



SFMTA
Municipal Transportation Agency

Proposed Annual Financing Plan 2013

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SAN FRANCISCO, CALIFORNIA



Proposed Financing Plan Overview

SFMTA is proposing three new financing transactions in 2013 (ratings and timing are estimates)

	2013 Revenue Bonds	Commercial Paper Program	Grant Application Note (FFGA Financing)
Borrowing Amount	Approximately \$150 million	Initial issuance: \$100 million Full authorization: up to \$250 million	\$450 million
Purpose	Capital investment for SFMTA assets. The second series for the projects approved in the 2012 Series	Cash management tool to support project delivery – including Central Subway	Fund Federal timeline delays for Central Subway
Transaction Close Date	Summer 2013	Fall 2013	Winter 2013 / Spring 2014
Projected Rating	Aa3/A	P-1/A-1/F1	BBB category



2013 Revenue Bonds

- **The Agency will issue approximately \$150 million in long-term fixed-rate bonds in 2013 to finance capital projects**
 - Follow up to the Series 2012 Revenue Bonds
 - Term: FY 2013 - 2043
 - All-in Interest Rate: ~ 4.0% (2012 Rate: 3.82%)
- **The Agency will repay the 2013 Bonds debt service (i.e. principal and interest) using the same revenues pledged in the 2012 Bond**
- **Debt service for the 2013 Bonds included in the approved FY 2013 and FY 2014 two year operating budget.**



Commercial Paper Program Overview

- **Commercial paper (CP) is a short-term security used as a cash management tool and to bridge capital funding gaps and delays**
- **CP is used by most agencies with large capital programs**

Agency	Size of CP Program
City/County of San Francisco	\$100 million
SFPUC	\$500 million Water \$300 million Wastewater
SFO Airport	\$200 million
SFCTA	\$200 million
NY MTA	\$900 million

General Characteristics	
Short-term Maturity	<ul style="list-style-type: none"> • Maximum maturity of 270 days <ul style="list-style-type: none"> – CP Notes are rolled until taken out
Credit Ratings	<ul style="list-style-type: none"> • Requires short-term credit ratings
Liquidity Support	<ul style="list-style-type: none"> • Provided by a highly-rated commercial bank credit facility <ul style="list-style-type: none"> – Publicly traded CP requires liquidity from a third party bank – Direct purchase options remove the need for bank liquidity
Authorized Amount	<ul style="list-style-type: none"> • A Board specified amount that limits the total size of the CP program
Amount Outstanding	<ul style="list-style-type: none"> • An issuer may have any amount from \$0 to the authorized amount outstanding at any time
CP Dealer	<ul style="list-style-type: none"> • An investment bank selected to periodically re-offer the issuer’s CP notes to the market



2013 Commercial Paper Program

- **The Agency has identified \$250 million of cashflow needs that can be met through the establishment of a CP Program**
 - Vehicle procurement
 - Facility projects
 - Other State of Good Repair projects
- **The Agency will authorize a \$250 million CP Program, of which \$100 million will be issued (and remain outstanding) in 2013**
 - Additional CP may be issued based on capital financing needs in subsequent years, up to the full \$250 million authorization amount
 - Estimated annual cost of \$100 million CP is \$2.2 million
- **The CP Program is currently estimated to remain outstanding until 2019**
- **The CP Program will either be structured to be ongoing (drawn amount repaid) or taken out by a long term financing (revenue bond)**
- **CP program requires significant accounting and reporting efforts which SFMTA will have skilled staff to undertake and financial advisor support**



Grant Anticipation Notes (GANs) Overview

- **Grant Anticipation Notes (GANs) are short-term fixed-rate debt instruments that are secured by future grants, typically from the federal government**
- **SFMTA will receive FTA grant funds (5309) for Central Subway as detailed in the Full Funding Grant Agreement (FFGA)**
- **Financial commitment through the FFGA is for generally level installments through the revenue operations date**
 - Typical construction schedule for large contracts is not equal in every period
 - GANs or other bridge financing sources are used to bridge the funding gap through the construction period
- **This financing is expected to be stand alone – not backed by SFMTA revenues but solely backed by the FFGA**
 - This structure will be rated lower and incur slightly higher financing costs
 - The financing costs will have to be borne by the SFMTA and potentially recovered from the Central Subway project subject to FTA approval and availability of contingency funds remaining in the Central Subway project at completion



FFGA GAN Issuers

- **BART – SFO Extension Project FFGA**
 - Issued 2001, refinanced 2004
 - Standalone, \$485 million
 - Financed capital improvements, refinanced commercial paper
- **Tri-Met Portland-Milwaukie Light Rail Project FFGA**
 - Approved December 2012, anticipated March 2013
 - FFGA with other revenue/subordinate pledge, \$325 million
- **Metropolitan Council (Minneapolis-St. Paul) Central Corridor Project FFGA**
 - Issued 2012, \$100 million
 - FFGA with general obligation pledge
- **Los Angeles County MTA Gold Line Eastside Extension FFGA**
 - Issued 2005, \$264 million
 - FFGA with 5307 formula grants
- **Others, including New Jersey Transit and Chicago Transit Authority**



