOUNT
SFMTA Revenue Bond	\$ 8,400,000
Federal FTA Section 5309 Fixed Guideway	\$ 15,000,000
TOTAL	\$ 23,400,000

Muni Metro Turnback Rehabilitation

FUND	AMOUNT
SFMTA Revenue Bond	\$ 7,700,000
TOTAL	\$ 7,700,000

Muni Green Light Rail Facility Rehabilitation

FUND	AMOUNT
Federal FTA Section 5309 Fixed Guideway	\$ 27,000,000
Local Proposition K Sales Tax	\$ 6,600,000
SFMTA Revenue Bond	\$ 10,400,000
TOTAL	\$ 44,000,000

Muni System Radio Replacement Project

FUND	AMOUNT
Local Proposition K Sales Tax	\$ 62,000,000
State Proposition 1B Bonds	\$ 26,000,000
SFMTA Operating Funds	\$ 5,000,000
Regional AB 664 Bridge Tolls	\$ 600,000
Federal FTA Section 5307	\$ 14,147,000
SFMTA Revenue Bond	\$ 4,000,000
Other Local	\$ 150,000
Other Federal	\$ 3,103,000
TOTAL	\$ 115,000,000

Muni Metro System Public Announcement And Public Display System Replacement

FUND	AMOUNT
Local Proposition K Sales Tax	\$ 2,300,000
Federal FTA Section 5307	\$ 2,500,000
Federal FTA Section 5309 Fixed Guideway	\$ 9,000,000
Regional AB 664 Bridge Tolls	\$ 2,000,000
SFMTA Revenue Bond	\$ 10,000,000
TOTAL	\$ 25,800,000

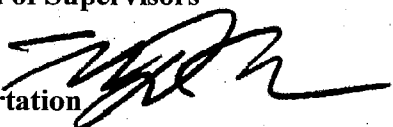
PLEGGED REVENUE

- The proposed financing will be structured as a Revenue Bond with Pledged Revenues outlined in the table below:
 - Does not include General Fund Baseline Transfer or General Fund Transfer in Lieu of Parking Tax
 - Parking Meter Revenues are pledged to repay debt related to Parking and Traffic Control projects (garages)

5,6,7&8 - 27

REVENUE SOURCE (amounts in thousands)	FY2010	FY2011	FY2012 (Budget)	Growth Rate for Planning Purposes
Passenger Fares (fixed route & paratransit)	187,629	191,626	182,312	2.47% (Bay Area CPI)
Traffic Fines, Fees, Permits & Taxi	106,627	123,327	132,024	2.47% (Bay Area CPI)
Parking Meters	38,868	40,531	48,527	2.47% (Bay Area CPI)
Parking Garages (net)	32,080	46,025	38,450	2.47% (Bay Area CPI)
Other (includes rent, advertising & interest)	22,565	25,898	24,032	2.47% (Bay Area CPI)
State Sales Tax (AB 1107)	27,767	30,145	25,282	2.47% (Bay Area CPI)
TDA Sales Tax	29,647	32,021	29,929	2.47% (Bay Area CPI)
TOTAL PLEDGED REVENUES:	\$445,183	\$489,573	\$480,557	
Annual Growth Rate		9.97%	-1.84%	

Edwin M. Lee | Mayor
Tom Nolan | Chairman
Jerry Lee | Vice-Chairman
Leona Bridges | Director
Cheryl Brinkman | Director
Malcolm Heinicke | Director
Bruce Oka | Director
Joél Ramos | Director
Edward D. Reiskin | Director of Transportation

MEMORANDUM**DATE:** December 13, 2011**TO:** San Francisco Board of Supervisors**FROM:** Edward D. Reiskin
Director of Transportation **SUBJECT:** San Francisco Municipal Transportation Agency Bond Financing

The San Francisco Municipal Transportation Agency (SFMTA or Agency) is planning to issue up to \$170 million in revenue bonds to finance the costs of certain transportation projects and to refinance bonds previously issued for certain parking garages and parking meters. The Charter and Administrative Code authorize the SFMTA to issue revenue bonds, with the concurrence of the Board of Supervisors, without voter's approval and in accordance with State law. The bond financing is expected to close in April 2012. The SFMTA Board of Directors approved a resolution recommending that the Board of Supervisors authorize this bond issuance on December 6, 2011.

