

File No. 210027

Committee Item No. 14

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 27, 2021

Board of Supervisors Meeting

Date February 2, 2021

Cmte Board

- Motion
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- Ordinance
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- Budget and Legislative Analyst Report
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- Introduction Form
- Department/Agency Cover Letter and/or Report
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OTHER (Use back side if additional space is needed)

- SFMTA Presentation - January 27, 2021
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Completed by: Linda Wong

Date January 19, 2021

Completed by: Linda Wong

Date January 29, 2021

1 [Appropriation - Municipal Transportation Agency Revenue Bond Proceeds - Street and
2 Transit Projects - \$287,000,000 - FY2020-2021]

3 **Ordinance appropriating \$287,000,000 of Revenue Bond proceeds to the Municipal**
4 **Transportation Agency for street and transit projects in Fiscal Year (FY) 2020-2021;**
5 **and placing these funds on the Controller’s Reserve pending receipt of proceeds of**
6 **indebtedness.**

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

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

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14 Section 1. The sources of funding outlined below are herein appropriated to reflect the
15 projected revenue for Fiscal Year 2020-2021.

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1 **SOURCES Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	22392 MTA TS CAP	10037270-0001	480111 Proceeds	Revenue Bond –	\$244,042,909
5	REVBND 2020 /	MT 10037270	from Bonds	Series 2021C	
6	138678 MTACC	RevBond S2021C-		Proceeds	
7	Capital And Constr-Cp	XXXXX /			
8		21648			
9		MT FD 10037270			
10		RevBond S2021C			
11					
12	22372 MTA SS CAP	10037271-0001 MS	480111 Proceeds	Revenue Bond –	\$42,957,091
13	REVBND 2020 /	10037271 RevBond	from Bonds	Series 2021C	
14	207965 MTASSENCP	S2021C-XXXXX /		Proceeds	
15	Transpt Eng-Proj-Gen	21647			
16		MS FD 10037271			
17		RevBond S2021C			
18					
19	Total SOURCES Appropriation				<u>\$287,000,000</u>

22 Section 2. The uses of funding outlined below are herein appropriated to street and
 23 transit projects at the Municipal Transportation Agency for Fiscal Year 2020-2021.

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1 **USES Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	22392 MTA TS CAP	10037270-0001	567000 Bldgs,	MT FD Rev Bond	\$212,042,909
5	REVBND 2020 /	MT 10037270	Struct& Imprv	Series 2021C	
6	138678 MTACC Capital	RevBond S2021C-	Proj-Budget		
7	And Constr-Cp	XXXXX /			
8		21648			
9		MT FD 10037270			
10		RevBond S2021C			
11					
12	22372 MTA SS CAP	10037271-0001 MS	567000 Bldgs,	MS FD Rev Bond	\$42,957,091
13	REVBND 2020 /	10037271 RevBond	Struct& Imprv	Series 2021C	
14	207965 MTASSENCP	S2021C-XXXXX /	Proj-Budget		
15	Transpt Eng-Proj-Gen	21647			
16		MS FD 10037271			
17		RevBond S2021C			
18					
19	22392 MTA TS CAP	10037271-0001 MS	597070 Reserve	Debt Service	\$22,500,000
20	REVBND 2020 /	10037271 RevBond	For Debt	Reserve	
21	138678 MTACC Capital	S2021C-XXXXX /	Services		
22	And Constr-Cp	21647			
23		MS FD 10037271			
24		RevBond S2021C			
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	22392 MTA TS CAP	10037271-0001 MS	573111 Bond	Cost of Issuance	\$1,300,000
4	REVBND 2020 /	10037271 RevBond	Issuance Cost-	and Underwriters	
5	138678 MTACC Capital	S2021C-XXXXX /	Unamortized	Discount	
6	And Constr-Cp	21647			
7		MS FD 10037271			
8		RevBond S2021C			
9					
10	22392 MTA TS CAP	10037271-0001 MS	573112 Bond	Reserve for Market	\$7,690,000
11	REVBND 2020 /	10037271 RevBond	Issuance Cost-	Uncertainty	
12	138678 MTACC Capital	S2021C-XXXXX /	Unamortized		
13	And Constr-Cp	21647			
14		MS FD 10037271			
15		RevBond S2021C			
16					
17	22392 MTA TS CAP	10037271-0001 MS	581130 GF-Con-	City Services	\$510,000
18	REVBND 2020 /	10037271 RevBond	Internal Audits	Auditor 0.2%	
19	138678 MTACC Capital	S2021C-XXXXX /		allocation for	
20	And Constr-Cp	21647		Controller's Audit	
21		MS FD 10037271		Fund	
22		RevBond S2021C			
23	Total USES Appropriation				<u>\$287,000,000</u>
24					
25					