Summary Comparison

	Revenue Bonds	Commercial Paper	Standalone GANs
Interest Cost (estimated)	3.9% – 4.5%	0.8% - 1.6%	1.6% - 2.6%
Term	2013 – 2043	2013 - 2019	2013 – 2015
Mode	Fixed Rate	Variable Rate	Fixed Rate
Additional Administrative Costs	(+) Expenditure tracking / Continuing disclosure	(+++) Expenditure Tracking / CP issuance	(++) Expenditure Tracking



SFMTA's Credit Profile

- **SFMTA is entering into the market in 2013 as an established issuer**
 - Series 2012 Bonds par amount of \$63.795 million
 - Refunding: \$37.960 million
 - New Money: \$25.835 million
- **SFMTA was well received by the rating analysts and investors**
 - Ratings: Aa3 (Moody's) / A (Standard & Poor's)

“The Aa3 long term rating reflects SFMTA's diversified revenue base; sound financial management with strong revenue raising flexibility; and strong demand for the essential services it provides in San Francisco.” – Moody's Investor Service

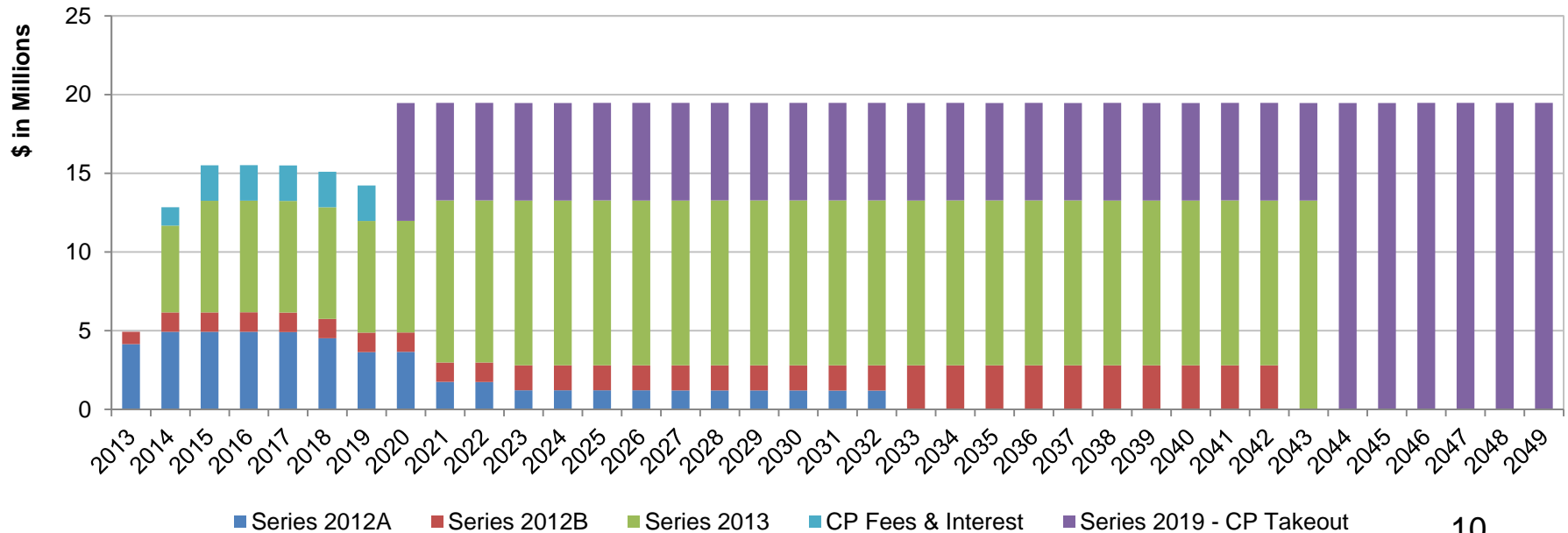
“The rating reflects our view of the essential role of the SFMTA in the city's and region's economies as the largest transit operator in the Bay Area; stable ridership trends despite fare increases, service reductions, and the economic recession, as well as one of the highest levels of service per capita in the U.S.; revenues from a broad range of sources; [and] management's strong track record of maintaining fiscally prudent operations while investing in the system.” – Standard & Poor's