Background

The City Charter 8A.102(b)13 states "To the maximum extent permitted by law, with the concurrence of the Board of Supervisors, and notwithstanding the requirements and limitations of Sections 9.107, 9.108, and 9.109, have authority without further voter approval to incur debt for Agency purposes and to issue or cause to be issued bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation or any other debt instruments.

Upon recommendation from the SFMTA Board of Directors, the Board of Supervisors may authorize the Agency to incur on behalf of the City such debt or other obligations provided: 1) the Controller first certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under such obligations as they become due; and 2) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the Agency."

Use of Bond Proceeds

Revenue bond proceeds are anticipated to fund (i) planning, design, construction or improvement of capital improvements in the SFMTA's transit and parking garage assets, (ii) refinancing of outstanding revenue and lease revenue bonds, (iii) a bond reserve account and (iv) the costs of issuance. The final determination as to any specific project shall be the subject of subsequent SFMTA Board action.

**ANTICIPATED APPLICATION OF BOND PROCEEDS
 FOR SERIES 2012 PROJECTS
 (IN MILLIONS)**

<u>Transit Projects</u>	<u>Bond Proceeds</u>
Systemwide Transit Access and Reliability (Transit Signal Priority) Program	\$ 7.5
Muni Metro Sunset Tunnel Rail Rehabilitation	4.5
Muni Metro Turnback Rehabilitation	10.0
Muni Metro System Public Announcement and Public Display System Replacement	10.0
Muni System Radio Replacement Project	4.0
Muni Green Light Rail Facility Rehabilitation	12.0
 <i>Total Uses of Funds</i>	<hr/> \$48.0

Systemwide Transit Access and Reliability Program

The Systemwide Transit Access and Reliability (Transit Signal Priority) Program is intended to increase transit ridership and improve the path of travel to transit stops and stations while minimizing delays associated with customer boarding and alighting from Muni vehicles and reducing delays associated with traffic signals. It includes projects supporting development of pedestrian and bicycle amenities which expand the ridership area and increase the utility of public transit access points. Projects also include small signal upgrades and modification of signal phases at intersections, adding bus or pedestrian bulbs, and street design changes to reduce delays for transit vehicles at busy intersections.

Muni Metro Sunset Tunnel Rail Rehabilitation

~~The goal of the Muni Metro Sunset Tunnel Rail Rehabilitation is to improve the safety,~~
 reliability and quality of the ride on the system's busiest rail line. The project will upgrade the rail track, ties and ballast in the Sunset Tunnel, which was originally constructed in October 1928 and lies directly beneath Buena Vista Park between Cole Valley and the Duboce Triangle neighborhood. The Muni Metro N Judah Line uses the tunnel for approximately 70,000 trips per year. The SFMTA expects to schedule the project concurrently with other projects which require the N Judah Line to be temporarily shut down, resulting in cost savings for this project.

Muni Metro Turnback Rehabilitation

The Muni Metro Turnback (MMT) extends the Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station have

been damaged over time by water intrusion from the San Francisco Bay. The worn track has in the past caused service delays. The MMT Rehabilitation is designed to improve service reliability by reducing train and control failures and to improve safety. It is also expected to reduce on-going maintenance costs.

Muni Metro System Public Announcement and Public Display System Replacement

The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system.

Muni System Radio Replacement Project

Muni System Radio Replacement Project would modernize Muni's radio communications system and meet the Federal Communications Commission's narrow banding requirements that include Computer Aided Dispatch/Automatic Vehicle Monitoring and integrated incident management/reporting, as well as ADA-compliant travel information on Muni's light rail vehicles (LRVs). It would use seventeen 700 MHZ voice channels and six 800 MHZ data channels as the basis for the communications network, utilize five existing antennae sites and meet the regional Intelligence Transportation Standard and the P25 interoperability criteria.

Muni Green Light Rail Facility Rehabilitation

The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA's Green Light Rail Facility, where in excess of 89 Breda LRVs are regularly stored, and possibly improvements to the facility. It would also include the replacement of the roof at the Green maintenance yard.

