



SFMTA

Revenue Bond New Money Issuance

San Francisco Board of Supervisors

January 27, 2021



Topics for Today

- Introduction
Rationale for new money
- SFMTA FY 2021 – 2025 Capital Improvement Program Update
Capital revenues down; reviewing capital priorities; state of good repair funding needs
- New Money
Summary of issuance, program of projects to be funded
- Next Steps
Approval, timeline of next steps

New Money Rationale

- With its good credit rating, the SFMTA can take advantage of historically low interest rates and increase capital budget resilience with new money bonds
- The SFMTA requests the option to issue up-to \$300M, however the Agency plans to issue and appropriate \$287M
- This option bolsters the SFMTA's financial position and looming capital shortfalls while issuing debt at historically low cost
- The SFMTA may decide not to move ahead with refunding depending on financial position or market conditions

COVID Impacts on SFMTA Capital Program

- All anticipated capital revenues are in decline except for federal funds and bridge toll receipts, which are estimated to be effectively flat
- Proposition K Transportation Sales Taxes are projected to be flat, assuming historic spend-down trends
- Final amounts dependent on depth and length of COVID impacts
- New money bonds will allow the SFMTA to maintain the integrity of its Five-Year CIP and prevent the Agency from falling further behind on the existing \$3.2B state-of-good-repair backlog