1 Section 3. Of the above appropriated amount, \$510,000, representing 0.2% of the
2 expenditure budget net of bond financing and audit costs, is to be allocated and available to
3 support the Controller's Audit Fund, pursuant to Charter Appendix F1.113. These
4 appropriations may be increased or decreased by the Controller based on changes to
5 expenditure appropriations or actual gross bond proceeds to conform to the applicable
6 Charter and Administrative Code formulas.

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8 Section 4. The total appropriation of \$287,000,000 is placed on Controller's Reserve
9 pending receipt of proceeds of indebtedness.

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11 Section 5. The Controller is authorized to record transfers between funds and adjust
12 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
13 conform with Generally Accepted Accounting Principles and other laws.

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

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

17 By: /s/
18 JON GIVNER
19 Deputy City Attorney

By: /s/
BEN ROSENFELD
Controller

Items 14 and 15 Files 20-0027 and 20-0034	Department: Municipal Transportation Agency (MTA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p><u>File 20-0027</u>: The proposed ordinance would appropriate \$287,000,000 of the Series 2021C revenue bond proceeds to the MTA in FY2020-21 to finance capital improvements.</p> <p><u>File 20-0034</u>: The proposed resolution would provide for the issuance of not-to-exceed \$300,000,000 aggregate principal amount on a tax-exempt or taxable basis of revenue bonds by the Municipal Transportation Agency (MTA) and approve related financing documents.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • MTA has currently issued five series of revenue bonds in 2012, 2013, 2014 and 2017 with an original par value of \$387,670,000, and an outstanding par value of \$323,075,000. • MTA projects to be funded through the proposed \$287,000,000 bond program include: (1) 1200 15th Street Renovation; (2) Train Control System Upgrade; (3) Parking Meter Replacement; (4) Transit Optimization; and (5) Light Rail Vehicle Replacement and Expansion Procurement. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • MTA anticipates issuing \$287,000,000 in fixed rate, tax exempt revenue bonds for a 30-year term with a true interest cost of approximately 2.38 percent. According to good faith estimates from MTA’s Municipal Advisor Backstrom, McCarley Berry & Co, estimated total debt service over 30 years would be approximately \$443.5 million, of which \$188.5 million is interest and \$256.8 million is principal. • MTA will repay the bonds from MTA pledged revenues, which totaled approximately \$764,755,363 in FY 2019-20 and are projected to decrease by \$70,607,946 to \$694,147,417 in FY 2020-21. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • As of January 21, 2021, MTA’s revenue bonds maintain a S&P Global credit rating of “AA-“, which was downgraded from an “AA” rating in November 2020. MTA’s revenue bonds also maintain a Moody’s investment grade rating of “Aa2”, which has not changed. Both ratings denote that MTA’s credit is high-quality investment grade, which signals low risk for investors, according to the respective credit rating agencies. • Projects were selected by the following criteria: 1) essentiality to the transportation system, and 2) ability to swap existing funds allocated to the projects to the MTA’s operating budget to support essential services and mitigate potential staffing reductions. MTA states that the latest review of all Five-Year Capital Improvement Plan revenue sources indicates losses of up to \$92 million in FY 2021 and FY 2022, and \$202 million over the five years from FY 2021 to FY 2025, compared to the Five-Year CIP approved by the MTA Board of Directors on April 21, 2020. The proposed bonds are intended to assist in covering that projected shortfall. <p style="text-align: center;">Recommendation</p> <p>Approve the proposed resolution (File 20-0034) and the proposed ordinance (File 20-0027).</p>	

MANDATE STATEMENT

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

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

BACKGROUND

In 2007, San Francisco voters approved Proposition A, authorizing MTA to issue revenue bonds and other forms of indebtedness to finance transit, parking and other capital improvement projects, subject to Board of Supervisors’ approval.

