PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2021

New Issue – Book-Entry Only

Ratings:
Moody's: "___"
S&P: "___"
(See "Ratings" herein.)

Schiff Hardin LLP and the Law Office of Monica M. Baranovsky, Co-Bond Counsel, observe that interest on the Series 2021A Bonds is not excluded from gross income for U.S. federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021B Bonds and the Series 2021C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the Series 2021B Bonds and the Series 2021C Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Co-Bond Counsel, interest on the Series 2021 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds. See "TAX MATTERS."

$_____*

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

$_____*	$_____*	$_____*
Refunding Revenue Bonds, Series 2021A (Federally Taxable)	**Refunding Revenue Bonds, Series 2021B (Tax-Exempt)**	**Revenue Bonds, Series 2021C (Tax-Exempt)**

Dated: Date of Delivery **Due: March 1, as shown on the inside cover pages**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The San Francisco Municipal Transportation Agency Refunding Revenue Bonds, Series 2021A (Federally Taxable) (the "**Series 2021A Bonds**"), and the San Francisco Municipal Transportation Agency Refunding Revenue Bonds, Series 2021B (Tax-Exempt) (the "**Series 2021B Bonds**" and, together with the Series 2021A Bonds, the "**Series 2021 Refunding Bonds**"), are being issued by the San Francisco Municipal Transportation Agency (the "**SFMTA**") pursuant to the Charter of the City and County of San Francisco (the "**Charter**") and a Fifth Supplement to Indenture of Trust dated as of _____ 1, 2021 (the "**Fifth Supplemental Indenture**"), between the SFMTA and U.S. Bank National Association, as successor trustee (the "**Trustee**"). The San Francisco Municipal Transportation Agency Revenue Bonds, Series 2021C (Tax-Exempt) (the "**Series 2021C Bonds**" and, together with the Series 2021 Refunding Bonds, the "**Series 2021 Bonds**") are being issued by the SFMTA pursuant to the Charter and the Sixth Supplement to Indenture of Trust dated as of _____ 1, 2021 (the "**Sixth Supplemental Indenture**"), between the SFMTA and the Trustee. The Fifth Supplemental Indenture and the Sixth Supplemental Indenture amend and supplement the Indenture of Trust dated as of July 1, 2012 (as amended and supplemented, including as amended and supplemented by the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, the "**Indenture**"), between the SFMTA and the Trustee. The Series 2021 Refunding Bonds are being issued to (i) refund and defease all or a portion of certain outstanding series of revenue bonds of the SFMTA, and (ii) pay costs of issuance of the Series 2021 Refunding Bonds. The Series 2021C Bonds are being issued to (i) finance a portion of the costs of various capital projects for the SFMTA as described herein, and (ii) pay costs of issuance of the Series 2021C Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE" herein.

Interest on the Series 2021 Bonds will be payable on September 1, 2021 and on each March 1 and September 1 thereafter until their respective stated maturity dates. The Series 2021 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), to which payments of principal of, premium, if any, and interest on the Series 2021 Bonds will be made. Individual purchases of the Series 2021 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners of the Series 2021 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2021 Bonds, premium, if any, and interest when due will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal, premium, if any, and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2021 Bonds. See Appendix F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2021 Bonds are subject to redemption prior to maturity as described herein.

The SFMTA is an enterprise department of the City and County of San Francisco (the "**City**") and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit,

* Preliminary, subject to change.

paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis within the City. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues to the punctual payment of principal of, premium, if any, and interest on the all outstanding parity revenue bonds issued under the Indenture, including the Series 2021 Bonds (collectively, the "**Bonds**"), subject to the flow of funds contained in the Indenture. The Series 2021 Bonds will not be secured by any reserve account. See "Security and Sources of Payment for the Bonds – No Reserve Fund" herein.

THE SERIES 2021 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES (AS DEFINED HEREIN) OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021 BONDS. THE SERIES 2021 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFMTA OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

MATURITY SCHEDULES

(See inside cover pages)

The Series 2021 Bonds are offered when, as, and if issued by the SFMTA and accepted by the purchasers, subject to approval of legality by Schiff Hardin LLP, San Francisco, California, and the Law Office of Monica M. Baranovsky, Berkeley, California, Co-Bond Counsel. Certain legal matters will be passed upon for the SFMTA by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Disclosure Counsel to the SFMTA, and the City Attorney of the City and County of San Francisco. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Diego, California. It is expected that the Series 2021 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about February __, 2021.

RBC Capital Markets

Goldman Sachs & Co. LLC **Siebert Williams Shank & Co., LLC**

Date: February __, 2021

MATURITY SCHEDULES*

Series 2021A Bonds
(Base CUSIP† Number: ______)

$________ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price‡	CUSIP Suffix

$________ ___% Term Bonds Due March 1, 20__ Price‡ – ____% CUSIP† _______
$________ ___% Term Bonds Due March 1, 20__ Price‡ – ____% CUSIP† _______

Series 2021B Bonds
(Base CUSIP† Number: ______)

$________ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Yield‡	CUSIP Suffix

$________ ___% Term Bonds Due March 1, 20__ Yield‡ – ____% CUSIP† _______
$________ ___% Term Bonds Due March 1, 20__ Yield‡ – ____% CUSIP† _______

* Preliminary, subject to change.
† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.
‡ Reoffering yields/prices have been provided by the Underwriters. See "UNDERWRITING."

Series 2021C Bonds
(Base CUSIP* Number: ______)

$________ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Yield †	CUSIP Suffix

$________ ___% Term Bonds Due March 1, 20__ Yield ‡ – ____% CUSIP† _______
$________ ___% Term Bonds Due March 1, 20__ Yield ‡ – ____% CUSIP† _______

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* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.
† Reoffering yields/prices have been provided by the Underwriters. See "UNDERWRITING."

No dealer, broker, salesperson or other person has been authorized by the SFMTA to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the SFMTA. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2021 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein other than that provided by the SFMTA, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the SFMTA since the date hereof.

The SFMTA and the City each maintain websites. The information presented on such websites is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2021 Bonds. Any other website referred to in this Official Statement is not incorporated herein by such reference.

The issuance and sale of the Series 2021 Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2) for the issuance and sale of municipal securities.

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME BY THE UNDERWRITERS.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE", "PROJECT", "ANTICIPATE", "EXPECT", "INTEND", "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

BOARD OF DIRECTORS

Gwyneth Borden, *Chair*
Amanda Eaken, *Vice-Chair*
Cheryl Brinkman, *Director*
Steve Heminger, *Director*
Fiona Hinze, *Director*
Sharon Lai, *Director*
Manny Yekutiel, *Director*

SFMTA STAFF

Jeffrey Tumlin, *Director of Transportation*
Jonathan Rewers, *Interim Chief Financial Officer*
Julie Kirschbaum, *Director, Transit*
Siew-Chin Yeong, *Director, Capital Programs & Construction*
Tom Maguire, *Director, Sustainable Streets*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR
London Breed

BOARD OF SUPERVISORS

Connie Chan, *District 1*
Matt Haney, *District 6*
Rafael Mandelman, *District 8*
Gordon Mar, *District 4*
Myrna Melgar, *District 7*
Aaron Peskin, *District 3*
Dean Preston, *District 5*
Hillary Ronen, District 9
Ahsha Safaí, District 11
Catherine Stefani, District 2
Shamann Walton, District 10

