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Date: June 1, 2022
To: Bond Oversight Committee
From: Joel Goldberg, Manager, Programming & Grants
Re: Revenue Bond Interest Accruals & Recommended Expenditures

Introduction: The purpose of this presentation is to update the Bond Oversight Committee (BOC) on the amounts of interest accrued for revenue bond interest and to recommend that the funds be spent on the Light Rail Vehicle program, consistent with Official Statements and BOC Policy.

Background: Between 2012 and 2017 the SFMTA issued four series of revenue bonds worth \$365,700,000 to fund capital projects. To date, the four issuances have generated \$6,880,284 of interest. None of the interest has been spent yet. (Please see Table A.)

Table A SFMTA Revenue Bond Interest

Series	Issuance Amount	Interest as of 3/31/2022
Series 2012B	\$25,700,000	\$315,404
Series 2013	\$75,000,000	\$1,247,905
Series 2014	\$75,000,000	\$2,140,318
Series 2017	\$190,000,000	\$3,176,657
TOTALS	\$365,700,000	\$6,880,284

Staff began researching the expenditure of interest at the beginning of Calendar Year 2022 with the intent of bringing the BOC a recommendation on how to draw down the revenue bond interest (“interest”) at this meeting. The expenditure of interest needs to pass legal muster and be consistent with the BOC’s Policies.

I. Legality:

Resolution 11-150 (Dec 6, 2011) calls for investment of revenue bond funds in transportation-related projects:

“Whereas the SFMTA desires to finance the costs of certain transportation projects including, but not limited to, streetcars, modern light rail vehicles, buses, alternative fuel vehicles, trolley coaches, cable cars, railway cars, and construction projects relate thereto; roads, bus stations, traffic signs, parking meters, improvements to parking garages under the jurisdiction of the SFMTA (et al), and parking lots and related improvements (collectively, Project) ...”

Staff has consulted with the City Attorney’s Office and he (upon consultation with outside tax counsel) has opined that revenue bond interest can be spent for capital projects, including LRVs, under the jurisdiction of the SFMTA. Residual bond interest may be used to pay interest (not principal) on the SFMTA bonds (although an expenditure for this purpose after the construction period, i.e. generally three years after the issuance of the bonds, is constrained by the tax code) and the City Attorney has requested that staff consult with the City Attorney prior to making expenditures for interest costs.

II. Bond Oversight Committee Policy:

Bond Oversight Committee Policy 2.4 governs the use of revenue bond interest:

“Interest earned from the revenue bonds will be programmed to capital projects on the approved Program of Projects. Normally, interest will be allocated only after the principal of the bond series is fully spent down.

“One-time allocations of bond interest may be allocated ahead of full expenditure of the bonds proceeds when needed to close project funding gaps on projects approved to be funded from bond proceeds. First priority of interest allocations will be given to bond funded projects in the same series. If projects in the same series do not need funding, priority will be given to bond funded projects in subsequent series. At no time will interest income be allocated or used for non bond funded projects.”

Recommendation: The Agency’s ongoing Light Rail Vehicle (LRV) program is the largest non-construction project in the Agency’s history. Our contract with Siemens is worth \$1,113,375,000. To date, the SFMTA has programmed \$145,050,650 to LRVs with a balance of \$883,904 (0.61%). (Please see Table B.) The LRV program spends funds quickly. With an average of two cars being delivered monthly, if the interest were to be shifted to the LRVs it could be spent within one to two months.

Table B Revenue Bonds for LRVs

Series	Bond Amount	Balance
Series 2012B	\$0	\$0
Series 2013	\$14,164,190	\$0
Series 2014	\$2,886,460	\$0
Series 2017	\$128,000,000	\$883,904
TOTALS	\$145,050,650	\$883,904

Consistency with BOC Policy:

- Interest will be spent on a project included in the 2013, 2014, and 2017 series bonds.
- Though LRVs were not included in the 2012B series, LRVs were envisioned in Resolution 11-150, i.e. "modern light rail vehicles." Moreover, the 2012B Program of Projects is complete and it is acceptable to spend funds on LRVs. "If projects in the same series do not need funding, priority will be given to bond funded projects in subsequent series."