Parking Garage Projects

Garage capital funds will be used to perform major rehabilitation, preservation, and improvement of existing parking facilities to enhance parking infrastructure and improve parking management. The following categories will be considered in determining the use of capital funds for parking garage improvements:

Structural/Waterproofing

Most of the SFMTA's parking structures are at least 20 years old. Addressing the structural integrity of the parking garages is the first step to ensuring the viability of the SFMTA's parking assets. These improvements may include remediating foundations, floors, walls, ceilings, stairs, doors, adding protectants (waterproofing, concrete inhibitors, fire proofing) and performing facility structural and seismic upgrades where needed.

Mechanical

The SFMTA's parking garages have ineffective mechanical systems. The heating system, boilers, ventilation, air conditioning, chillers and elevators all require updating. The California Building Code, for example, requires any unmonitored HVAC system to run constantly whenever a garage is open for business. Elevator and life safety systems modernization is also necessary to secure Agency assets and ensure public safety. The Parking and Revenue Control System is beyond its useful lifespan and requires immediate replacement to ensure accountability and implementation of industry best practices and to reduce maintenance costs.

Electrical/Fire Protection

Garage electrical systems need to be upgraded. Energy-efficient lights and all day or non-sensored heating and ventilation systems put extra load on electrical switches, transformers and breakers circuits. This extra load leads to excessive maintenance costs, emergency (rather than planned) repairs and operational inefficiencies. By installing energy-efficient lighting systems that include motion and heat sensors and solar panels, the SFMTA can significantly reduce garage energy consumption. Upgrades to the garage fire protection and alert systems are also necessary.

Plan of Finance

The SFMTA currently has no outstanding bonds issued under this authorization from the City Charter. The SFMTA is indirectly associated with several outstanding series of bonds through other issuers, including the Parking Authority of the City and County of San Francisco and various non-profit parking corporations. As a part of the 2012 Bonds, the SFMTA will refinance all of the outstanding associated debt. Specifically, the bonds are the following:

	<u>Final</u>	<u>Par Amount</u>
	<u>Maturity Date</u>	<u>Outstanding</u>
		<u>(In Thousands)</u>
Issued by Parking Authority		
Series 1999-1 Parking Meter Revenue Refunding Bonds	2020	\$14,385
Lease Revenue Bonds Series 2000A (North Beach)	2022	\$5,455
Issued by Non-Profit Garage Corporations		
Ellis-O'Farrell Parking Corporation– parking revenue refunding bonds	2017	\$2,980
Downtown Parking Corporation – parking revenue refunding bonds	2018	\$6,955
Uptown Parking Corporation – revenue bonds	2031	\$15,905
Total Par Outstanding		\$45,680

The SFMTA will issue fixed-rate tax-exempt revenue bonds for the proposed transaction, which will be composed of new money and refunding obligations. It is anticipated that the new money bonds will mature in 30 years, while the final maturity of the refunding bonds will match the final maturity of the bonds they are refunding. Outstanding debt service on the Parking bonds

ranges from \$5.8 million in FY2013, to \$1.3 million in 2031 when the Uptown Parking Corporation bonds mature. In the current market, the SFMTA would issue approximately \$150 million in revenue bonds at a True Interest Cost (TIC) of 4.49 percent to finance capital projects and refinance existing bonds. This represents annual debt service of approximately \$9.5 million. At this assumed true interest cost, the issuance of the refunding bonds would achieve a net present value debt service savings of \$2.9 million or 6.4 percent. The SFMTA will not be issuing bonds for several months, therefore debt service and projected savings may differ from current levels.

Given that the SFMTA is a new credit to the municipal capital market, the SFMTA needs to be introduced to potential investors. Part of this process includes obtaining a published rating from two rating agencies. The credit process involves presenting the documents and the financing to the ratings analysts. The ratings analysts will review the SFMTA's credit and issue a public rating on the bonds. Generally, two investment grade ratings enhance the ability of the SFMTA to sell bonds in the capital markets.

The SFMTA will also need to introduce itself as an issuer to the potential investors (purchasers) of the bonds. To that end, the SFMTA has elected to go with a negotiated sale process. Such a process will involve educating the sales force of the underwriting syndicate which may include an investor roadshow, among other marketing activities.