MTA has currently issued five series of revenue bonds in 2012, 2013, 2014 and 2017 with an original par value of \$387,670,000, and an outstanding par value of \$323,075,000. The proceeds of the revenue bonds were used to refinance debt and finance transportation capital projects. According to Mr. Samuel Thomas, MTA Manager of Analysis and Controls Office, since each issuance, the agency has made annual debt service payments on these bonds. As shown in Table 1 below, MTA currently has \$323,075,000 of outstanding revenue bonds, with existing debt extending to 2047.¹

Table 1. Outstanding MTA Debt

Bond Series Issuance	Outstanding Debt	Final Maturity of Bonds
Series 2012A	\$11,690,000	3/1/2032
Series 2012B	25,835,000	3/1/2042
Series 2013	56,190,000	3/1/2033
Series 2014	62,495,000	3/1/2044
Series 2017	166,865,000	3/1/2047
Total	\$323,075,000	

Source: Municipal Transportation Agency

¹ Legislation is pending before the Board of Supervisors to refund the outstanding balance of Series 2012A, 2012B, 2013, and 2014 for estimated debt service savings of \$22.5 million (File 20-1397).

On December 15, 2020, the MTA Board of Directors approved the issuance of not to exceed \$300,000,000 aggregate principal amount of new money revenue bonds to provide funds for MTA purposes. The proposed bond sale of up to \$287,000,000 is expected to occur in March 2021 upon Board of Supervisors approval of the bond issuance (File 20-0034). The projects to be funded through the proposed \$287,000,000 bond program include: (1) 1200 15th Street Renovation²; (2) Train Control System Upgrade³; (3) Parking Meter Replacement⁴; (4) Transit Optimization⁵; and (5) Light Rail Vehicle Replacement and Expansion Procurement⁶. Specific project activities to be funded through the proposed bond sale of \$287,000,000 include the following:

- **1200 15th Street Renovation:** preliminary engineering, detailed design, and construction;
- **Train Control System Upgrade:** preliminary engineering, detailed design, and construction;
- **Parking Meter Replacement:** construction;
- **Transit Optimization:** construction; and
- **Light Rail Vehicle Replacement and Expansion Procurement:** vehicle purchases.

² Renovation of this facility will house MTA's Parking Control Officers (PCOs). According to MTA, the existing PCO facility at 505 7th Street is outdated and will not accommodate additional staff members that the agency is planning to hire. The lease on the existing facility expires in September 2023 and the MTA's goal is to complete construction of 1200 15th Street to move staff and operations by this time. MTA obtained 1200 15th Street through a jurisdictional transfer with Animal Care and Control (ACC). The facility is currently unoccupied as it is not yet fit for occupation and use by staff. Although MTA's capital plan considers rebuilding the existing structure at 1200 15th Street as a mixed-use development, consolidating parking enforcement operations on the first two floors and adding a mix of affordable and market rate housing on the upper floor, mixed use affordable housing is not yet confirmed for the site. Preliminary engineering work began in January and construction is expected to be complete in November 2025.

³ According to Mr. Thomas, MTA's current Automatic Train Control System (ATCS) is aging and frequently responsible for Muni Metro subway slowdowns. This project includes the design and procurement of a next-generation communications-based train control (CBTC) system for the rail network, including both surface and subway alignments to bring the train control system into a state of good repair and enable the expansion of rail service. Preliminary engineering work is expected to begin in February 2021 and construction is expected to be complete in September 2028.

⁴ This includes funding a portion of the replacement costs associated with the City's 29,000+ parking meters with updated equipment based on end-of-life issues and the use of current wireless technology. According to MTA, the current meters have reached their useful lifespan and the current cellular technology used will soon be obsolete as the industry moves to 5G technology. Construction is expected to begin in January 2022 and be complete by the end of that year.

⁵ This includes constructing a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, and pedestrian safety enhancements.