CITY ATTORNEY
Dennis J. Herrera

CITY TREASURER
José Cisneros

OTHER CITY AND COUNTY OFFICIALS
Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director of Public Finance*

PROFESSIONAL SERVICES

Co-Bond Counsel
Schiff Hardin LLP
San Francisco, California

Co-Bond Counsel
Law Office of Monica M. Baranovsky
Berkeley, California

Municipal Advisor
Backstrom McCarley Berry & Co., LLC
San Francisco, California

Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

Verification Agent
_____

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OFFICIAL STATEMENT

$_____*
SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

$_____*	**$_____***	**$_____***
Refunding Revenue Bonds,	**Refunding Revenue Bonds,**	**Revenue Bonds,**
Series 2021A (Federally Taxable)	**Series 2021B (Tax-Exempt)**	**Series 2021C (Tax-Exempt)**

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the San Francisco Municipal Transportation Agency (the "**SFMTA**") of $_____* aggregate principal amount of its San Francisco Municipal Transportation Agency Refunding Revenue Bonds, Series 2021A (Federally Taxable) (the "**Series 2021A Bonds**"), $_____* aggregate principal amount of its San Francisco Municipal Transportation Agency Refunding Revenue Bonds, Series 2021B (Tax-Exempt) (the "**Series 2021B Bonds**" and, together with the Series 2021A Bonds, the "**Series 2021 Refunding Bonds**"), and $_____* aggregate principal amount of its San Francisco Municipal Transportation Agency Revenue Bonds, Series 2021C (Tax-Exempt) (the "**Series 2021C Bonds**" and, together with the Series 2021 Refunding Bonds, the "**Series 2021 Bonds**").

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below) as summarized in Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – DEFINITIONS."

The San Francisco Municipal Transportation Agency

The SFMTA is an enterprise department of the City and County of San Francisco (the "**City**") and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis within the City (collectively, and as further defined in this Official Statement, the "**Transportation System**").

The SFMTA was established by voter approval of Article VIIIA to the Charter of the City (the "**Charter**") in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. Pursuant to the Charter, the SFMTA has been provided with authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. San Francisco voters approved an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility related to labor contracts.

The SFMTA connects San Francisco through a safe, equitable, and sustainable transportation system. It manages the City's public transportation system ("**Muni**"), including its motor buses, trolley buses, light rail vehicles ("**LRVs**"), historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 39 public off-street parking facilities owned by the SFMTA, the San Francisco Department of Recreation and Park ("**Recreation and Park**") and the Parking Authority of the City and County of San Francisco (the "**Parking Authority**"), a separate legal entity created under the laws of the State of California (the "**State**"). The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings,

* Preliminary, subject to change.

4128-1484-9066.2

and parking meters. Finally, the SFMTA regulates the taxi industry within the City. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Organization and Purpose."

Authority for Issuance

The Series 2021 Bonds are being issued pursuant to Section 8A.102(b)(13) of the Charter, Ordinance No. 57-12 of the Board of Supervisors of the City (the "**Board of Supervisors**") adopted on April 19, 2012, Resolution No. ___ of the Board of Supervisors adopted on _____, 2021 and signed by the Mayor on _____, 2021, Resolution No. 201215-110 of the Board of Directors of the SFMTA (the "**Board**") adopted on December 15, 2020, and Resolution No. ___ of the Board adopted on January 19, 2021. The Series 2021 Refunding Bonds are being issued pursuant to a Fifth Supplement to Indenture of Trust dated as of _____ 1, 2021 (the "**Fifth Supplemental Indenture**"), between the SFMTA and U.S. Bank National Association, as trustee (the "**Trustee**"). The Series 2021C Bonds are being issued pursuant to a Sixth Supplemental Indenture of Trust dated as of _____ 1, 2021 (the "**Sixth Supplemental Indenture**"), between the SFMTA and the Trustee. The Fifth Supplemental Indenture and the Sixth Supplemental Indenture amend and supplement the Indenture of Trust, dated as of July 1, 2012 (as previously amended and supplemented, the "**Master Indenture**" and, together with the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, the "**Indenture**"), between the SFMTA and the Trustee, as successor in interest to The Bank of New York Mellon Trust Company, N.A., as trustee. The Series 2021 Bonds, together with the SFMTA's Revenue Bonds, Series 2012A and Series 2012B (the "**Series 2012 Bonds**"), the SFMTA's Revenue Bonds, Series 2013 (the "**Series 2013 Bonds**"), the SFMTA's Revenue Bonds, Series 2014 (the "**Series 2014 Bonds**"), the SFMTA's Revenue Bonds, Series 2017 (the "**Series 2017 Bonds**") and any other bonds issued in the future pursuant to the Indenture are referred to collectively in this Official Statement as the "**Bonds**."

Purpose

The Series 2021 Refunding Bonds are being issued to (i) refund and defease all or a portion of certain series of outstanding revenue bonds of the SFMTA, and (ii) pay costs of issuance of the Series 2021 Bonds. The Series 2021C Bonds are being issued to (i) finance a portion of the costs of various capital projects for the SFMTA as described herein, and (ii) pay costs of issuance of the Series 2021C Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of proceeds of the Series 2021 Refunding Bonds.

Security and Sources of Payment for the Bonds

The Series 2021 Bonds are issued and secured pursuant to the terms of the Indenture. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues (as defined herein) to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2021 Bonds, subject to the flow of funds contained in the Indenture. In connection with the issuance of the Series 2021 Refunding Bonds, the Fifth Supplemental Indenture will amend the definition of "Pledged Revenues" to include amounts received by the SFMTA from proceeds of the Traffic Congestion Mitigation Tax (as defined herein). See "– Other Obligations Secured by Pledged Revenues," "SECURITY AND SOURCES FOR PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under Indenture," and "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Traffic Congestion Mitigation Tax."

The Series 2021 Bonds are special, limited obligations of the SFMTA payable solely from Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. No funds of the SFMTA other than the Pledged Revenues and such amounts held under the Indenture are pledged to or available for payment of the principal of, premium, if any, or interest on the Series 2021 Bonds. Section 8A.105 of the Charter requires the City to transfer certain moneys to the SFMTA to support the SFMTA's activities. The proceeds of transfers from the City's General Fund to support such activities do not constitute any portion of Pledged Revenues, and the principal of, premium, if any, and interest on the Series 2021 Bonds is not payable from the proceeds of such transfers or from the City's General Fund. The SFMTA will not apply the proceeds of such transfers to the payment of debt service on the Series 2021 Bonds, and the City has no obligation to transfer any amounts from the City's General Fund to the SFMTA for the purpose of paying the principal of, premium, if any, and interest on the Series 2021 Bonds. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Fund Transfers."

The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Series 2021 Bonds from any source of funds other than Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The SFMTA has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds. The Series 2021 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof.

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in each Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including but not limited to fares, rates and fees) for the Transportation System so that Pledged Revenues in each Fiscal Year, and available fund balances held by the SFMTA or the Trustee, will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined herein) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may reasonably be deferred). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture."

The Series 2021 Bonds will not be secured by any reserve account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – No Reserve Account for the Series 2021 Bonds."