The proposed transaction will be sold via negotiated sale with an underwriting syndicate composed of JPMorgan Securities, RBC Capital Markets, Morgan Stanley, and Siebert Brandford Shank. The underwriters were selected through a Request for Proposals process using the existing underwriting pool as established by the Office of Public Finance.

The SFMTA has already received feedback from the underwriters regarding the underlying legal structure of the bonds. The SFMTA believes that the flexibility and marketing gained through the negotiated sale process would result in a lower cost of borrowing.

Sources and Uses (Estimated, subject to change)

Sources	
Bond Principal	\$149,950,000.00
Bond Premium	7,738,096.10
Funds on Hand	1,757,513.00
Total Sources	\$159,445,609.10
Uses	
Capital Projects	\$100,000,000.00
Refunding Escrow	46,792,036.13
Debt Service Reserve Account	11,151,150.00
Costs of Issuance	1,502,422.97
Total Uses	\$159,445,609.10

Authorization of the bond financing is requested at up to \$170 million in the event that a shift in interest rates or a different coupon structure results in a need to issue an incrementally larger amount of bonds in order to fund the proposed projects.

Costs of issuance for the transaction include fees for the co-financial advisors, co-bond counsel, disclosure counsel, underwriters, rating agencies, verification agent and other expenses.

The repayment of the bonds will be secured by certain revenues pledged by the SFMTA under the Indenture of Trust. These pledged revenues, as described in more detail in the Indenture of Trust and Preliminary Official Statement (POS), generally include all revenue of the SFMTA other than the General Fund Transfer and designated grant funds whose uses are restricted and may not be used for this purpose.

Financing Schedule (subject to change)

January 2012	Board of Supervisors Budget and Finance Committee Board of Supervisors Approval File for Reverse Validation
February 2012	Rating Agency Presentations
March 2012	Receive Ratings End of Validation Period SFMTA Board Update Print and Mail POS
April 2012	Bond Pricing Bond Closing

~~The City Attorney's Office and outside bond counsel have advised the SFMTA to wait the 60-day validation period prior to the sale of bonds with respect to this transaction. In general, this 60-day period is a statute of limitations for legal challenges as to the validity of a bond issue. The City Attorney's Office and bond counsel gave this advice in order to be conservative and cautious as to possible challenges (even though any such challenge would not be expected to have any merit) given that the SFMTA is developing a new bond structure. This bond financing is the first revenue bond issue of the SFMTA and includes some novel aspects arising from the SFMTA's organization and finances as a City enterprise department with jurisdiction over a basket of transportation functions. There are not many comparable city transportation systems in California.~~

Documentation and Next Steps

The Board of Supervisors is also being asked to consider the adoption of a procedural ordinance relating generally to the terms of the issuance and sale of SFMTA revenue bonds and a resolution approving this bond issue.

The procedural ordinance would be codified at Chapter 43, Article XIII, Sections 43.13.1 through 43.13.9 of the City Administrative Code and sets forth procedures by which the SFMTA may issue and sell revenue bonds for any SFMTA-related purpose. The bonds are to be secured solely by SFMTA revenues. The resolution approves this issuance of revenue bonds by the SFMTA and approves forms of the following documents:

- POS
- Indenture of Trust and First Supplemental Indenture of Trust
- Bond Purchase Contract
- Continuing Disclosure Agreement

The Director of Transportation will be authorized to make any necessary modifications, changes or additions to these documents as long as they are within the parameters of the attached ordinance and resolution. The SFMTA Board of Directors will approve the final form of the POS prior to its release to the marketplace.

In connection with this and future bond financings, the SFMTA Board of Directors has authorized the creation of a Bond Oversight Committee. This Committee, which is fashioned after the City's General Obligation Bond Oversight Committee and the Public Utilities Revenue Bond Oversight Committee, will oversee the expenditure of bond proceeds for projects funded by the SFMTA's revenue bonds and other forms of indebtedness.

The SFMTA intends to enter into new parking garage leases with the Ellis O'Farrell Parking Corporation, the Downtown Parking Corporation, the Japan Center Parking Corporation and the Uptown Parking Corporation. These new leases will update the terms and conditions of the current leases and include best practices and other required changes related to the bond financing.