Projected Impact of COVID on SFMTA Capital Revenues

2-Year Capital Budget

Potential Revenue Loss

Range 6 – 8%

Up to \$92 million loss

Remaining 3-Years

Potential Revenue Loss

Range 3 – 8 %

Up to \$112 million loss

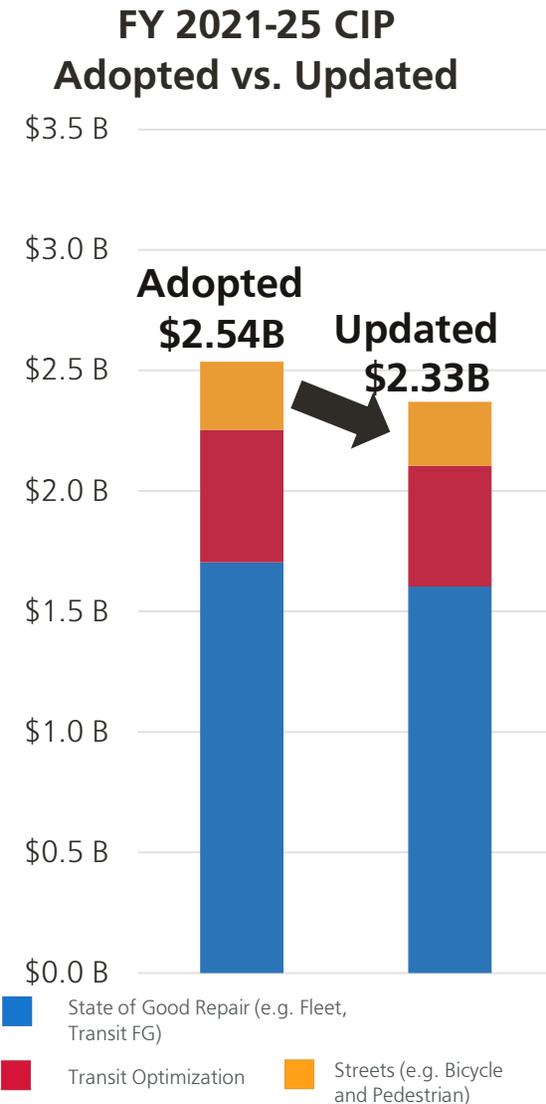
5-Year CIP

Potential Revenue Loss

Range 4 – 8%

Up to \$202 million loss

SFMTA 5-Year CIP – Capital Funds Dedined \$202.2 million



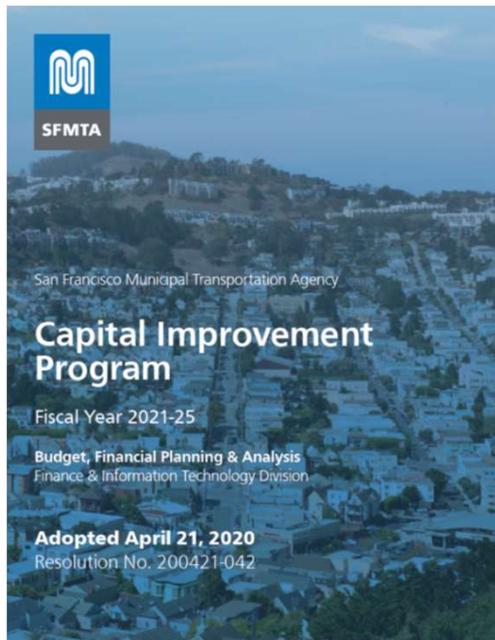
Funding Agency	Adopted 4/21/20	Updated 1/5/21	Delta	Adjustment
Local Funds (e.g. GO Bonds, Impact Fees, Population Baseline)	1,063.8	846.9	(216.9)	TSF, IPIC and population baseline down
Federal Transit Administration	903.4	821.3	(82.2)	TCP adjusted down
Metropolitan Transportation Commission	208.8	228.3	19.5	Higher due to cost savings
SF County Transportation Authority	137.7	225.5	87.8	Sales tax flat, includes FY20 carryforward and cost savings
Caltrans	187.6	179.5	(8.1)	Cap & Trade and ATP adjusted down
Strategic Growth Council	23.1	23.0	(0.1)	
Homeland Security	10.2	8.0	(2.2)	
California Office of Emergency Services	0.0	0.5	0.5	
California Office of Traffic Safety	0.6	0.4	(0.2)	
Total	2,535.3	2,333.1	(202.2)	

SFMTA 5-Year CIP – updated on January 5, 2021, \$M

Program	Capital Budget					5-Year CIP		
	FY21	FY22	FY23	FY24	FY25	Total (Current)	Adopted 4/21/20	Difference
Fleet	89.7	206.9	137.6	146.8	215.3	796.4	916.1	(119.7)
Transit Optimization	170.5	133.7	26.2	59.8	109.1	499.3	549.7	(50.4)
Transit Fixed Guideway	98.4	58.7	64.9	119.1	85.1	426.2	392.9	33.3
Streets	57.9	69.6	39.5	49.8	26.4	243.2	282.3	(48.0)
Facility	85.1	52.3	38.4	31.9	26.5	234.3	242.5	0.7
Signals	25.9	5.4	15.0	12.9	17.2	76.3	91.6	(15.2)
Communication & IT	9.5	2.1	0.7	7.4	5.0	24.7	25.3	(0.5)
Parking	22.0	0.3	-	-	-	22.3	22.5	(0.2)
Security	-	3.0	-	2.0	3.0	8.0	10.2	(2.2)
Taxi	0.6	0.1	0.1	1.4	0.2	2.5	2.3	0.2
Total	559.7	532.2	322.5	431.1	487.8	2,333.1	2,535.2	(202.2)

SFMTA 5-Year CIP – Adopted on April 21, 2020

SFMTA needs to invest \$632M annually to bring the transit system in a state of good repair. On average there is only \$467M annually available in the CIP.