Pursuant to the Indenture, the SFMTA is permitted to issue additional Bonds and to enter into additional obligations secured by and payable from Pledged Revenues on a parity with the payment of principal of, premium, if any, and interest on the Bonds, provided that certain conditions are satisfied as described herein. The Indenture also permits the SFMTA to incur subordinate obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Other Indebtedness" herein.

For more information regarding the security and sources of payment for the Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY" herein. Audited financial information concerning the SFMTA is set forth in Appendix A attached hereto. See "CERTAIN RISK FACTORS" for a discussion of certain risks related to an investment in the Series 2021 Bonds.

Other Obligations Secured by Pledged Revenues

The Series 2021 Bonds are payable from Pledged Revenues under the Indenture on a parity with the SFMTA's Revenue Bonds, Series 2012A, Series 2012B, Series 2013, Series 2014 and Series 2017, currently outstanding in the aggregate principal amount of $323,075,000. As described under "PLAN OF FINANCE – Series 2021 Refunding Bonds," all or a portion of the Series 2012A, Series 2012B, Series 2013 and Series 2014 Bonds are expected to be refunded with proceeds of the Series 2021 Bonds.

The SFMTA may issue other debt secured by Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Obligations Secured by Pledged Revenues" and "– Additional Bonds and Other Indebtedness."

Continuing Disclosure

The SFMTA will covenant in a Continuing Disclosure Certificate, to be executed and delivered by the SFMTA concurrently with the issuance of the Series 2021 Bonds, to provide certain financial information and operating data relating to the SFMTA and notices of certain enumerated events. Such information and notices will be filed by the SFMTA with the Municipal Securities Rulemaking Board ("**MSRB**") through its Electronic Municipal Market Access system ("**EMMA**"). For more information concerning the SFMTA's continuing disclosure commitment and the form of the Continuing Disclosure Certificate, see "CONTINUING DISCLOSURE" herein and Appendix E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate, the SFMTA has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Brief descriptions of the Series 2021 Bonds, the Indenture, the security and sources of payment for the Series 2021 Bonds, the Pledged Revenues, the SFMTA, certain provisions of the Charter and related matters are included in this Official Statement, together with summaries of certain provisions of the Series 2021 Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Series 2021 Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the SFMTA. The SFMTA regularly prepares a variety of reports, including audits, budgets and related documents, which may be obtained from the SFMTA. Additional information regarding such reports may be obtained from the SFMTA's website at www.sfmta.com. The information contained in such reports or on such website is not incorporated by reference herein. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the SFMTA, or were not prepared, reviewed and approved by the SFMTA with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

IMPACT OF COVID-19 PANDEMIC

The outbreak of a new highly transmissible strain of coronavirus ("**COVID-19**") has spread to numerous countries across the globe, including the United States. The World Health Organization has characterized the spread of COVID-19 as a pandemic, and states of emergency have been declared in the United States, California and San Francisco. The State and the City have issued directives for all people to stay at home except to meet essential needs or to work to provide essential services ("**stay-at-home orders**"). Some of the City's stay-at-home orders have been revised to allow for limited commercial activity and social interaction among small, consistent groups, but the easing of restrictions slowed, stopped or reversed as new cases of COVID-19 increased in some parts of San Francisco. It is unknown when and whether restrictions will continue to be eased or will be reinstated or enhanced. The duration of these stay-at-home orders, even those with specified end dates, is not known with any level of certainty.

In December 2020, two vaccines from Pfizer-BioNTech and Moderna received emergency use authorization from the U.S. Food and Drug Administration as effective treatments for COVID-19. The timetable for vaccinating sufficient numbers of Americans to affect the trajectory or duration of the COVID-19 pandemic is unknown and depends ultimately on the effectiveness of the vaccines and the willingness of U.S. citizens to get vaccinated. Although both vaccines were subject to extensive clinical trial testing protocols, any health uncertainties could slow down or halt the use of either vaccine.

The SFMTA continues its operations as an essential service. This section describes some of the impacts that COVID-19 and the City's stay-at-home orders have had on the SFMTA's transit operations, parking and traffic functions, financial condition and current assets, operating revenues and expenses, capital program and operating budget, as well as the SFMTA's budgetary and operational strategy for the next few Fiscal Years.

COVID-19 and the City's stay-at-home orders have had, and are expected to continue to have in the near future, a materially adversely effect on the SFMTA's operations and revenues. Accordingly, any historical information or budgets or projections described in this Official Statement which predate the COVID-19 pandemic, or do not fully reflect its potential impact, should be considered in the light of a possible or probable negative impact from the COVID-19 pandemic. The projections and other forward-looking statements in this Official Statement are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected.

Impact on Transit Operations

Transit ridership declined by approximately 95% during the initial shelter-in-place period from March to May 2020, as compared to the same period in 2019. In Fiscal Year 2019-20, total transit ridership declined by 23.6% from approximately 222.9 million in Fiscal Year 2018-19 to approximately 170.3 million in Fiscal Year 2019-20. See also "Table 2 – Historical Fixed Route Ridership by Mode." The SFMTA currently projects total ridership in Fiscal Year 2020-21 and Fiscal Year 2021-22 will be approximately 63.3 million and 134.3 million, respectively, a decline of approximately 72% and 40% from Fiscal Year 2018-19 total ridership, respectively. The SFMTA projects that total ridership will gradually increase to pre-COVID-19 levels by the end of Fiscal Year 2023-24.

Because of the decline in ridership as described above, the SFMTA created and implemented its COVID-19 Muni Core Service Plan (the "**Core Service Plan**"), which reduced the number of operating bus routes and temporarily closed the Muni Metro light rail system, replacing some rail lines with bus routes. Under the Core Service Plan, 30 core bus routes operate from 5 a.m. to 10 p.m. and a reduced "owl" network comprised of 12 routes operates overnight from 10 p.m. to 5 a.m. To determine which routes to maintain under the Core Service Plan, the SFMTA considered factors such as hospital access, ridership levels, equity needs and Citywide coverage. A phased reopening of the Muni Metro light rail system began on December 19, 2020 with the reopening of one rail line. Additional rail lines and service will be added as ridership demand increases and subway repairs are completed.

The SFMTA has taken extensive actions to reduce COVID-19 risks to Muni drivers and passengers. The SFMTA has established and implemented employee protection protocols, including but not limited to providing operators with personal protective equipment and cleaning supplies, temporarily limiting passenger boardings to rear doors only, discontinuing high-risk modes of transportation such as cable car and historic trolley service, establishing daily deep-cleaning routines on vehicles, redesigning schedules so operators start their shifts in recently sanitized buses, and working with the City's Department of Public Health to establish procedures for when staff test positive for COVID-19, such as contact tracing.

The SFMTA has also implemented modified operating procedures, including a mandatory operator barrier, mandatory mask wearing requirements and lower passenger loads to support social distancing. The SFMTA has implemented a Muni marketing campaign (including customer announcements, signage and the use of social media) to urge people to wear protective masks and promote social distancing, and an ambassador program along Market Street to promote social distancing at stops.

Impact on Parking and Traffic Functions

The COVID-19 pandemic has substantially impacted the SFMTA's on-street and off-street parking facilities. In April 2020, following the initial stay-at-home orders in San Francisco, transient parking garage utilization based on a count of paid parking transactions declined to approximately 5% of pre-COVID-19 levels, and the number of monthly garage passholders declined to approximately 70% of pre-COVID-19 levels.

