

Proposed SFMTA Financing



September 2011 | SAN FRANCISCO, CALIFORNIA

Background

- In 2007, Voters approved Proposition A which allows the SFMTA to issue bonds
- 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
- SFMTA's diverse revenue sources provides the Agency with a strong revenue base to issue debt
- 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

Overview

- SFMTA is currently evaluating financing structures that will provide bond proceeds to finance various capital improvements, including:
 - Parking garage capital improvements
 - Safety systems
 - Elevators
 - Parking control equipment
 - ADA compliance
 - Rail vehicle repair and restoration
 - Track rehabilitation and replacement
 - Signal and communications upgrades
 - Overhead wires repair and restoration
- Bond Counsel and City Attorney reviewing structure (e.g. pledged revenues, validation requirement) for SFMTA bonds

Strategy

- Current market for municipal bonds is characterized by low volume 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
- Bonds will be rated by at least two rating agencies prior to issuance

Current Outstanding Bonds

- 1 series of bonds 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)
 - \$6.9 million Downtown Parking Corporation (5th and Mission)
 - \$2.8 million Ellis-O'Farrell Parking Corporation
- Uptown Parking Corporation has issues associated with a downgraded surety policy in the debt service reserve fund that can be addressed through the refinancing.
- 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

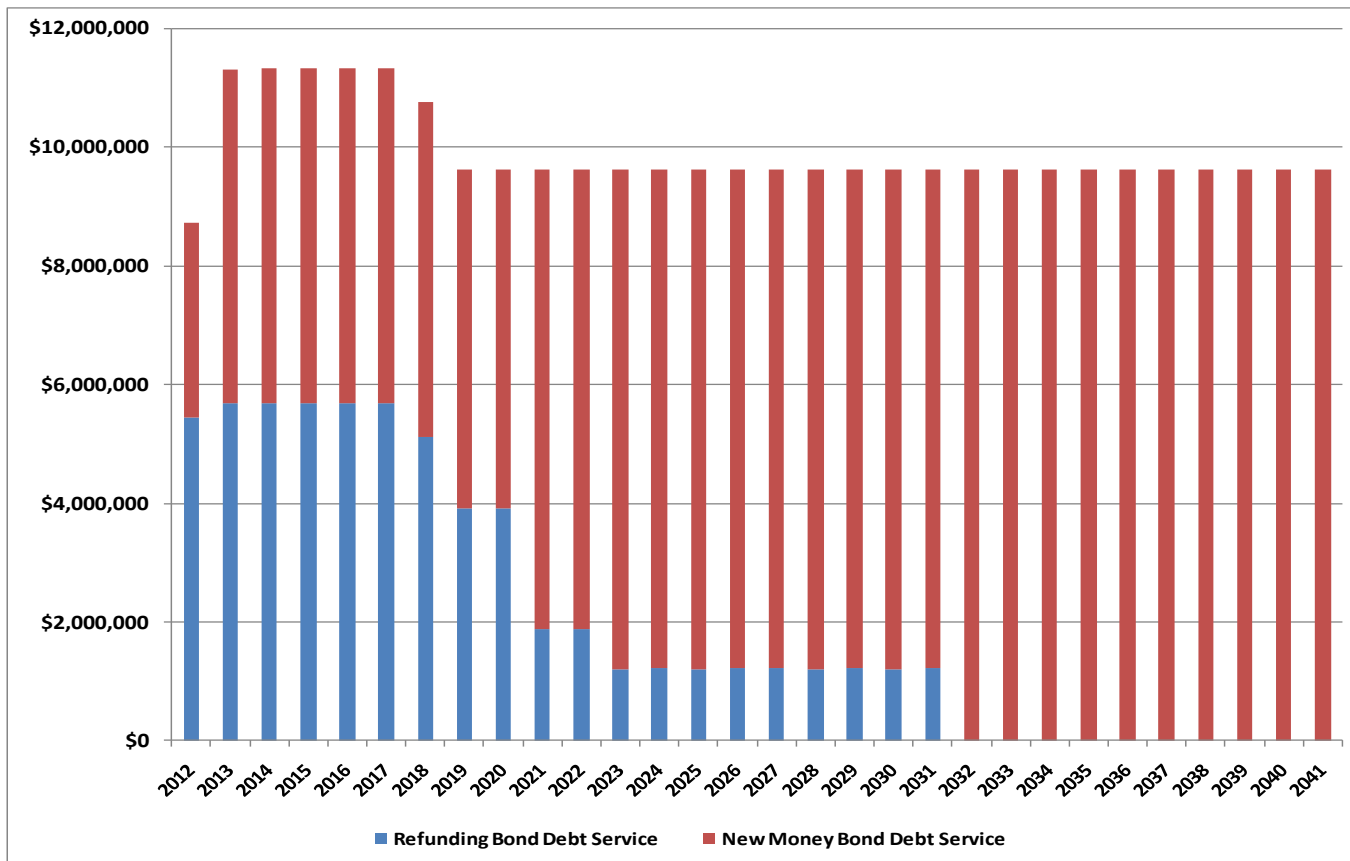
Debt Service

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

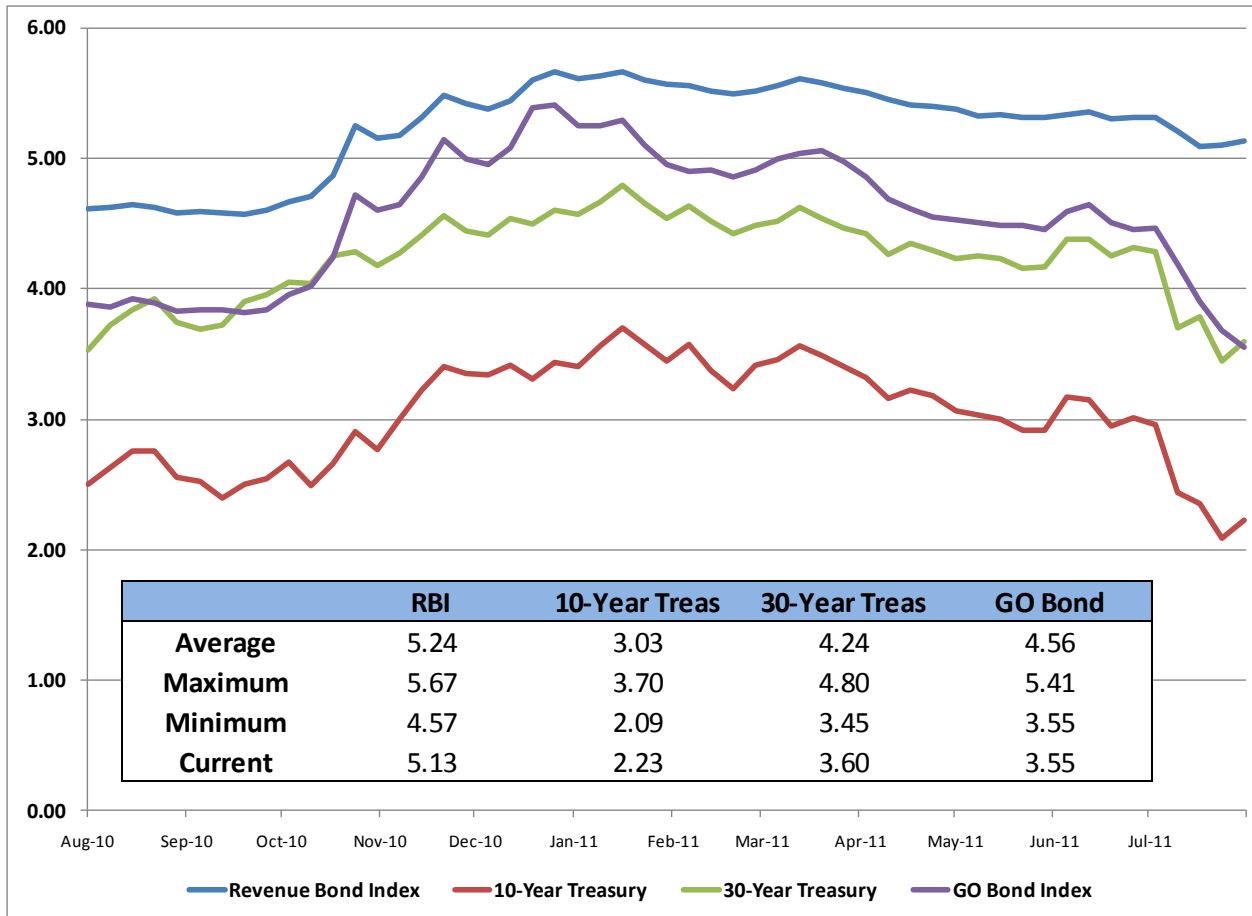
Aggregate Debt Service

- 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 (less than 1% of the Agency’s annual budget)



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.



Next Steps

Aug-Sep 2011:	Draft and Finalize Bond Documents Selection of Financing Team
Sep-Oct 2011:	SFMTA Board and Recreation and Park Commission Approval of Financings
Oct-Nov 2011:	Rating Agency Presentations Board of Supervisors Approval of Financings
Nov-Dec 2011:	Due Diligence Print & Mail POS
Dec 2011-Jan2012:	Pricing & Closing