\$632M Full Scheduled Asset Replacement & Eliminate the Backlog

\$552M Full Scheduled Asset Replacement & Reduce the Backlog by 50%

\$472M Full Scheduled Asset Replacement & No Growth in Backlog

\$304M Transit Service Critical Scheduled Asset Replacement

\$250M Annual State of Good Repair Investment Target

5-year Amount
\$2.33B

Average Annual
CIP Revenue
\$467M

Annual State of
Good Repair
Need
\$632M

Average SGR
Annual
Investment
\$269M

New Money Summary—\$287M Appropriation

	Summary
Approach	Debt service weighted to outer years, structured so that sum of existing debt and new debt is level starting FY24
Objective	Increase near-term budget flexibility while providing future debt service predictability
Total Debt Service	\$443.5M

- Estimated true interest cost of 2.38%, and annual debt service of \$14.8M on avg.
- Debt service as a percent of annual operating budget projected at no higher than 2.6%
- Assumes a 30-year term, amortization begins FY24, at which point some principal becomes payable, providing enhanced near-term budget relief
- DSRF will only be included if it provides a financial benefit at pricing

Assumes rates as of 01/06/2021, subject to change based on market conditions

Appropriation Sources and Uses (in millions)

Source	Est. Amount
Par Amount	\$279.3

Uses	Est. Amount
Transportation Equipment	\$137
Transportation Infrastructure	\$118
Debt Service Reserve Fund	\$22.5
Reserve for Market Uncertainty	\$7.7
Cost of Issuance	\$0.7
Underwriter's Discount	\$0.6
City Services Auditor–Audit Fund	\$0.5
SUBTOTAL	\$279.3
Reserve for Market Uncertainty	\$7.7
Total Not to Exceed Amount	\$287

Proceeds to be Allocated in Two Project Areas

Transportation Equipment—\$137 million

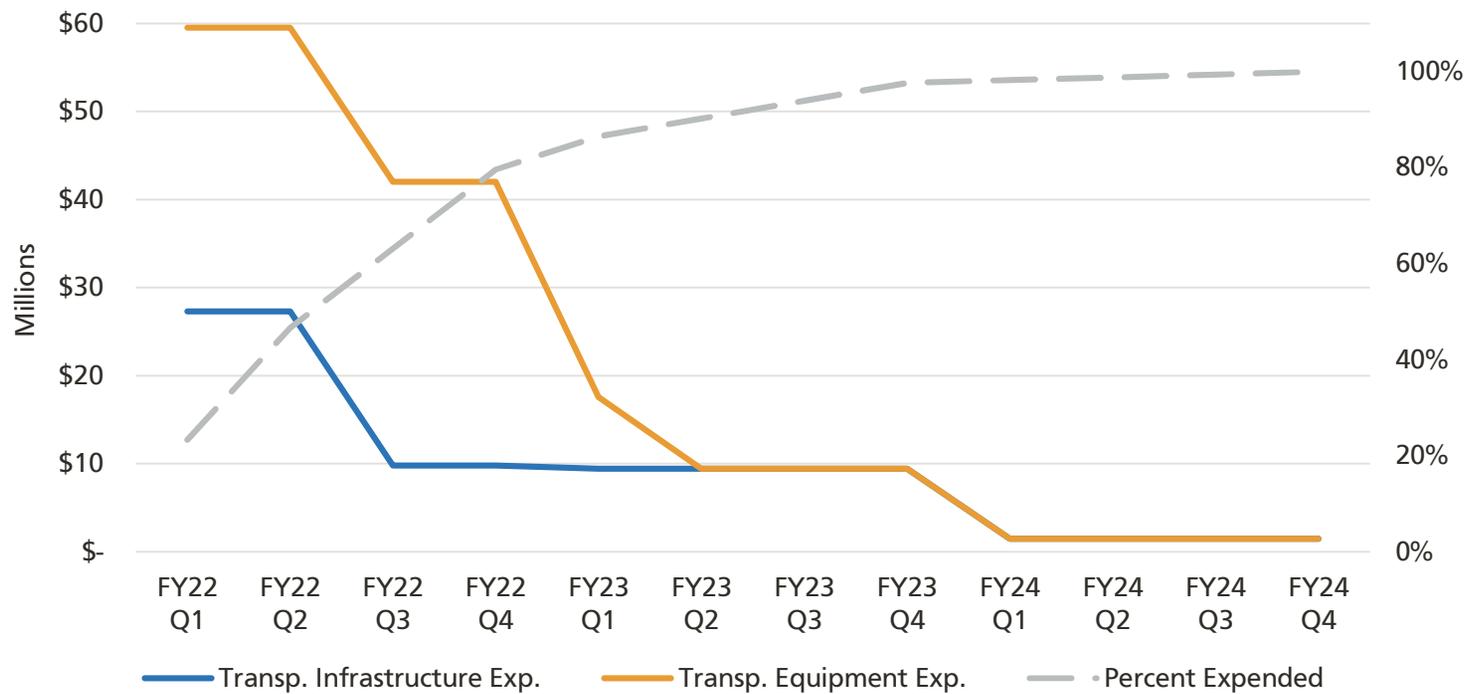
Replacement and expansion for both revenue and non-revenue vehicles, such as light rail vehicles, motor coaches, trolley coaches, electrical buses, cable cars, historic streetcars, paratransit vehicles, sedans and special vehicles.