⁶ This includes funding a portion of the procurement of 151 replacement Light Rail Vehicles (LRV) and 68 additional LRVs to expand the fleet to 219 trains. Previous generation LRV2 and LRV3 trains, manufactured by Breda, are nearing the end of their useful lives. The expanded fleet of LRV4s is manufactured in California by Siemens. These new trains will include transit service for the Central Subway and expanded service citywide. Procurement has been ongoing since July 2014 and is expected to be complete in February 2026.

According to Mr. Thomas, the not to exceed bond authorization of \$300,000,000 of the proposed resolution is higher than the appropriation amount of \$287,000,000 because when the MTA Board of Directors approved the new money revenue bonds on December 15, 2020, the Agency did not yet know which projects it would fund. While Covid-related losses were known, the capital budget and Five-Year Capital Improvement Plan required additional analysis to determine which projects would require funding. At the December 15, 2020 MTA Board meeting, the Directors approved a resolution authorizing the not to exceed bond authorization amount of \$300,000,000⁷, with the condition that the Agency return to the MTA Board of Directors prior to issuance to approve the list of projects in specific amounts that will be funded by the proceeds. Mr. Thomas states that MTA subsequently determined that \$287,000,000 was the true funding need. At the January 19, 2020 MTA Board meeting, the Directors approved a resolution recommending that the Board of Supervisors appropriate up to \$287,000,000 of the new revenue bonds proceeds for the following MTA projects: \$118,000,000 for Transportation Infrastructure (1200 15th Street Renovation, Trail Control System Upgrade, Parking Meter Replacement, and Transit Optimization) and \$137,000,000 for Transportation Equipment (Light Rail Vehicle Replacement and Expansion Procurement) and \$31,500,000 for reserve funds and costs of issuance.

DETAILS OF PROPOSED LEGISLATION

File 20-0034: The proposed resolution would:

1. Provide for the issuance of not-to-exceed \$300,000,000 aggregate principal amount on a tax-exempt or taxable basis of revenue bonds by the Municipal Transportation Agency (MTA) to provide funds to finance capital improvements;
2. Authorize the issuance and sale of the bonds;
3. Approve the form of certain financing documents including a bond purchase contract, the sixth supplement to indenture of trust, one or more escrow agreements, and a continuing disclosure certificate;
4. Authorize the taking of appropriate actions in connection therewith; and related matters approving the forms of documents;
5. Set a maximum interest rate of 12 percent per year on the bonds;
6. Adopt finding that the authorization and issuance of revenue bonds by the agency is not a project under the California Environmental Quality Act (CEQA), CEQA Guidelines, and San Francisco Administrative Code, Chapter 31.

⁷ According to Mr. Thomas, the MTA Board of Directors believed that quick action to support the Agency's financial position was required, and a rough order of magnitude calculation yielded a \$300,000,000 estimate.

File 20-0027: The proposed ordinance would appropriate \$287,000,000 of the Series 2021C revenue bond proceeds to the MTA in FY2020-21 to finance capital improvements. The \$287,000,000 appropriation would be placed on Controller's Reserve pending sale of the bonds.

Table 2 below outlines anticipated sources and uses for the Series 2021C bonds.

Table 2: Sources and Uses of Series 2021C Bond Proceeds

Sources	
Par Amount	\$256,790,000
Premium ⁸	30,210,000
Total Sources	\$287,000,000
Uses	
<i>Administrative Costs and Reserves</i>	
Costs of Issuance	\$700,000
Controller's Audit Fund	510,000
Underwriter's Discount	600,000
Debt Service Fund ⁹	22,500,000
Reserve for Market Uncertainty ¹⁰	7,690,000
<i>Administrative Costs and Reserves Subtotal</i>	<i>\$32,000,000</i>
<i>Project Costs</i>	
1200 15 th Street Renovation	\$20,000,000
Train Control System Upgrade	41,000,000
Parking Meter Replacement	22,000,000
Transit Optimization	35,000,000
Light Rail Vehicle Replacement	137,000,000
<i>Project Costs Subtotal</i>	<i>\$255,000,000</i>
Total Uses	\$287,000,000

Source: Municipal Transportation Agency

MTA anticipates one issuance of revenue bonds. Table 3 below shows the specific project activities to be funded by the proposed Series 2021C revenue bonds.

