

# 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 (5<sup>th</sup> 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)

	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 lead 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



	RBI	10-Year Treasury	30-Year Treasury	GO Bond
April 20, 2011	5.54	3.41	4.47	4.98
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



# 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