Transportation Infrastructure—\$118 million

Modernize maintenance facilities that are vital to accommodate fleet growth, and renovate outdated operational facilities so that employees experience a safe and optimal working environment at SFMTA properties. Maintain SFMTA's fixed guideway assets in a state of good repair, such as subway infrastructure, stations, tracks, overhead wires, the train control system, and cable car infrastructure at various locations. Replace parking meters citywide with updated equipment and rehabilitate parking structures that are accessible and meet the requirements of the Americans with Disabilities Act (ADA). To support the City's Transit First policy, SFMTA will create a Rapid Network with several major corridor projects by implementing pedestrian bulbs, transit only lanes, traffic signal priority, and other street design changes.

\$31.5 million in other proceeds to fund debt service reserve funds, costs of issuance, CON CSA, and reserve for market uncertainty.

Proceeds Spend-down Projection



Proceeds are expected to be fully expended by the end of FY 2023-24

Transportation Equipment: Fleet

- These projects include procurement of transit vehicles such as light rail vehicles and motor coaches and the rehabilitation of transit vehicles such as cable cars and historic streetcars to extend their useful lives.



Transportation Infrastructure: Facilities

1200 15th Street Renovation

- Rebuild existing structure at 1200 15th Street as a mixed use development, consolidating Enforcement Operations on the first two floors and adding a mix of affordable and market rate housing on the upper floors.
- Enforcement space will include work areas, office space, locker rooms and storage areas with vehicle storage provided next door at the upper floors of the existing Scott Facility.



Today's Approval

- The SFMTA Director of Transportation is authorized and directed to approve and to execute the Bonds dependent on approval from the SF Board of Supervisors
- The SFMTA is proposing:
 - i) New Money Bonds authorization
 - ii) Approval of a Supplemental Appropriation of \$287M to allow the Agency to expend the proceeds of the New Money Bonds

New Money Bond Milestones

- 12/15: SFMTA Board authorization (completed)
- 1/11 Capital Planning Committee approvals (completed)
- 1/19: SFMTA Board approval of Preliminary Official Statements (completed)
- 1/27: Board of Supervisors (BOS) Budget and Finance Committee
- 2/3: Full BOS Adoption of Bond Resolution and Supplemental Appropriation
- Early March: Pricing
- Early March: Closing



Thank You.

(Supporting Materials Follow)



SFMTA

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Glossary of Terms

- Amortization: Amortization is paying off a debt over time in installments.
- Basis Points (bps): One hundredth of one percent, used chiefly in expressing differences of interest rates.
- Debt Service Reserve Fund (DSRF): Debt service reserves are cash assets that are designated by a borrower to ensure full and timely payments to bond holders.
- Maturity: A bond's term to maturity is the period during which its owner will receive interest payments on the investment. When the bond reaches maturity, the owner is repaid its par, or face, value.
- Net Present Value (NPV): NPV is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used to analyze the economic value of an investment, translating returns into today's dollars.
- Par Value: The par value is the amount of money that bond issuers promise to repay bondholders at the maturity date of the bond.
- Underwriter: An underwriter is any party that evaluates and assumes another party's risk for a fee. The fee paid to an underwriter often takes the form of a commission, premium, spread, or interest.
- Yield: Bond yield is the return an investor realizes on a bond. Setting the bond yield equal to its coupon rate is the simplest definition.