Parking garages under the jurisdiction of the Department of Recreation and Park (Rec Park) will be included in the bond financing. Rec Park will repay the portion of debt service related to improvements in those garages and the refinancing of the Union Square Garage. The Recreation and Park Commission Operations Committee approved this transaction unanimously on December 1, 2011 and the full Commission will vote on it on December 15, 2011.

In addition to approval by the Board of Supervisors, the Controller will need to issue a certification of the SFMTA's financial condition. It is anticipated that the bonds will be issued as fixed-rate bonds in April 2012.

Thank you for your consideration of this bond financing and for your continued support for the SFMTA.

Attachments

cc: SFMTA Board of Directors
Deputy City Attorney Julia Friedlander

CONTINUING DISCLOSURE CERTIFICATE

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS, SERIES 2012A

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Francisco Municipal Transportation Agency (the "SFMTA") pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of March 1, 2012 (the "Master Indenture"), between the SFMTA and [TRUSTEE], as trustee (the "Trustee"), a First Supplement to Indenture of Trust dated as of March 1, 2012 between the SFMTA and the Trustee (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), [Ordinance No. [] of the Board of Supervisors of the City (the "Board of Supervisors") adopted on [], 201], Resolution No. [] of the Board of Directors of the SFMTA (the "Board") adopted on [], 201], a Resolution of the Board of Supervisors concurring as to the issuance of the Series 2012A Bonds adopted on [], 201], and a Resolution of the Parking Authority authorizing the refunding of bonds issued by [the Parking Authority, the Ellis-O'Farrell Parking Corporation, the Downtown Parking Corporation and the Uptown Parking Corporation (collectively, the "Parking Bonds")]. The Series 2012A Bonds and all other bonds issued pursuant to the Indenture are referred to collectively in this Official Statement as the "Bonds." The SFMTA covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the SFMTA for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the SFMTA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the SFMTA, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the SFMTA and which has filed with the SFMTA a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The SFMTA shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the SFMTA's fiscal year (which is June 30), commencing with the report for the 2011-12 Fiscal Year (which is due not later than March 27, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the SFMTA, the SFMTA shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the SFMTA are not available by the date required above for the filing of the Annual Report, the SFMTA shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the SFMTA's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the SFMTA is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the SFMTA shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the SFMTA), file a report with the SFMTA certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The SFMTA's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the SFMTA prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) [List Applicable Tables From Official Statement.]

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the SFMTA or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The SFMTA shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;

8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) ~~The SFMTA shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).~~

(d) Whenever the SFMTA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the SFMTA shall determine if such event would be material under applicable federal securities laws.

(e) If the SFMTA learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the SFMTA shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The SFMTA's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the SFMTA shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The SFMTA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the SFMTA may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney of the City and County of San Francisco (the "City Attorney") or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Bonds or (ii) does not, in the opinion of the SFMTA Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the SFMTA shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the SFMTA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the SFMTA from disseminating any other information, using the means of dissemination set forth in this ~~Disclosure Certificate or any other means of communication, or including any other information in any Annual~~ Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the SFMTA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the SFMTA shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the SFMTA to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the SFMTA to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. The sole remedy under this Disclosure Certificate in the event of any failure of the SFMTA to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the SFMTA, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2012.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By _____
[Title]

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Name of Issue: SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS, SERIES [2012A / 2012B]

Date of Issuance: _____, 2012

NOTICE IS HEREBY GIVEN that the SFMTA has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the San Francisco Municipal Transportation Agency, dated the Date of Issuance. The SFMTA anticipates that the Annual Report will be filed by _____.

