

# Proposed SFMTA Financing SFMTA Board of Directors



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# Overview

- In 2007, Voters approved Proposition A which allows the SFMTA to issue bonds
- SFMTA has significant state of good repair needs for capital assets
- Bond proceeds to finance various needs:
  - Rail vehicle repair and restoration
  - Track rehabilitation and replacement
  - Signal and communications upgrades
  - Overhead wires repair and restoration
  - Parking garage capital improvements
    - Safety systems
    - Elevators
    - Parking control equipment
    - ADA compliance
- An independent consulting firm is conducting a review of the capital needs of the garage

# Process

- The SFMTA Board of Directors and the Board of Supervisors must authorize the issuance by approving the related bond documents
- The Controller must certify that SFMTA has the ability to incur the debt and pay the annual debt service
- Before SFMTA can issue debt at least two rating agencies (e.g. S&P and Moody's) will evaluate the creditworthiness of SFMTA by assigning a rating to the debt
- The SFMTA Board of Directors to approve an overall Debt Policy to support overall debt management best practices
- The SFMTA Board of Directors to approve a Reimbursement Resolution allowing the use of bond proceeds to pay for eligible project costs incurred prior to the issuance of bonds

# Financing Structure

- SFMTA's diverse revenue sources provides the Agency with a strong revenue base to issue debt
- Current market for municipal bonds is characterized by low volume and above average credit spreads offering:
  - Opportunity for SFMTA to enter the market as a new issuer with strong, creditworthy financing structures
  - Important for SFMTA to establish an underlying credit
  - Low interest rate environment
- Establish a financing structure which allows SFMTA to borrow funds from investors, in return
  - For pledging certain revenues to bondholders
  - Pledged revenues include farebox, citation and parking garage revenues

# Credit Factors

- Important factors the rating agencies will focus on when reviewing SFMTA's overall credit:
  - Strength and stability of revenue sources available to pay debt service
  - Operating performance and fund balance history
  - Ability to maintain balanced budget annually
  - Regional economy and demographics of San Francisco
  - Rider support and essentiality for public transit
  - Debt covenants such as annual debt service coverage and Additional Bonds Test (if applicable)
  - Management
  - Charter authority

# Recent California Transit Debt Issuances

Issuer	Security Type	Sale Date	Par Amount	Ratings	Final Maturity
BART	Sales Tax Revenue Bonds	5/5/2010	\$129.595 million	-/AA+/AA+	2028
Los Angeles County MTA	Public Enterprise Revenue Bonds	7/15/2010	\$79.62 million	A1/A/-	2021
Los Angeles County MTA	Sales Tax Revenue Bonds	11/4/2010	\$732.41 million	Aa2/AAA /-	2039
Santa Clara VTA	Sales Tax Revenue Bonds	11/10/2010	\$645.89 million	Aa2/AA+/-	2032
Riverside CTC	Sales Tax Revenue Bonds	11/17/2010	\$150 million	Aa1/AA+/A A	2039
San Joaquin Regional Rail Commission	Certificates of Participation	11/23/2010	\$35.525 million	A2/- /-	2040

# Recent National Transit Debt Issuances

Issuer	Security Type	Sale Date	Par Amount	Ratings	Final Maturity
New York MTA	Dedicated Tax Fund Bonds	3/23/2011	\$127.45 million	-/AA/AA-	2021
New Jersey Transportation Trust Fund Authority	Transportation System Bonds	5/3/2011	\$600 million	A1/A+/AA-	2041
Oregon Tri-County MTD	Capital Grant Receipt Revenue Bonds	6/20/2011	\$142.38 million	A1/A/-	2027
Illinois Regional Transportation Authority	General Obligation Bonds	6/28/2011	\$95.55 million	Aa3/AA/AA-	2019
New York MTA	Transportation Revenue Bonds	7/12/2011	\$400.44 million	A2/A/A+	2046
Southeastern PA Transportation Authority	Capital Grant Receipt Bonds (FTA Section 5309)	8/4/2011	\$201.615 million	A1/A+/-	2029
Harris County TX MTA	Sales Tax Revenue Bonds	9/9/2011	\$512.385 million	Aa2/AA/-	2041