In response to such declines, and to minimize the risk of spreading COVID-19, the SFMTA closed some City-owned parking garages and limited others to monthly passholders only. To determine which parking garages to keep open, the SFMTA considered factors such as proximity to essential services such as medical facilities and markets. The SFMTA has also taken measures to reduce COVID-19 risks to parking staff and customers, including transitioning parking staff from handling customer tickets and money to supporting garage operations and customer service, and directing customers to use paying machines. In addition, the SFMTA's contracted operator has implemented updated protocols aligned with public health guidelines for parking staff and customers, including social distancing and routine cleaning and facility maintenance.

As of November 2020, transient parking garage utilization has gradually increased to approximately 50% of pre-COVID-19 levels, and the number of monthly garage passholders has remained at approximately 70% of pre-COVID-19 levels.

As of December 2020, of the 21 garages managed and operated by the SFMTA, 12 are open at full operation, eight are operating on modified schedules, and one is closed, with approximately 64% of total parking garage spaces available. Of the SFMTA's 18 surface lots, 16 are open at full operation and two are temporarily dedicated to alternate uses, with approximately 85% of total surface lot parking spaces available as of December 2020.

In Fiscal Year 2019-20, total paid hours for on-street parking (a rough proxy for occupancy) was approximately 70% of total paid hours in Fiscal Year 2018-19.

COVID-19 and the City's stay-at-home orders have required many local businesses, especially restaurants and shops providing non-essential goods and services, to close. To aid such local businesses, the SFMTA and the City created the Shared Spaces program, which temporarily repurposes curbside parking spaces for pick-up and drop-off spaces for delivery, and small, open-air dining and retail spaces while indoor dining and non-essential shopping is prohibited. Between June and November 2020, approximately 2,484 parking spaces have been temporarily repurposed, approximately 1,110 of which are metered parking spaces that could otherwise generate revenue. The Shared Spaces program is currently being offered to local businesses at no cost through July 2021; however, a fee per parking space may be charged after July 2021.

In addition, between April to June 2020, the SFMTA suspended almost all parking enforcement to limit the adverse impact of COVID-19, particularly on people experiencing financial hardship and people who are vehicularly housed. Although the SFMTA has resumed giving citations for parking violations, it continues to suspend enforcement of tow-away zones (except in temporary emergency transit lanes) and violations of the 72-hour overtime parking limit.

Operating Revenues

The COVID-19 pandemic has substantially affected sources that support the SFMTA's financial operations, including passenger fares, parking and citation, advertising, real estate rents, and City General Fund transfers, each of which are further described below.

Passenger Fare Revenue

In Fiscal Year 2019-20, passenger fare revenue declined by 22% from approximately $196 million in Fiscal Year 2018-19 to approximately $154 million in Fiscal Year 2019-20. In Fiscal Years 2020-21 and 2021-22, the SFMTA projects that it will receive approximately $34 million and $75 million in passenger fare revenue, respectively, a decline of approximately 83% and 62% from Fiscal Year 2018-19 revenues, respectively.

Parking and Citation Revenues

In Fiscal Year 2019-20, off-street parking garage revenues declined by 23% from approximately $72 million in Fiscal Year 2018-19 to approximately $56 million in Fiscal Year 2019-20. In Fiscal Years 2020-21 and 2021-22, the SFMTA projects that it will receive approximately $35 million and $56 million in parking garage revenues, respectively, a decline of approximately 51% and 22% from Fiscal Year 2018-19 revenues, respectively. Net income from garages turned negative in April 2020 and continued through June 2020. Following significant expense cuts, and with rebounding utilization, net income totaled $1.7 million in October 2020, which is approximately 50% of pre-COVID-19 monthly net income, which averaged approximately $3.25 million.

In Fiscal Year 2019-20, on-street meter revenues declined by 28% from approximately $61 million in Fiscal Year 2018-19 to approximately $44 million in Fiscal Year 2019-20. In Fiscal Years 2020-21 and 2021-22, the SFMTA projects that it will receive approximately $37 million and $66 million in on-street meter revenues, respectively, a decline of approximately 39% and increase of 7% from Fiscal Year 2018-19 revenues, respectively. The SFMTA reduced on-street parking meter rates from April 2020 to June 2020, but has since resumed regular rate implementation. While rate reductions may naturally result from standard demand-responsive rate adjustments at meters, the SFMTA does not have plans to implement reduced rates in the future.

In Fiscal Year 2019-20, traffic fines, fees, permits and taxi revenues declined by 23% from approximately $151 million in Fiscal Year 2018-19 to approximately $116 million in Fiscal Year 2019-20. In Fiscal Years 2020-21 and 2021-22, the SFMTA projects that it will receive approximately $101 million and $140 million in traffic fines, fees, permits and taxi revenues, respectively, a decline of approximately 33% and 7% from Fiscal Year 2018-19 revenues, respectively.

In addition, the Shared Spaces program costs the SFMTA approximately $1.0 million to maintain per quarter, coupled with an estimated loss of approximately $1.1 million in parking revenues. The SFMTA is considering transitioning the program into a paid program with a fee per parking space after July 2021. The current estimated total cost of the program in Fiscal Year 2020-21 is $8.1 million, with a target for the program to be self-sustaining in Fiscal Year 2021-22.

Advertising Revenue

The SFMTA receives advertising revenue from advertising agreements with Clear Channel Outdoor and Intersection Media. In Fiscal Year 2019-20, advertising revenues declined by 15% from approximately $25 million in Fiscal Year 2018-19 to approximately $22 million in Fiscal Year 2019-20.

In Fiscal Year 2020-21, both advertising companies have been unable to meet the minimum annual guarantees under their respective agreements and have requested payment forgiveness of such minimum annual guarantees through Fiscal Year 2021-22. The SFMTA has agreed to payment forbearance through December 2020, which may extend through the end of Fiscal Year 2020-21. Payment forgiveness, which requires additional approvals, including from the Board, the Board of Supervisors and the Port Commission, as applicable, would result in reduced guaranteed payments to the SFMTA.

In Fiscal Years 2020-21 and 2021-22, the SFMTA projects that it will receive approximately $8 million and $17 million in advertising revenues, respectively a decline of approximately 69% and 34% from Fiscal Year 2018-19 revenues, respectively.

Real Estate Rents

The SFMTA manages over 25 agency-owned or leased facilities, and administers over 390 real estate related contracts. The SFMTA receives rental revenue from retail shops in SFMTA-controlled parking garages and from telecom service providers that lease and license SFMTA property for telecom infrastructure. Retail rents typically account for approximately $3.7 million in revenues annually. Because the SFMTA's retail tenants have been adversely impacted by COVID-19 and the City's stay-at-home order, the SFMTA allowed the retail tenants to forbear rent payments through December 2020, with rents now payable by June 30, 2021. Telecom rents typically account for approximately $1.5 million in revenues annually, and have not been adversely impacted by COVID-19 or the City's stay-at-home order.

In Fiscal Year 2019-20, total retail rents declined by 4.6% from approximately $3.1 million in Fiscal Year 2018-19 to approximately $3.0 million in Fiscal Year 2019-20, due in part to the retail rent forbearance described above. Because of continued business closures due to COVID-19 and City stay-at-home orders, and continued retail rent forbearance, the SFMTA projects that it will not receive any retail rents in Fiscal Year 2020-21.