SFMTA Proposed Total Debt Service Summary

	A	B	C	D	E
Fiscal Year	Current Debt Service (Excluding Refunding)	Debt Service with Planned Refunding	Proposed New Money Debt Service (\$287M New Money)	Total Adjusted Debt Service Assuming Refunding (B+C=D)	Adjusted Debt Service Compared to Current Debt Service (D-A=E)
2021	23,517,131	13,885,709		13,885,709	(9,631,422)
2022	23,521,031	13,717,747	7,703,700	21,421,447	(2,099,584)
2023	23,337,781	20,579,706	7,703,700	28,283,406	4,945,625
2024	23,335,531	23,330,556	7,703,700	31,034,256	7,698,725
2025	23,338,781	23,334,832	7,993,700	31,328,532	7,989,751
2026	23,333,831	23,329,618	8,000,000	31,329,618	7,995,787
2027	23,337,081	23,333,652	7,995,850	31,329,502	7,992,421
2028	23,336,844	23,332,900	7,996,550	31,329,450	7,992,606
2029	23,336,831	23,334,106	7,991,950	31,326,056	7,989,225
2030	23,334,194	23,327,705	8,002,200	31,329,905	7,995,711
2031	23,336,344	23,335,491	7,991,850	31,327,341	7,990,997
2032	23,334,013	23,332,055	7,996,500	31,328,555	7,994,543
2033	23,335,738	23,334,941	7,990,700	31,325,641	7,989,904
2034	17,361,988	17,361,566	13,964,750	31,326,316	13,964,329
2035	17,356,988	17,352,758	13,974,250	31,327,008	13,970,021
2036	17,361,188	17,360,162	13,967,750	31,327,912	13,966,725
2037	17,358,438	17,358,240	13,970,550	31,328,790	13,970,353
2038	17,358,525	17,353,503	13,972,200	31,325,703	13,967,178
2039	17,358,713	17,356,830	13,972,550	31,329,380	13,970,668
2040	17,354,463	17,354,000	13,971,450	31,325,450	13,970,988
2041	17,350,575	17,350,313	13,978,750	31,329,063	13,978,488
2042	17,361,575	17,360,898	13,964,000	31,324,898	13,963,323
2043	14,559,175	14,558,030	16,767,650	31,325,680	16,766,505
2044	14,557,725	14,556,510	16,769,950	31,326,460	16,768,735
2045	10,052,825	10,052,825	21,272,200	31,325,025	21,272,200
2046	10,053,625	10,053,625	21,274,100	31,327,725	21,274,100
2047	10,055,025	10,055,025	21,271,300	31,326,325	21,271,300
2048			31,328,500	31,328,500	31,328,500
2049			31,328,450	31,328,450	31,328,450
2050			31,328,350	31,328,350	31,328,350
2051			31,327,450	31,327,450	31,327,450
Total	519,235,956	496,993,303	443,474,600	940,467,903	421,231,947

Assumes rates as of 01/06/2021, subject to change based on market conditions

Credit Rating Considerations

- S&P affirmed 'AA-' rating and negative outlook, Moody's affirmed 'Aa2' rating while revising the outlook to negative– **SFMTA's debt is high-quality investment grade**
- SFMTA retains "a very strong enterprise risk profile, a strong financial risk profile, and significant support by various tax revenue," with "strong debt and liabilities capacity"

Farebox Recovery

- While historically, farebox recovery below 30% was a negative, in the post-pandemic period it is less of a factor.