⁸ The premium is the amount that investors would be willing to pay more than the face value of the bonds.

⁹ Cash assets designated by the MTA to ensure full and timely payments to bond holders during the project construction period.

¹⁰ A reserve to provide room in the total appropriation amount for fluctuations in the market, which is standard practice in bonds issuances.

Table 3: Series 2021C Revenue Bonds Funds Allocation

Projects	Expenditures (Pre-Bond)	Bond Funds (Series 2021C)	Future Expenditures	Total Project Costs
1200 15th Street Renovation	\$1,170,481	\$20,000,000	\$12,929,519	\$34,100,000
Planning	440,000	0	0	
Preliminary Engineering	730,481	1,069,519	0	
Detailed Design	0	2,976,827	2,033,173	
Construction	0	15,953,654	10,896,346	
Train Control System Upgrade	12,440,000	41,000,000	153,780,000	207,220,000
Planning	12,440,000	0	0	
Preliminary Engineering	0	6,662,132	24,987,868	
Detailed Design	0	7,272,564	27,277,436	
Construction	0	27,065,304	101,514,696	
Parking Meter Replacement	0	22,000,000	0	22,000,000
Construction	0	22,000,000	0	
Transit Optimization	182,390,000	35,000,000	0	217,390,000
Planning	7,600,000	0	0	
Preliminary Engineering	8,690,000	0	0	
Detailed Design	14,730,000	0	0	
Construction	151,370,000	35,000,000	0	
Light Rail Vehicle Replacement & Expansion	603,321,460	137,000,000	373,058,540	1,113,380,000
Vehicle Purchases	603,321,460	137,000,000	373,058,540	
Project Total	\$799,321,941	\$255,000,000	\$539,768,059	\$1,594,090,000

Source: Municipal Transportation Agency

Total estimated costs for these five projects are approximately \$1.6 billion, including \$255 million in proposed Series 2021C bond proceeds. According to Mr. Thomas, remaining project expenditures of approximately \$539.8 million will be funded by a combination of sources through the MTA's FY 2021-25 Five-Year Capital Improvement Program (CIP).

Capital Planning Committee Approval

The Capital Planning Committee approved the issuance of the associated tax-exempt revenue bonds in an amount not to exceed \$300,000,000 to fund these MTA capital projects on January 11, 2021.

MTA Bond Oversight Committee

In 2011, the MTA Board of Directors established the MTA Bond Oversight Committee, comprised of seven members, to oversee the spending of bond proceeds and inform the MTA Board of Directors and the public on the status of the projects funded by debt. The MTA Bond Oversight Committee has issued annual reports from FY 2012-13 through FY 2018-19. The first Series 2021C Revenue Bond Report will be provided to the Bond Oversight Committee after the first full quarter subsequent to the issuance of the proposed Series 2021C bonds.

California Environmental Quality Act (CEQA)

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

FISCAL IMPACT

Annual Debt Service

MTA anticipates issuing \$287,000,000 in fixed rate, tax exempt revenue bonds for a 30-year term with a true interest cost of approximately 2.38 percent. According to good faith estimates¹¹ from MTA's Municipal Advisor Backstrom, McCarley Berry & Co, estimated total debt service over 30 years would be approximately \$443.5 million, of which \$188.5 million is interest and \$256.8 million is principal¹².

Average annual debt service over the 30-year term of the proposed Series 2021C bonds is \$14.8 million.¹³ However, actual annual debt service on the proposed 2021C bonds would vary because, according to Mr. Thomas, the proposed Series 2021C bonds would be structured to allow level debt service payments (e.g., the same amount every year) when the debt service for the proposed new money bonds are combined with existing debt service on the outstanding Series 2017 revenue bonds and proposed Series 2021A and 2021B refunding bonds (File 20-1397 pending before the Board of Supervisors and discussed in the footnote above). As shown in Appendix I, MTA's annual debt service payments for all outstanding bonds would be approximately \$24.1 million in FY 2021-22, increasing to \$31.3 million in FY 2024-25.