City General Fund Transfers

The SFMTA receives annual non-discretionary transfers, referred to herein as General Fund Transfer No. 1, from the City's General Fund, as well as an additional guaranteed annual amount from the City's General Fund equivalent to 80% of the revenues from the City's tax on occupancy of commercial off-street parking spaces, referred to herein as General Fund Transfer No. 2. In Fiscal Year 2019-20, revenues from General Fund Transfer No. 1 declined by 10.1% from approximately $408.7 million in Fiscal Year 2018-19 to approximately $367.5 million in Fiscal Year 2019-20, and revenues from General Fund Transfer No. 2 declined by approximately 19.3% from approximately $68.8 million in Fiscal Year 2018-19 to approximately $55.6 million in Fiscal Year 2019-20. The SFMTA projects that it will receive approximately $297.2 million from General Fund Transfer No. 1 and approximately $33.2 million from General Fund Transfer No. 2 in Fiscal Year 2020-21, a decline of approximately 27% and 52% from Fiscal Year 2018-19 revenues, respectively. For more information regarding the City General Fund transfers, see "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Fund Transfers."

Federal Relief

As of December 31, 2020, the SFMTA has received approximately $374 million under the Coronavirus Aid, Relief, and Economic Security ("**CARES**") Act, and approximately $1.4 million from the Federal Emergency Management Agency ("**FEMA**") Disaster Grants – Public Assistance Program, all of which has been fully expended. Of the $374 million received under the CARES Act, approximately $197 million was allocated to operating expenses in Fiscal Year 2019-20, and approximately $177 million was allocated to operating expenses in Fiscal Year 2020-21.

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (the "**2021 Coronavirus Act**"), which became law on December 27, 2020, provided additional federal relief for public transportation. Federal relief funds will be provided to the SFMTA through MTC and, assuming such funds will be allocated in the same manner as funds distributed under the CARES Act, the SFMTA projects that it will receive approximately $230 million in additional federal relief under the 2021 Coronavirus Act, with approximately $144 million expected to be allocated to operating expenses in Fiscal Year 2020-21, and approximately $86 million expected to be allocated to operating expenses in Fiscal Year 2021-22. However, the SFMTA has not yet received such federal relief funds and there can be no assurance that the SFMTA will receive such amounts.

Pledged Revenues

The following table sets forth the SFMTA revenues that constitute "Pledged Revenues" in Fiscal Years 2018-19 through 2021-22, including federal relief funds received in Fiscal Year 2019-20 and expected to be received in Fiscal Years 2020-21 and 2021-22. In addition, beginning in Fiscal Year 2020-21, proceeds of the Traffic Congestion Mitigation Tax will also constitute "Pledged Revenues" under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture."

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HISTORICAL AND PROJECTED PLEDGED REVENUES
(IN THOUSANDS)
(FISCAL YEAR ENDING JUNE 30)

Revenue Source	Fiscal Year 2018-19 Actuals	Fiscal Year 2019-20 Actuals	Fiscal Year 2020-21 Projection(1)	Fiscal Year 2021-22 Projection(1)
Passenger Fares (fixed route & paratransit)	$197,110	$154,100	$ 34,035	$ 75,239
Traffic Fines, Fees, Permits & Taxi	151,066	116,028	100,931	140,012
Parking Meters	61,264	43,913	36,530	65,798
Parking Garages	72,412	56,049	35,439	56,157
Other (includes rent, advertising & interest)	50,478	39,889	29,550	39,017
AB1107	46,776	44,486	42,099	46,046
State Transit Assistance (STA)	64,727	61,228	46,271	54,069
Transportation Development Act (TDA)	46,163	49,434	41,063	47,362
Federal Pandemic Support (CARES Act)	0	199,629	176,583	0
Federal Pandemic Support (Dec. 2020)	0	0	144,263	85,737
Traffic Congestion Mitigation Tax	0	0	7,384	8,881
Total Pledged Revenues(2)	$689,996	$764,755	$694,148	$618,318

(1) Projections have been prepared by SFMTA staff based upon data available as of January 6, 2021, and based upon certain assumptions, some of which are described under "Budgetary Strategy/Short-Term Financial Plan."
(2) Totals may not add due to rounding.
Source: SFMTA

Operating Expenses/Cost Controls

The SFMTA has implemented a strict hiring freeze for all non-critical positions. In addition, a new Cost Control Committee reviews all proposed positions and has implemented strict cost controls on hiring and overtime. The SFMTA projects that the combined effects of the hiring freeze and overtime reductions will save approximately $50.0 million, controls on materials and supplies will save approximately $17.2 million, the elimination of the $15.5 million discretionary board reserve, reductions in claims, judgement and workers compensation will save approximately $5.0 million, and contract expenditure controls will save approximately $30.0 million in Fiscal Year 2020-21. Projected total cost savings in Fiscal Year 2020-21 are approximately $117.6 million.

Although the SFMTA has been able to minimize short-term negative impacts to services and has not yet furloughed or laid off any of its workforce, the SFMTA may be required to cut service and make structural adjustments to its labor force if additional federal funding is not received, subject to any limitations under its labor contracts. See "– Budgetary Strategy/Short-Term Financial Plan."

Impact on Contingency Reserve

The SFMTA maintains a contingency reserve fund, which has approximately $125 million on deposit. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Contingency Reserve Policy." The SFMTA did not use any funds from the contingency reserve fund in Fiscal Year 2019-20. The SFMTA estimates receipt of additional federal relief funds of approximately $230 million in Fiscal Year 2020-21 under the 2021 Coronavirus Response and Relief Act and therefore does not anticipate that it will need to use any funds from the contingency reserve fund in Fiscal Year 2020-21. However, given currently projected deficits in Fiscal Year 2021-22 the SFMTA may access its reserves to balance the budget for Fiscal Year 2021-22.

Impacts on Capital Program

The Board approved the SFMTA's five-year capital improvement program covering the five-year period from Fiscal Year 2020-21 to Fiscal Year 2024-25 on April 21, 2020 (the "**Original Five-Year CIP**"), which totaled $2.54 billion for 188 projects within 10 capital program areas. In December 2020, due to financial impacts related to the COVID-19 pandemic, the SFMTA revised the Original Five-Year CIP (as revised, the "**Revised Five-Year CIP**"). The Revised Five-Year CIP totals $2.33 billion, an 8% decrease from the Original Five-Year CIP. See also "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Program." The following table sets forth a summary of changes from the Original Five-Year CIP to the Revised Five-Year CIP based on information available as of December 22, 2020. The following table does not reflect the anticipated issuance of the Series 2021C Bonds.