Critical Service Provider

- San Francisco is amongst the wealthiest cities in the country with a strong economic base. SFMTA plays a key role in the City's transport network.

Broad Revenue Pledge

- SFMTA has a diverse enterprise revenue base (farebox, parking, fine and fee revenues) that is expected to be resilient under a wide range of scenarios.

General Fund/Public Support

- Generally supportive political establishment and voter base, translated into steady financial resources (e.g., General Fund support)

Competent Management

- With low overall leverage and high liquidity, SFMTA is well positioned both to manage the immediate and long-term challenges related to COVID-19.

Underwriter Selection

Ten proposals were received and scored by the MTA and independent advisors

Selected Team

- Sr. Manager: Royal Bank of Canada Capital Markets (RBCCM)
- Co-Managers:
 - Goldman Sachs Group
 - Siebert Williams Shank & Co. (SWS)
- The team will provide broad market coverage and deep, diverse expertise in the transportation sector
- SWS is a MWBE with a substantial local desk— added benefit of being in the syndicate for past MTA deals

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RECENTLY PRICED DEALS BY TRANSPORTATION AGENCIES

Pricing Date	8/18/2020	8/19/2020	8/18/2020	8/13/2020	8/11/2020	8/5/2020
Issuer	SF BART	Los Angeles International Airport	NYS Metropolitan Transportation Authority	Miami-Dade County	Los Angeles County MTA	San Francisco International Airport
Security Type	GO	GARB	BANs - MLF	Sales Surtax Revenue	Measure R Jr Sub Lien	GARB
Ratings	Aaa/AAA	Aa2/AA-/AA	SP-2	nr / AA/AA	nr/AA/AA	A1/AA+
Tax Status	Tax-Exempt	Tax-Exempt (Non-AMT)	Tax-Exempt	Taxable	Tax-Exempt	Tax-Exempt (AMT) / Taxable
Par Amount	625,005,000	558,500,000	465,000,000	513,405,000	1,356,095,000	291,275,000
	Yield	T/E Spread	Yield	T/E Spread	Yield	T/E Spread
2021						
2022				0.410 + 25		
2023				0.460 + 30		
2024	0.100 (5s) -5	0.370 + 20	1.920 + 179.5	0.540 + 35	0.090 + 2	
2025	0.150 (5s) -6	0.470 + 25		0.750 + 45	0.140 + 3	
2026	0.230 (5s) -8	0.570 + 26		0.900 + 60	0.200 + 4	
2027	0.330 (5s) -6	0.690 + 29		1.100 + 60	0.340 + 9	
2028	0.430 (5s) -3	0.850 + 37		1.250 + 75	0.480 + 16	
2029	0.550 (5s) + 1	0.950 + 39		1.500 + 82	0.600 + 21	
2030	0.660 (4s) + 6	1.040 + 41		1.550 + 87	0.690 + 23	
2031	0.800 (4s) + 11	1.150 + 44		1.650 + 92	0.770 + 24	
2032	0.940 (4s) + 19	1.230 + 45		1.750 + 107	0.860 + 28	
2033	1.020 (4s) + 20	1.330 + 48			0.930 + 32	
2034	1.130 (4s) + 24	1.450 + 53			1.010 + 26	
2035	1.190 (4s) + 25	1.500 + 53			1.060 + 24	
2036	1.490 (3s) + 50	1.740 + 72			1.080 + 21	
2037	1.550 (3s) + 52	1.780 + 71			1.100 + 18	
2038	1.590 (3s) + 53	1.820 + 72			1.140 + 18	1.750 (5s) + 72
2039	2.030 (2s) + 94	1.860 + 73				1.780 (5s) + 72
2040	2.070 (2s) + 95	1.900 + 74				1.960 (4s) + 87
2041	2.100 (2s) + 94					2.010 (4s) + 89
2042	2.130 (2s) + 94			2.600 + 130		
2043						
2044		1.820 (5s) + 52				
2045	1.640 (4s) + 36					
2046	2.220 (2s) + 93					
2047						
2048		2.070 (4s) + 70				
2049						
2050	2.060 (3s) + 72					
2051						2.958 + 175