# Current Outstanding Bonds

- 1 series of parking garage bonds outstanding
  - \$5.4 million in lease revenue bonds for North Beach Garage
- 3 non-profit parking corporations also have revenue bonds outstanding
  - \$15.9 million for Uptown Parking Corporation (Union Square / Sutter Stockton)
    - Uptown Parking Corporation has issues associated with a downgraded surety policy in the debt service reserve fund that can be addressed through the refinancing.
  - \$6.9 million Downtown Parking Corporation (5<sup>th</sup> and Mission)
  - \$2.8 million Ellis-O'Farrell Parking Corporation
- 1 series of parking meter bonds outstanding
  - \$14.8 million parking meter bonds used to finance improvements to St. Mary's Square and General Hospital Garages



# Proposed Bond

- Approximately \$108 million in revenue bonds are proposed to be issued to generate \$100 million in net proceeds for the new projects. Annual debt service is projected at \$6 million through 2020 and up to \$10 million through 2041.
- **Approximately \$50 million in refunding bonds will be issued to refinance outstanding debt for debt service savings and to streamline outstanding indentures.**
- **Debt size is based on balancing:**
  - Operating budget impact
  - State of Good Repair need and priorities
  - Cost of issuance
  - Investor acceptance
  - Establishing underlying credit as a first time issuer

## Aggregate Debt Service

New debt service has been structured around the refinancing of the existing bonds. In total, new debt service will add \$6 million in annual debt payments through 2020.

	Refunding Bond Debt Service	New Money Bond Debt Service
2012	5,436,628.88	3,289,152.42
2013	5,681,179.50	5,638,547.00
2014	5,687,059.50	5,638,547.00
2015	5,685,752.00	5,638,547.00
2016	5,696,777.00	5,638,547.00
2017	5,687,315.00	5,638,547.00
2018	5,119,551.00	5,638,547.00
2019	3,912,687.00	5,708,547.00
2020	3,918,494.50	5,701,132.00
2021	1,887,462.50	7,733,733.50
2022	1,884,580.50	7,732,673.50
2023	1,212,070.50	8,404,383.50
2024	1,213,180.00	8,405,609.50
2025	1,211,640.00	8,407,282.00
2026	1,212,440.00	8,403,922.00
2027	1,215,624.50	8,401,284.00
2028	1,210,888.50	8,408,650.00
2029	1,218,388.50	8,399,800.00
2030	1,212,326.50	8,404,670.00
2031	1,213,096.50	8,406,730.50
2032		9,619,716.00
2033		9,617,336.00
2034		9,618,333.50
2035		9,616,618.50
2036		9,621,373.50
2037		9,621,236.00
2038		9,620,240.00
2039		9,616,888.00
2040		9,620,076.00
2041		9,618,148.00

## Recent Interest Rates

Rates have trended downward significantly for all fixed rate securities, with US Treasuries leading the way down. The S&P downgrade of the United States Government has led a flight to quality.