Dated: _____

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By: _____ [to be signed only if filed]
Title _____

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 11-150

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) desires to finance the costs of certain transportation projects including, but not limited to, streetcars, modern light rail vehicles, buses, alternative fuel vehicles, trolley coaches, cable cars, railway cars and construction projects related thereto; roads, bus stations, traffic signs, parking meters, improvements to parking garages under the jurisdiction of the SFMTA, The Parking Authority of the City and County of San Francisco, the Recreation and Park Department of the City, and/or various non-profit parking corporations, and parking lots and related improvements (collectively, Project); and

WHEREAS, Pursuant to Section 8A.102.(b)(13) of the Charter (Charter) and Chapter 43 of the Administrative Code of the City and County of San Francisco (City), the SFMTA may issue revenue bonds and other debt instruments, with the concurrence of the Board of Supervisors (Board) of the City and without voter approval, such bonds to be issued in accordance with State law or any procedure provided for by ordinance; and

WHEREAS, The Parking Authority of the City and County of San Francisco (Authority) has previously issued its Series 1999-1 Parking Meter Revenue Refunding Bonds (1999-1 Bonds) to finance and refinance the acquisition, installation, equipping, improvement or rehabilitation of various Agency owned parking meters, and its Lease Revenue Bonds Series 2000A (North Beach Parking Garage Project) (2000A Bonds and, together with the 1999-1 Bonds, Authority Bonds), to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the North Beach Garage; and

WHEREAS, The City of San Francisco Ellis-O'Farrell Parking Corporation (Ellis-O'Farrell Corporation) has previously issued its Parking Revenue Refunding Bonds, Series 2002 (Ellis-O'Farrell Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Ellis-O'Farrell Garage; and

WHEREAS, The City of San Francisco Downtown Parking Corporation (Downtown Corporation) has previously issued its Parking Revenue Refunding Bonds, Series 2002 (Downtown Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Fifth and Mission Garage; and

WHEREAS, The City of San Francisco Uptown Parking Corporation (Uptown Corporation) has previously issued its Parking Revenue Refunding Bonds (Union Square), Series 2001 (Uptown Bonds and, together with the Ellis-O'Farrell Bonds, Downtown Bonds, and the Authority Bonds, Prior Bonds) to finance and refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of the Union Square Garage; and

WHEREAS, The SFMTA desires to issue revenue bonds to fund the Project and refinance the Prior Bonds; and

WHEREAS, The SFMTA desires to enter into a Bond Purchase Contract (Purchase Contract) with J.P. Morgan Securities LLC, as representative of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., LLC, as the underwriters, for the purpose of selling the revenue bonds; and

WHEREAS, The SFMTA has been presented with the form of certain documents related to the revenue bonds, including the Indenture of Trust, the First Supplement to the Indenture of Trust, the Purchase Contract, and the Continuing Disclosure Certificate, and the SFMTA has examined each document and desires to approve, authorize and direct the execution of such documents and the consummation of such financing; now therefore be it

RESOLVED, That all of the recitals herein are true and correct; and be it

FURTHER RESOLVED, The SFMTA Board of Directors does hereby approve the issuance of up to \$170 million in San Francisco Municipal Transportation Agency Revenue Bonds (Bonds or Revenue Bonds), which shall be issued and delivered in accordance with the Indenture (defined below), as the same is finally executed and delivered; and be it

FURTHER RESOLVED, That pursuant to Section 8A.102(b)(13) of the Charter, the concurrence of the SFMTA Board of Directors shall be obtained prior to the issuance of the bonds, and by passage of this resolution the Board of Directors hereby recommends that the Board of Supervisors authorize the Agency to issue the bonds approved hereby; and be it

FURTHER RESOLVED, That the Director of Transportation is authorized to present to the Board of Supervisors the approval by the Board of Directors of the issuance of the Bonds; and be it

FURTHER RESOLVED, That the proceeds of the Bonds shall be used to (i) fund the Project, (ii) refund the Prior Bonds; (iii) fund a reserve fund, (iv) fund capitalized interest, if any, and (v) pay costs of issuance of the Bonds; and be it

~~FURTHER RESOLVED, That the Bonds may be issued in one or more series and that~~
the Trustee (defined below) shall be authorized to cause the execution and delivery of the Bonds in an aggregate principal amount which shall not be greater than \$170,000,000, which shall bear interest rates not to exceed eight percent per annum, and which shall mature no later than 30 years from their date of issuance and that the Bonds shall be subject to prepayment as set forth in the Indenture; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of an indenture of trust and a first supplement to indenture of trust (collectively, Indenture) by and between the SFMTA, and a trustee selected by the Director of Transportation (Trustee), and that the Director of Transportation or his designee is authorized to execute the Indenture, with such changes, additions and modifications as the Director of Transportation may make or approve; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of a bond purchase contract (Purchase Contract), and that the Director of Transportation is authorized to execute the Purchase Contract with such changes, additions and modifications as the Director of Transportation may make or approve, provided however, that the Underwriters' discount under the Purchase Contract shall not exceed 0.6% of the principal amount of the Bonds; and be it