5s '24-'35
4s '35-'40

20 competitive bids from 10 firms
all bids rejected; TIC avg 2.79%
MLF TIC = 1.92%

+ \$239.55mm T-E

taxable 2051

Transportation Deals pricing the week of 8/24 (\$ mils)

537.630	Chicago Transit Authority, Sales Tax Rev Refunding (Taxable)	nr/A+/nr/AA-
345.070	Chicago Transit Authority, Sales Tax Rev Refunding (Exempt)	nr/A+/nr/AA-
1,300.000	NYS Transportation Dev Auth - LaGuardia Airport Terminal-Delta Airlines, Spec Fac	
215.405	Delaware Transportation Authority, Sr Rev Refunding	Aa1/AA+
84.980	Regional Transit Auth (New Orleans) Sales Tax Refunding (Exempt+Taxable)	Aa3/AA
12.690	Metropolitan Airport Auth of Rock Island, IL (AGM) Refunding	nr/AA



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RECENTLY PRICED DEALS BY TRANSPORTATION AGENCIES (cont.)

Pricing Date	7/28/2020		7/15/2020		7/30/2020		7/7/2020		6/17/2020	
Issuer	Colorado Department of Transportation		Southeast Pennsylvania Transportation Authority		DFW Airport		Bi-State Development Authority, MO		Transbay Joint Power Authority	
Security Type	COP Lease		GANs		GARB		Sales Tax		Sr Tax Allocation	
Ratings	Aa2/AA-		AA-		A1/A/A+/AA		Aa2/AA-/nr/AA+		nr/nr/A-	
Tax Status	Tax-Exempt		Tax-Exempt		Taxable		Taxable		Tax-Exempt	
Par Amount	19,050,000		97,250,000		1,193,985,000		271,205,000		189,480,000	
	Yield	T/E Spread	Yield	T/E Spread	Yield	Tax Spread	Yield	Tax Spread	Yield	T/E Spread
2021			0.410	+ 24			0.765	+ 60		
2022			0.490	+ 29			0.895	+ 73		
2023			0.530	+ 31	1.041	+ 90	1.016	+ 83		
2024			0.620	+ 34	1.229	+ 100	1.224	+ 93		
2025			0.720	+ 36	1.329	+ 110	1.344	+ 105	1.340	+ 90
2026			0.880	+ 42	1.649	+ 125	1.616	+ 113	1.530	+ 100
2027			1.020	+ 49	1.749	+ 135	1.716	+ 123	1.690	+ 109
2028			1.160	+ 56	1.946	+ 140	1.870	+ 122	1.830	+ 115
2029			1.240	+ 56	2.046	+ 150	1.970	+ 132	1.930	+ 116
2030			1.330	+ 58	2.096	+ 155	2.020	+ 137	2.030	+ 118
2031			1.380	+ 54	2.246	+ 170	2.150	+ 150	2.170	+ 122
2032			1.430	+ 52	2.416	+ 187	2.250	+ 160	2.320	+ 130
2033					2.516	+ 197	2.350	+ 170	2.410	+ 131
2034			(all 5s)		2.696	+ 215			2.440	+ 126
2035					2.796	+ 225			2.490	+ 125
2036					2.896	+ 235			2.530	+ 124
2037	1.720	+ 60							2.570	+ 124
2038	1.770	+ 62							2.610	+ 125
2039	1.810	+ 63							2.650	+ 126
2040	1.860	+ 64			3.089	+ 190	2.929	+ 155	2.690	+ 126
2041	1.900	+ 65								
2042							2.979	+ 160		
2043	(all 4s)									
2044										
2045									2.710	+ 112
2046										
2047										
2048										
2049									2.750	+ 111
2050					2.919	+ 173				
2051									(all 5s)	