	RBI	10-Year Treasury	30-Year Treasury	GO Bond
Average	5.24	3.03	4.24	4.56
Maximum	5.67	3.70	4.80	5.41
Minimum	4.57	2.09	3.45	3.55
Current	5.13	2.23	3.60	3.55
Aug. 25, 2010	4.61	2.50	3.53	3.88
Sept. 1, 2010	4.63	2.63	3.72	3.86
Sept. 8, 2010	4.65	2.76	3.84	3.92
Sept. 15, 2010	4.63	2.76	3.93	3.89
Sept. 22, 2010	4.58	2.56	3.74	3.83
Sept. 29, 2010	4.59	2.52	3.69	3.84
Oct. 6, 2010	4.58	2.40	3.72	3.84
Oct. 13, 2010	4.57	2.50	3.90	3.82
Oct. 20, 2010	4.60	2.55	3.96	3.84
Oct. 27, 2010	4.67	2.67	4.05	3.96
Nov. 3, 2010	4.71	2.49	4.04	4.02
Nov. 10, 2010	4.87	2.66	4.25	4.24
Nov. 17, 2010	5.25	2.91	4.29	4.72
Nov. 24, 2010	5.16	2.77	4.18	4.60
Dec. 1, 2010	5.18	3.00	4.27	4.65
Dec. 8, 2010	5.32	3.22	4.41	4.86
Dec. 15, 2010	5.48	3.40	4.56	5.15
Dec. 22, 2010	5.42	3.35	4.45	5.00
Dec. 29, 2010	5.38	3.34	4.41	4.95
Jan. 5, 2011	5.44	3.42	4.54	5.08
Jan. 12, 2011	5.60	3.31	4.50	5.39
Jan. 19, 2011	5.66	3.44	4.60	5.41
Jan. 26, 2011	5.61	3.40	4.57	5.25
Feb. 2, 2011	5.63	3.56	4.67	5.25
Feb. 9, 2011	5.67	3.70	4.80	5.29
Feb. 16, 2011	5.60	3.58	4.66	5.10
Feb. 23, 2011	5.57	3.45	4.54	4.95
March 2, 2011	5.56	3.57	4.64	4.90
March 9, 2011	5.52	3.37	4.52	4.91
March 16, 2011	5.50	3.24	4.42	4.86
March 23, 2011	5.52	3.42	4.49	4.91
March 30, 2011	5.56	3.46	4.52	5.00
April 6, 2011	5.61	3.56	4.63	5.04
April 13, 2011	5.58	3.49	4.54	5.06
April 20, 2011	5.54	3.41	4.47	4.98

	RBI	10-Year Treasury	30-Year Treasury	GO Bond
April 27, 2011	5.51	3.32	4.42	4.86
May 4, 2011	5.45	3.16	4.26	4.69
May 11, 2011	5.41	3.23	4.35	4.61
May 18, 2011	5.40	3.18	4.30	4.55
May 25, 2011	5.38	3.07	4.23	4.53
June 1, 2011	5.33	3.03	4.25	4.51
June 8, 2011	5.34	3.00	4.23	4.49
June 15, 2011	5.32	2.92	4.16	4.49
June 22, 2011	5.31	2.92	4.17	4.46
June 29, 2011	5.34	3.17	4.38	4.59
July 6, 2011	5.36	3.15	4.38	4.65
July 13, 2011	5.30	2.95	4.25	4.51
July 20, 2011	5.32	3.01	4.32	4.46
July 27, 2011	5.32	2.96	4.29	4.47
Aug. 3, 2011	5.21	2.44	3.70	4.19
Aug. 10, 2011	5.09	2.35	3.79	3.90
Aug. 17, 2011	5.10	2.09	3.45	3.68
Aug. 24, 2011	5.13	2.23	3.60	3.55

# Debt Policy

- Spells out guidelines for debt issuance such as:
  - When should SFMTA borrow?
  - What projects should be debt financed?
  - What are the goals and objectives in a debt financing?
  - What are the financial criteria and thresholds that are acceptable such as reserve levels, coverage, etc.?
- **Adoption of a debt policy is considered a “management best practice” and well received by investors and rating agencies**
  - Promotes financial discipline
  - Most issuing entities including the City and County San Francisco, SFO, SFPUC, SFCTA, BART and AC Transit have debt policies

# Reimbursement Resolution

- The resolution specifies intent to use bonds to reimburse costs associated with the project
- Cost must be within a window:
  - 60 days of payment and within 18 months of the project being placed in service
- **Eligible “Soft Costs”** (i.e. architectural, engineering, transaction costs...) can be reimbursed regardless of timing or resolution

# Next Steps

- CAC and SFMTA Board approval of list of projects to be financed
- SFMTA Board and Recreation and Park Commission Approval of Financing Documents
- Creation of a Bond Oversight Committee by SFMTA Board
- Rating Agency Presentations
- Board of Supervisors Approval of Financing Documents