Negotiated Sale of Bonds

Mr. Thomas states that the bonds will be sold through a negotiated process led by underwriters.¹⁴ According to Mr. Thomas, the impact of the Covid-19 pandemic on transportation has reduced demand for transportation sector bonds, and a competitive sale could result in higher interest rates for the MTA and a higher underwriter's discount to compensate for greater market risk and lack of opportunity for investors to review MTA's financial condition. According to Mr. Thomas, market benchmarks will be utilized to ensure the total interest cost to the City is the lowest achievable levels based on market conditions at the time of pricing.

Pledged Revenues

MTA will repay the bonds from MTA pledged revenues, which totaled approximately \$764,755,363 in FY 2019-20 and are projected to decrease by \$70,607,946 to \$694,147,417 in FY 2020-21, as summarized in Table 4 below.

¹¹ Based on estimates of market conditions as of January 6, 2021.

¹² The estimated principal of \$256.8 million equals bond proceeds nets of the bond premium, shown in Table 2 above.

¹³ \$14.8 million is equal to \$443.5 million total debt service divided by 30 annual debt service payments.

¹⁴ The underwriters for this transaction are RBC Capital Markets, Goldman Sachs & Co., and Siebert Williams Shank & Co.

Table 4. MTA's Gross Pledged Revenues (Projections as of December 9, 2020)

Revenue Sources	FY 2018-19 (Actuals)	FY 2019-20 (Actuals)	FY 2020-21 (Projected)	FY 2021-22 (Projected)
Passenger Fares (fixed route and paratransit)	\$197,109,784	\$154,100,412	\$34,034,615	\$75,239,435
Traffic Fines, Fees, Permits and Taxi	151,066,069	116,027,827	100,931,426	140,012,409
Parking Meters	61,264,074	43,912,682	36,529,707	65,797,685
Parking Garages	72,412,231	56,049,361	35,438,669	56,157,045
Other (includes rent, advertising and interest)	50,477,804	39,888,998	29,549,796	39,017,316
AB 1107 ¹⁵	46,776,462	44,485,548	42,098,816	46,045,733
State Transit Assistance (STA)	64,726,627	61,227,565	46,270,753	54,069,446
Transportation Development Act (TDA)	46,162,703	49,434,104	41,063,438	47,362,317
Federal Pandemic Support (CARES Act)	0	199,628,866	176,583,108	0
Federal Pandemic Support (December 2020)	0	0	144,263,140	85,736,860
TNC Congestion Mitigation Tax	0	0	7,383,949	8,880,959
Total	\$689,995,754	\$764,755,363	\$694,147,417	\$618,319,205

Source: Municipal Transportation Agency

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

Debt Service as a Percent of Operating Expenses

MTA implemented and updated debt policies in 2011 and 2013 which established MTA's process, guidelines, restrictions, and financial criteria for issuing debt to fund capital projects. According to MTA's debt policy, aggregate annual debt service on long-term debt should not exceed 5 percent of MTA's annual operating expenses. According to projections provided by MTA, the combined annual debt service of the Series 2017, refunding bonds (Series 2021A and 2021B), and proposed revenue bonds (Series 2021C) will not exceed 2.6 percent of MTA's annual operating budget over the 30-year term of the revenue bonds.

¹⁵ This is the half-cent sales tax collected in Alameda, Contra Costa and San Francisco counties. The state government allocates 75 percent of these funds to BART and the remaining 25 percent to the Metropolitan Transportation Commission, which allocates its share of the funds evenly between the San Francisco MTA and AC Transit.

Appropriation Ordinance

As previously mentioned, Board of Supervisors' approval is required to issue revenue bonds and expend the proceeds. Once Board approval is granted, MTA has the authority to reallocate funds within the Five-Year Capital Improvement Program in accordance with defined policies and procedures. Transfers of MTA capital funds are within the administrative authority of the Budget, Financial Planning and Analysis Section of MTA's Finance and Information Technology Division. Allowable transfers are as follows: (1) From Project "A" to Project "B" if: (a) Project A is complete and has savings; or (b) Project A has not been completed and a new revised funding plan has been approved by the Transportation Capital Committee that confirms project savings at completion, and (2) Between funding sources within a project if the total project budget remains the same.