SUMMARY OF CHANGES TO
FIVE-YEAR CAPITAL IMPROVEMENT PLAN
(IN THOUSANDS)
FISCAL YEAR 2020-21 TO FISCAL YEAR 2024-25

Program	Original Five-Year CIP (Approved April 2020)	Adjustments to Original Five-Year CIP	Revised Five-Year CIP (December 2020 Update)	Original to Revised Five-Year CIP (%)
Communication & IT	$25,290	($543)	$24,747	(2%)
Facility	242,529	654	243,183	0
Fleet	916,070	(119,719)	796,351	(13)
Parking	22,500	($190)	22,310	(1)
Security	10,241	(2,241)	8,000	(22)
Signals	91,580	(15,240)	76,340	(17)
Streets	282,350	(48,029)	234,321	(17)
Taxi	2,250	222	2,472	10
Transit Fixed Guideway	392,859	33,295	426,154	8
Transit Optimization	549,668	(50,414)	499,254	(9)
Total[(1)]	$2,535,338	($202,206)	$2,333,132	(8%)

(1) Totals may not add due to rounding.
Source: SFMTA

The Board also approved the SFMTA's two-year capital budget for Fiscal Years 2020-21 and 2021-22 on April 21, 2020, in the amounts of $559.8 million and $553.1 million, respectively (the "**Original Two-Year Capital Budget**). The SFMTA has also revised the Original Two-Year Capital Budget, with net changes resulting to totals similar to the Original Two-Year Capital Budget of $559.7 million and $532.2 million for Fiscal Years 2020-21 and 2021-22, respectively (as revised, the "**Two-Year Capital Budget**"). See also "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Program."

The full impact of the COVID-19 pandemic on the capital improvement program and the two-year capital budget is difficult to predict given the uncertainties surround the duration of the COVID-19 pandemic. The SFMTA's funding sources consist of grants from other governmental agencies that derive their funds from other sources including, but not limited to, bridge toll revenues, sales tax revenues and cap-and-trade revenues, that may be adversely impacted by the COVID-19 pandemic. The SFMTA has allocated more reliable sources of funding, such as funds from the Federal Transit Administration and proceeds of the half-cent sales tax imposed pursuant to Proposition K, and cash-on-hand to near-term projects in the Revised Five-Year CIP in the Two-Year Capital Budget. For more information regarding funding sources for the Revised Five-Year CIP, see "Table 18 – Estimated SFMTA Five-Year Capital Funding by Funding Source."

Current Assets

From July 1, 2020, through November 30, 2020, the SFMTA spent approximately $64 million per month on operations. The following table sets forth the SFMTA's current assets as of December 10, 2020. Current assets may fluctuate in the ordinary course of business.

SFMTA CURRENT ASSETS
(IN THOUSANDS)
(AS OF DECEMBER 10, 2020)

Account	**Balance**
Unrestricted Asset: Deposits and Investments with City Treasury	$707,547
Unrestricted Asset: Deposits and Investments outside City Treasury (Held by Garage Non-Profits on behalf of SFMTA)	2,757
Restricted Asset: Deposits and Investments with City Treasury	231,181
Restricted Asset: Deposits and Investments outside City Treasury	18,583
Total	$960,068

Source: SFMTA

Fiscal Year 2020-21 and 2021-22 Operating Budget

In April 2020, the SFMTA approved the Fiscal Year 2020-21 and Fiscal Year 2021-22 operating budget of $1.28 billion and $1.34 billion, respectively. In June 2020, due to the impacts of the COVID-19 pandemic on transit and parking revenues, the SFMTA submitted a revised Fiscal Year 2020-21 and Fiscal Year 2021-22 operating budget, which totals $1.26 billion and $1.31 billion, respectively (the "**Approved Operating Budget**").

The SFMTA continues to update its financial projections as new information becomes available. As of December 2020, the SFMTA projects Fiscal Year 2020-21 and Fiscal Year 2021-22 revenues will be approximately $1.14 billion and $1.15 billion, respectively, approximately 9.3% and 12.1% lower than the Approved Operating Budget, and approximately 5.7% and 4.8% lower than Fiscal Year 2019-20 revenues, respectively.

The SFMTA projects Fiscal Year 2020-21 and Fiscal Year 2021-22 expenditures will be approximately $1.14 billion and $1.21 billion (including currently identified cost savings), respectively, approximately 9.3% and 7.0% lower than the Approved Operating Budget, respectively, and approximately 1.3% lower and 10.0% higher than Fiscal Year 2019-20 expenditures, respectively. The SFMTA currently projects a deficit of approximately $62.8 million in Fiscal Year 2021-22, and is exploring different scenarios to aid in planning for a deficit reduction. See "Budgetary Strategy/Short-Term Financial Plan" below.

Revenues for Fiscal Year 2019-20, and major changes between the Approved Operating Budget and the SFMTA's current budget projections for Fiscal Year 2020-21 are set forth in the following tables. Revenues and expenditures set forth in the following tables are budget based; therefore, line items in the following tables will not correspond to similar line items in Table 6.

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SFMTA OPERATING BUDGET REVENUES
(IN THOUSANDS)
AS OF DECEMBER 9, 2020

Category	Fiscal Year 2019-20 Actuals[(1)]	Fiscal Year 2020-21 Approved Operating Budget	Fiscal Year 2020-21 Operating Budget Projection[(2)]	Fiscal Year 2020-21 Approved Operating Budget v. Projection	Fiscal Year 2021-22 Approved Operating Budget	Fiscal Year 2021-22 Operating Budget Projection[(2)]	Fiscal Year 2021-22 Approved Operating Budget v. Projection
General Fund Transfer No. 1	$ 367,478	$ 328,120	$ 297,229	(9%)	$ 374,610	$ 334,512	(11%)
Traffic Fines, Fees, Permits & Taxi	116,028	136,364	100,931	(26)	162,719	140,012	(14)
Parking Meters	43,913	66,267	36,530	(45)	75,217	65,798	(13)
Parking Garages	56,049	66,555	35,439	(47)	73,539	56,157	(24)
CARES Act	199,629	176,583	176,583	0	-	-	-
December 2020 Federal Relief	-	-	144,263	-	-	85,737	-
Operating Grants	177,394	166,049	159,464	(4)	193,848	183,920	(5)
Transit Fares	154,100	139,926	34,035	(76)	188,755	75,239	(60)
General Fund Transfer No. 2	55,570	47,480	33,180	(30)	67,670	48,000	(29)
Rent	2,991	2,952	-	(100)	3,304	826	(75)
Advertising	21,576	12,956	7,956	(39)	21,122	16,872	(20)
Other	15,322	21,594	21,594	0	21,320	21,320	0
City Population-Based Baseline	-	30,000	30,000	0	30,000	30,000	0
Transit Development Fees	-	26,072	$26,072	0	45,093	45,093	0
Traffic Congestion Mitigation Tax	-	7,384	$7,386	0	8,881	8,881	0
Use of Fund Balances	-	30,421	$30,421	0	39,058	39,058	0
Total[(3)]	$1,210,050	$1,258,723	$1,141,082	(9%)	$1,305,136	$1,151,425	(12%)

(1) Budget-based; line items do not correspond to similar line items in Table 6.
(2) Projections have been prepared by SFMTA staff based upon data available as of January 6, 2021, and based upon certain assumptions, some of which are described under "Budgetary Strategy/Short-Term Financial Plan."
(3) Totals may not add due to rounding.
Source: SFMTA