FURTHER RESOLVED, That the Board of Directors approves the form of the continuing disclosure certificate of the City (Continuing Disclosure Certificate), authorizing the Director of Transportation or his designee to execute the Continuing Disclosure Certificate, with such changes, additions and modifications as the SFMTA Director of Transportation may make or approve; and be it

FURTHER RESOLVED, That the Board of Directors authorizes the expenditure of a portion of the proceeds of the Bonds for the payment of certain costs of issuance incurred in connection with the execution and delivery of the Bonds; and be it

FURTHER RESOLVED, That the draft preliminary official statement related to the Bonds (Preliminary Official Statement) is on file with the Secretary of the Board of Directors and that the Director of Transportation is authorized to finalize the Preliminary Official Statement and upon such finalization return to this Board of Directors for approval of said document in final form; and be it

FURTHER RESOLVED, That the Board of Directors makes the following finding in compliance with the California Environmental Quality Act (CEQA), California Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative Code Sections 15000 et seq., (CEQA Guidelines), and San Francisco Administrative Code Chapter 31 (Chapter 31); that the issuance of the Bonds is not subject to CEQA because as the establishment of a government financing mechanism that does not identify individual specific projects to be constructed with the funds, it is not a project as defined by CEQA and the CEQA Guidelines and that the SFMTA shall consult with the City Attorney as to necessary CEQA findings and determinations with respect to any project prior to the expenditure of bond proceeds; and be it

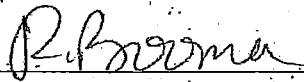
FURTHER RESOLVED, That the Director of Transportation is authorized and directed to prepare such resolutions or ordinances as may be necessary to effectuate the purposes of this resolution, including such resolutions or ordinances as may be necessary to obtain Board of Supervisors authorization of the Agency's issuance of bonds for the purposes set forth herein and that the Controller of the City, the Treasurer of the City, the Director of Transportation, the City Attorney, and all other appropriate officers, employees, representatives and agents of the City are authorized and directed to do everything necessary or desirable to provide for the execution and delivery of the Bonds, including, but not limited to, executing and delivering such certificates and other documents as they may deem necessary or advisable, including without limitation any custody agreements required by the Trustee; and be it

FURTHER RESOLVED, That the Director of Transportation is authorized to approve and make such modifications, changes or additions to the Indenture, the Purchase Contract or the Continuing Disclosure Certificate, upon consultation with the City Attorney, as may be necessary or desirable in the interests of the SFMTA, and which changes are within the parameters of this Resolution and that the Director of Transportation's approval of such modifications, changes, additions or deletions shall be conclusively evidenced by the execution and delivery by the Director of Transportation, of the Indenture, the Purchase Contract or the Continuing Disclosure Certificate; and be it

FURTHER RESOLVED, That, notwithstanding anything to the contrary in this resolution, the Director of Transportation, with the advice of the financial advisors to the SFMTA, may modify the financial covenants set forth in the Financial Documents, including but not limited to budget and revenue covenants, additional debt covenants and the definitions of Pledged Revenues and Operational Maintenance Expenses to the extent such revisions are deemed necessary or desirable by the Director of Transportation for the issuance of the Bonds based on advice from the SFMTA's financial advisors; and be it

FURTHER RESOLVED, That the documents presented to the SFMTA Board of Directors are on file with the Secretary of the Board of Directors.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of DEC 06 2011



Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

\$[] <u>San Francisco Municipal Transportation Agency</u> <u>Revenue Bonds, Series 2012A</u>	\$[] <u>San Francisco Municipal Transportation Agency</u> <u>Revenue Bonds, Series 2012B</u>
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BOND PURCHASE CONTRACT

_____, 2012

San Francisco Municipal Transportation Agency
 1 South Van Ness Avenue, 8th Floor
 San Francisco, California 94103

Ladies and Gentlemen:

The undersigned J.P. Morgan Securities, LLC (the "Representative") on its own behalf and on behalf of RBC Capital Markets, LLC, Morgan Stanley & Co. LLC and Siebert Brandford Shank & Co., L.L.C (each an "Underwriter" and collectively with the Representative, the "Underwriters"), hereby offers to enter into this agreement (the "Purchase Contract") with the San Francisco Municipal Transportation Agency (the "Agency"). Upon the acceptance of this offer by the execution and delivery of this Purchase Contract by the Agency to the Representative, this Purchase Contract will be binding upon the Agency and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the Agency on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the Agency at any time prior to the acceptance of this Purchase Contract by the Agency. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Bonds (as hereinafter defined) is otherwise terminated pursuant to Section 10 hereof, then and in such case the Agency shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the Agency shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Official Statement (as hereinafter defined) and the Indenture (as hereinafter defined).

The Representative represents and warrants to the Agency that it has been duly authorized to enter into this Purchase Contract on behalf of the Underwriters and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

The Underwriters represent and warrant that this Purchase Contract, assuming due and legal execution and delivery thereof by, and validity against, the Agency, when executed by the

** Complete copy of document is
 located in

1

File No. 111341

**FIRST SUPPLEMENT TO
INDENTURE OF TRUST**

by and between the

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

and

as Trustee

Dated as of _____ 1, 2012

relating to

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2012A**

and

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS,
SERIES 2012B**

** Complete copy of document is
located in

File No. 111341

INDENTURE OF TRUST

by and between the

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

and

 as Trustee

Dated as of _____ 1, 2012

relating to

**SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS**

** Complete copy of document is
located in

File No. 111341

PRELIMINARY OFFICIAL STATEMENT, DATED MARCH __, 2012

New Issue—Book-Entry Only

Ratings: Moody's: "[]"
S&P: "[]"
(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, San Francisco, Co-Bond Counsel to the SFMTA, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2012 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of the alternative minimum tax imposed on such corporations. In addition, in the opinion of Co-Bond Counsel to the SFMTA, under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

SFMTA

\$[]*
SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS

\$[]*
Series 2012A

\$[]*
Series 2012B

Dated: Date of Delivery

Due: [] 1, as shown on the inside cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The San Francisco Municipal Transportation Agency Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and Series 2012B (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012 Bonds"), are being issued by the San Francisco Municipal Transportation Agency (the "SFMTA") pursuant to the Charter of the City and County of San Francisco (the "Charter"), the Indenture of Trust dated as of March 1, 2012 between the SFMTA and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the First Supplement to Indenture of Trust dated as of March 1, 2012 between the SFMTA and the Trustee. The Series 2012A Bonds are being issued to (i) refund prior bonds issued by [the Parking Authority; the City of San Francisco Ellis O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation]; (ii) make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2012 Bonds; and the Series 2012B Bonds are being issued to (i) finance a portion of the costs of various capital projects for the SFMTA as described herein; (ii) make a deposit to the 2012 Reserve Account of the Bond Reserve Fund established under the Indenture for the Series 2012 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

~~Interest on the Series 2012 Bonds will be payable on [] 1, 2012 and on each [] 1 and [] 1 thereafter until their respective stated maturity dates. The Series 2012 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), to which payments of principal of and interest on the Series 2012 Bonds will be made. Individual purchases of the Series 2012 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2012 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2012 Bonds at maturity, as shown in the Maturity Schedule set forth on the inside cover, and interest when due will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2012 Bonds. See Appendix F — "DTC AND THE BOOK-ENTRY ONLY SYSTEM" herein.~~

The Series 2012 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The SFMTA is an enterprise department of the City and County of San Francisco (the "City") responsible for the operations of the City's public transportation system, proposing and implementing street and traffic changes, overseeing the City's off-street parking operations and regulating taxis and commercial vehicles within the City. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues to the punctual payment of principal of, premium, if any and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2012 Bonds, subject to the flow of funds contained in this Indenture.

THE SERIES 2012 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES (AS DEFINED HEREIN) OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2012 BONDS FROM ANY SOURCE OF FUNDS OTHER

* Preliminary, subject to change.

** Complete copy of document is located in

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction, in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