POLICY CONSIDERATION

New Bond Issuance

Despite the severe impact of the Covid-19 health crisis on revenues supporting MTA's operating budget, Mr. Thomas states that current market conditions are favorable for debt issuance due to historically low interest rates. Mr. Thomas states that annual debt service is not currently projected to exceed 2.6 percent of the Agency's annual operating budget per MTA's debt policy; therefore, the Agency's historical and projected pledged revenues should remain at levels that would allow MTA to support the proposed issuance of new revenue bonds. As of January 21, 2021, MTA's revenue bonds maintain a S&P Global credit rating of "AA-", which was downgraded from an "AA" rating in November 2020. MTA's revenue bonds also maintain a Moody's investment grade rating of "Aa2", which has not changed. Both ratings denote that MTA's credit is high-quality investment grade, which signals low risk for investors, according to the respective credit rating agencies.

Project Selection

According to Mr. Thomas, the projects to be funded by bond proceeds were selected by the following criteria: 1) essentiality to the transportation system, and 2) ability to swap existing funds allocated to the projects to the MTA's operating budget to support essential services and mitigate potential staffing reductions. Mr. Thomas states that the new revenue bonds are needed to ensure that MTA's transit system is operating in a state of good repair. Without replacement dollars from the new revenue bonds, Mr. Thomas states that MTA will fall further behind on its \$3.2 billion state-of-good repair backlog, negatively impacting transit reliability, travel times, and MTA's ability to manage the transportation system. According to Mr. Thomas, remaining project expenditures will be funded by a combination of sources through the MTA's FY 2021-25 Five-Year CIP.

Backfilling Capital Revenues with Operating Revenues

The proposed revenue bonds were not included as a funding source in the Five-Year CIP for FY 2021 – FY 2025. Mr. Thomas states that new revenue bonds are needed to aid in maintaining the integrity of the MTA's Five-Year CIP given current and potential revenue losses precipitated by

the Covid-19 pandemic and will serve as a bridge to support transit and other essential transportation services. Mr. Thomas states that the latest review of all Five-Year CIP revenue sources indicates losses of up to \$92 million in FY 2021 and FY 2022, and \$202 million over the five years from FY 2021 to FY 2025, compared to the Five-Year CIP approved by the MTA Board of Directors on April 21, 2020. The proposed bonds are intended to assist in covering that projected shortfall.

By issuing new revenue bonds, MTA is pledging revenues that could be used for operations to instead pay for the capital projects funded by the bonds. As noted above, MTA determined that these projects were essential to the transportation system, and/or that use of bond proceeds for these projects would free up operating funds that would otherwise be allocated to the projects.

RECOMMENDATION

Approve the proposed resolution (File 20-0034) and the proposed ordinance (File 20-0027).

Appendix: Annual Debt Service, Series 2017 Bonds, Series 2021A and 2021B Refunding Bonds, and Series 2021C New Money Bonds

	A	B	C	D	E
Fiscal Year	Current Debt Service (Excluding Refunding)	Debt Service with Refunding Series 2017, 2021A and 2021B	Proposed New Money Debt Service Series 2021C	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

Source: Municipal Transportation Agency

From: [Peacock, Rebecca \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Kittler, Sophia \(MYR\)](#); [Owens, Morgan \(MYR\)](#); [Patil, Lillian \(MYR\)](#); [Thomas, Samuel \(MTA\)](#); [Martinsen, Janet \(MTA\)](#); [Sweet, Alexandra C. \(MYR\)](#)
Subject: Mayor -- [Ordinance] -- [Appropriation - Municipal Transportation Agency Revenue Bond Proceeds – Street and]
Date: Tuesday, January 12, 2021 4:12:19 PM
Attachments: [\(3\) Ord_SFMTA_New_Money_Bond_Supplemental.zip](#)

Attached for introduction to the Board of Supervisors is an **ordinance appropriating \$287,000,000 of Revenue Bond proceeds to the Municipal Transportation Agency for street and transit projects in FY2020-2021; and placing these funds on the Controller’s Reserve pending receipt of proceeds of indebtedness**

Please let me know if you have any questions.

Rebecca Peacock ([they/them](#))
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Office of Mayor London N. Breed
City & County of San Francisco