SFMTA OPERATING BUDGET EXPENDITURES
(IN THOUSANDS)
AS OF DECEMBER 9, 2020

Category	Fiscal Year 2019-20 Actuals[(1)]	Fiscal Year 2020-21 Approved Operating Budget	Fiscal Year 2020-21 Operating Budget Projection[(2)]	Fiscal Year 2020-21 Approved Operating Budget v. Projection	Fiscal Year 2021-22 Approved Operating Budget	Fiscal Year 2021-22 Operating Budget Projection[(2)]	Fiscal Year 2021-22 Approved Operating Budget v. Projection
Salaries & Benefits	$ 742,601	$ 841,841	$ 791,841	(6%)	$ 873,689	$ 814,393	(7%)
Contracts & Other Services	157,153	183,113	153,147	(16)	189,272	176,334	(7)
Services of Other Departments	82,618	85,309	85,309	0	89,503	89,503	0
Materials & Supplies	68,693	73,654	56,504	(23)	73,645	73,645	0
Judgements, Claims & Workers Comp	33,996	41,698	36,698	(12)	41,698	41,698	0
Equipment, Rent & Maintenance	26,620	30,041	30,041	0	31,477	31,477	0
Debt Service	25,137	23,380	23,380	0	23,362	23,362	0
Offset to Capital Projects	(32,745)	(35,837)	(35,837)	0	(36,168)	(36,168)	0
Reserve	-	15,524	-	(100)	18,659	-	0
Total[(3)]	$1,104,074	$1,258,723	$1,141,082	(9%)	$1,305,136	$1,214,243	(7%)

(1) Budget-based; line items do not correspond to similar line items in Table 6.
(2) Projections have been prepared by SFMTA staff based upon data available as of January 6, 2021, and based upon certain assumptions, some of which are described under "Budgetary Strategy/Short-Term Financial Plan."
(3) Totals may not add due to rounding.
Source: SFMTA

Budgetary Strategy/Short-Term Financial Plan

The SFMTA anticipates it will receive approximately $230 million in federal relief funds under the 2021 Coronavirus Act. Approximately $144 million is expected to be allocated to Fiscal Year 2020-21 operating expenses, allowing the SFMTA to produce a balanced budget in the same Fiscal Year. Approximately $86 million is expected to be allocated to Fiscal Year 2021-22 operating expenses, which, combined with continued cost control measures, would result in a projected deficit of approximately $62.8 million. The deficit may be addressed through contingency reserves, employee layoffs, transit service cuts, reduced customer service levels, decreased maintenance services and/or additional federal relief funds.

Key assumptions underlying the SFMTA's future projections include:

- Transit Ridership – Ridership remains depressed through the end of Fiscal Year 2020-21, begins recovery in Fiscal Year 2021-22, and reaches Fiscal Year 2018-19 ridership levels by the end of Fiscal Year 2023-24.

- A COVID-19 Vaccine – The return of large numbers of transit riders will be sped by the development of an effective and widely administered COVID-19 vaccine.

- Economic Recovery – Steady increases in SFMTA's ridership is reliant on attenuation of COVID-19, the lifting of restrictive public health orders, and resumption of robust retail and commercial activity, driven by the return of office workers to the Financial District as well as domestic and global tourism.

- Parking Revenues – The SFMTA expects parking and traffic revenues will fully rebound in Fiscal Year 2021-22, as evidenced by a comparatively robust recovery in Fiscal Year 2020-21. Parking revenues are currently at 53% of pre-pandemic levels. As San Francisco retail and commercial activity recovers, the SFMTA projects that individuals will more readily turn to automobile-based forms of transportation, which are a key driver of parking fee and fine revenues.

- Reductions in General Fund Transfers – The projected general fund transfers are based on the same revenue assumptions as the Office of the Controller's Three-, Six, and Nine-Month Reports. Considering the impacts of COVID-19 on the local and national economy, further downward revisions may occur in Fiscal Year 2020-21, with Fiscal Year 2021-22 transfers dependent on the speed and extent of San Francisco's economic recovery.

- Reductions to State Operating Grants – The SFMTA receives revenue from various state sources tied to sales taxes and projects. The projected operating grants assume these sources will experience Fiscal Year 2020-21 reductions from the originally budgeted amounts, before recovering during the end of Fiscal Year 2021-22.

- Federal Relief – The federal bill signed on December 27, 2020 includes funding for transit agencies. Apportionment is dependent on a determination by the Metropolitan Transportation Commission. The SFMTA currently assumes relief amounts from this bill to be apportioned using the same formula as was used to apportion prior CARES Act funding.

The eventual extent of full fiscal impacts of the COVID-19 global pandemic on the finances and operations of the SFMTA is difficult to predict due to the evolving nature of the pandemic and uncertainties relating thereto, and will depend on, among other things: (i) the attenuation of COVID-19 and resumption of robust retail and commercial activity driven by a return of office workers to San Francisco's Financial District, as well as domestic and global tourism, (ii) the duration of current and potential future City stay-at-home orders and the extent of the disruption to or decline in the local and global economies and financial markets; (iii) the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic; and (iv) the severity of the economic recession and the speed of the economic recovery. If the COVID-19 pandemic and/or the economic recovery is prolonged, the likelihood or magnitude of potential adverse impacts to the SFMTA's finances or operations from the factors discussed herein or from other factors, could be increased.

TERMS OF THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be executed and delivered only as one fully-registered Series 2021 Bond for each maturity shown on the inside cover pages hereof. The Series 2021 Bonds will be delivered only in denominations of $5,000 or an integral multiple thereof and interest on the Series 2021 Bonds shall be payable on each March 1 and September 1, commencing September 1, 2021, so long as any Series 2021 Bonds are outstanding (each an "**Interest Payment Date**"). Interest on the Series 2021 Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2021 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover pages of this Official Statement. The principal of the Series 2021 Bonds will be payable, subject to redemption, as described below, on the dates and in the principal amounts set forth on the inside cover pages of this Official Statement.

Form and Registration

The Series 2021 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("**DTC**," together with any successor securities depository, the "**Securities Depository**"). DTC will act as initial Securities Depository for the Series 2021 Bonds so purchased. Individual purchases will be made in book-entry only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Series 2021 Bonds. So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the "Beneficial Owners" of the Series 2021 Bonds. In this Official Statement, the term "Beneficial Owner" shall mean the person for whom a Participant (as defined herein) acquires an interest in the Series 2021 Bonds.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, all payments of principal and interest on the Series 2021 Bonds will be payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee of DTC as the sole registered owner of the Series 2021 Bonds. DTC and its Participants are solely responsible for payments to the Beneficial Owners.

In the event the use of the book-entry only system is discontinued, principal of, premium, if any, on the Series 2021 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Series 2021 Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Series 2021 Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

A more detailed description of the Book-Entry Only System is contained in Appendix F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

Redemption*

Redemption of Series 2021A Bonds

Optional Redemption of Series 2021A Bonds. The Series 2021A Bonds maturing on or after March 1, 20__* are subject to redemption at the option of the SFMTA, as a whole or in part among such maturities (and by lot within any one maturity) as designated by the SFMTA prior to their respective maturity dates, on any date on or after March 1, 20__*, from funds derived by the SFMTA from any legally available source, at a redemption price equal to 100% of the principal amount of the Series 2021A Bonds called for redemption, together with interest accrued thereon to the date of redemption.

* Preliminary, subject to change.