Debt Service Costs

- **The 2013 Revenue Bonds would be structured to achieve an aggregate level debt service structure with total annual debt service of \$13.3 million per year**
 - Represents 1.6% of SFMTA's FY 2013 O&M Budget – within the Debt Policy limit of 5%
- **Annual fees and interest on \$100 million of CP notes is approximately \$2.2 million**
- **A long-term revenue bond takeout of the CP program would add approximately \$6.2 million of annual debt service**
 - Annual aggregate debt service would reach \$19.5 million, or 2.3% of FY 2013 O&M Budget

SFMTA Debt Service Chart





Debt Service Costs

FYE	Series 2012A	Series 2012B	Series 2013	Series 2019 - CP Takeout	CP Fees & Interest	Total Bond & CP Debt Service
6/30/2013	4,142,104	789,080	0		0	4,931,184
6/30/2014	4,923,750	1,235,081	5,518,722	0	1,166,672	12,844,226
6/30/2015	4,924,300	1,235,081	7,095,500	0	2,253,344	15,508,226
6/30/2016	4,927,700	1,235,081	7,095,500	0	2,253,344	15,511,626
6/30/2017	4,909,950	1,235,081	7,095,500	0	2,253,344	15,493,876
6/30/2018	4,514,200	1,235,081	7,095,500	0	2,253,344	15,098,126
6/30/2019	3,639,000	1,235,081	7,095,500	0	2,253,344	14,222,926
6/30/2020	3,650,500	1,235,081	7,095,500	7,486,647	0	19,467,728
6/30/2021	1,744,500	1,235,081	10,295,500	6,196,114	0	19,471,195
6/30/2022	1,741,500	1,235,081	10,300,500	6,193,022	0	19,470,103
6/30/2023	1,215,750	1,580,081	10,477,250	6,193,782	0	19,466,863
6/30/2024	1,213,250	1,582,831	10,476,750	6,193,650	0	19,466,481
6/30/2025	1,209,000	1,589,581	10,477,000	6,192,485	0	19,468,066
6/30/2026	1,208,000	1,587,881	10,477,500	6,194,957	0	19,468,338
6/30/2027	1,205,000	1,590,381	10,477,750	6,195,819	0	19,468,950
6/30/2028	1,205,000	1,591,894	10,477,250	6,195,024	0	19,469,168
6/30/2029	1,202,750	1,592,381	10,480,500	6,192,690	0	19,468,321
6/30/2030	1,203,250	1,591,806	10,481,750	6,193,958	0	19,470,764
6/30/2031	1,196,250	1,600,706	10,480,500	6,193,718	0	19,471,174
6/30/2032	1,197,000	1,598,125	10,481,250	6,192,144	0	19,468,519
6/30/2033		2,795,000	10,478,250	6,194,248	0	19,467,498
6/30/2034		2,799,250	10,476,000	6,194,756	0	19,470,006
6/30/2035		2,799,000	10,478,750	6,188,680	0	19,466,430
6/30/2036		2,799,250	10,475,500	6,196,290	0	19,471,040
6/30/2037		2,799,750	10,475,750	6,191,806	0	19,467,306
6/30/2038		2,795,250	10,478,500	6,195,757	0	19,469,507
6/30/2039		2,795,750	10,477,750	6,192,604	0	19,466,104
6/30/2040		2,795,750	10,477,750	6,192,571	0	19,466,071



Debt Service Costs

FYE	Series 2012A	Series 2012B	Series 2013	Series 2019 - CP Takeout	CP Fees & Interest	Total Bond & CP Debt Service
6/30/2041		2,795,000	10,482,500	6,190,864	0	19,468,364
6/30/2044			0	19,465,941	0	19,465,941
6/30/2045			0	19,467,111	0	19,467,111
6/30/2046			0	19,469,516	0	19,469,516
6/30/2047			0	19,469,359	0	19,469,359
6/30/2048			0	19,470,501	0	19,470,501
6/30/2049			0	19,470,025	0	19,470,025
TOTAL	51,172,754	55,782,730	291,523,722	266,756,271	12,433,393	677,668,870



Timeline and Next Steps

Month	2013 Revenue Bonds	Commercial Paper	2013 FFGA GANs
March	<i>CPC Approval</i>		
April	<i>SFMTA Board Approval</i> Rating agency meetings <i>Introduction to SFBOS</i>		
May	<i>SFBOS Approval</i> Investor outreach and marketing		
June	Pricing Closing		
July		<i>SFMTA Board Approval</i> <i>CPC Approval</i> <i>Introduction to SFBOS</i>	<i>SFMTA Board Approval</i> <i>CPC Approval</i> <i>Introduction to SFBOS</i>
August		Rating agency meetings	Rating agency meetings
September		<i>SFBOS Approval</i>	<i>SFBOS Approval</i>
October		Pricing Closing	
November			SFMTA Board Approval of offering document (if necessary)
December			Pricing Closing