Make-Whole Optional Redemption of Series 2021A Bonds. On or before the par call date, the Series 2021A Bonds are subject to redemption as a whole or in part, at the option of the SFMTA, at any time, at a redemption price equal to the greater of (i) 100% of the principal amount thereof or (ii) the Discounted Value thereof, plus in either case, accrued interest thereon to the date of redemption. The Series 2021A Bonds may be redeemed in any order of maturity and in any principal amount within a maturity as selected by the SFMTA in its sole discretion. All calculations and determinations referred to under this caption "Make-Whole Optional Redemption of Series 2021A Bonds," except as provided in the preceding sentence, are expected (but not required) to be made by a financial advisor or other agent selected by the SFMTA for such purposes (the "**Calculation Agent**").

"**Discounted Value**" means, with respect to each outstanding maturity of the Series 2021A Bonds to be redeemed, the sum as determined by the SFMTA or the Calculation Agent of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such maturity from their respective scheduled payment dates to the applicable redemption date, at a yield (computed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

"**Discount Yield**" means, the Blended Treasury Yield determined by the SFMTA or the Calculation Agent with respect to the Series 2021A Bonds maturity to be redeemed, plus ___ basis points. The Discount Yield will be calculated assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months.

"**Blended Treasury Yield**" means, with respect to the Series 2021A Bonds of a particular maturity, the yield computed by the SFMTA or the Calculation Agent as the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury Yield equals the date that corresponds to the remaining average life of the Series 2021A Bonds maturity to be redeemed from the redemption date. The first Market Treasury Yield shall be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no later than the date corresponding to the remaining average life of the Series 2021A Bonds maturity to be redeemed; the second Market Treasury Yield shall be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2021A Bonds maturity to be redeemed.

"**Market Treasury Yield**" means that yield, as determined by the SFMTA or the Calculation Agent, assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to:

(i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as "Page PXl" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 4:15 p.m., New York City time, on the Valuation Date; or

(iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of any actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m., New York City time, on the Valuation Date received from no less than five primary dealers in U.S. Government securities selected by the SFMTA.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) of the definition of Market Treasury Yield above shall be determined using the average of the bid and ask prices for that security.

"**Valuation Date**" means no less than the third Business Day nor more than the twentieth Business Day preceding the redemption date.

Mandatory Sinking Fund Redemption of Series 2021A Bonds. The Series 2021A Bonds maturing on March 1, 20__ (the "Series 2021A 20__ Term Bonds") are subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates established for such Series 2021A 20__ Term Bonds, as follows:

Year (March 1)	Mandatory Sinking Fund Payment
†	

† Maturity

The Series 2021A Bonds maturing on March 1, 20__ (the "Series 2021A 20__ Term Bonds") are subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates established for such Series 2021A 20__ Term Bonds, as follow:

Year (March 1)	Mandatory Sinking Fund Payment
†	

† Maturity

Redemption of Series 2021B Bonds

Optional Redemption of Series 2021B Bonds. The Series 2021B Bonds scheduled to mature on or before March 1, 20__[*] are not subject to optional redemption prior to maturity. The Series 2021B Bonds maturing on or after March 1, 20__[*] are subject to redemption at the option of the SFMTA, as a whole or in part among such maturities (and by lot within any one maturity) as designated by the SFMTA prior to their respective maturity dates, on any date on or after March 1, 20__[*], from funds derived by the SFMTA from any legally available source, at a redemption price equal to 100% of the principal amount of the Series 2021B Bonds called for redemption, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption of Series 2021B Bonds. The Series 2021B Bonds maturing on March 1, 20__ (the "Series 2021B 20__ Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates hereby established for such Series 2021B 20__ Term Bonds, as follows:

Year (March 1)	Mandatory Sinking Fund Payments
†	

† Maturity

The Series 2021B Bonds maturing on March 1, 20__ (the "Series 2021B 20__ Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates hereby established for such Series 2021B 20__ Term Bonds, as follows:

Year (March 1)	Mandatory Sinking Fund Payments
†	

† Maturity

Redemption of Series 2021C Bonds

Optional Redemption of Series 2021C Bonds. The Series 2021C Bonds scheduled to mature on or before March 1, 20__* are not subject to optional redemption prior to maturity. The Series 2021C Bonds maturing on or after March 1, 20__* are subject to redemption at the option of the SFMTA, as a whole or in part among such maturities (and by lot within any one maturity) as designated by the SFMTA prior to their respective maturity dates, on any date on or after March 1, 20__*, from funds derived by the SFMTA from any legally available source, at a redemption price equal to 100% of the principal amount of the Series 2021C Bonds called for redemption, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption of Series 2021C Bonds. The Series 2021C Bonds maturing on March 1, 20__ (the "Series 2021C 20__ Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates hereby established for such Series 2021C 20__ Term Bonds, as follows:

Year (March 1)	Mandatory Sinking Fund Payments
†	

† Maturity

The Series 2021C Bonds maturing on March 1, 20__ (the "Series 2021C 20__ Term Bonds") shall also be subject to mandatory redemption in part by lot prior to their maturity date, on March 1, commencing March 1, 20__ solely from money which has been deposited into the Series 2021 Principal Account in amounts and upon the dates hereby established for such Series 2021C 20__ Term Bonds, as follows:

Year (March 1)	Mandatory Sinking Fund Payments
†	

† Maturity

Notice of Redemption. The Trustee is required to send a notice of redemption to the Owners of any Series 2021 Bonds selected for redemption not less than 20 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2021 Bond to be redeemed, to the Owner of such Series 2021 Bond at his or her address as it appears on the records maintained by the Registrar, and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities, as directed by the SFMTA. However, so long as any Series 2021 Bonds of such Series are in book-entry form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2021 Bonds, and not directly to the Owners.

Each notice of redemption will specify: (i) the date of such notice and the date fixed for redemption, (ii) the Principal Amount of Series 2021 Bonds or portions thereof to be redeemed; (iii) the place or places where the redemption will be made, including the name and address of the Trustee; (iv) the redemption price; (v) the CUSIP numbers, if any, assigned to the Series 2021 Bonds to be redeemed; (vi) that payment of the principal amount and premium, if any, shall be made upon presentation and surrender to the Trustee or paying agent, as applicable, of the

Series 2021 Bonds to be redeemed; (vii) that interest accrued to the date fixed for redemption shall be paid as specified in such notice; and (viii) that on and after said date interest on the Series 2021 Bonds called for redemption shall cease to accrue.

Neither the failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for such redemption of the Series 2021 Bonds.

Conditional Notice: Cancellation of Optional Redemption. Any notice of optional redemption may be conditional and may be modified or cancelled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2021 Bonds then called for redemption or any other condition to the redemption has not been satisfied, and such modification or cancellation shall not constitute an Event of Default under the Indenture. The notice of redemption shall indicate whether it is conditional and a conditional redemption date may be extended with three (3) business days' notice.

Partial Redemption of Series 2021 Bonds. Whenever provision is made in the Indenture for the redemption of the Series 2021 Bonds (other than from the Sinking Fund Installments) and less than all of the Outstanding Series 2021 Bonds of a Series are to be redeemed, the SFMTA will designate the maturity or maturities to be redeemed and specify to the Trustee the principal amount in each maturity to be redeemed. Whenever less than all of the Outstanding Series 2021 Bonds of a Series maturing on any one date are called for redemption, the Trustee will select the portions to be redeemed by lot in a manner the Trustee deems fair and appropriate.

Effect of Notice of Redemption. When a notice of redemption has been duly given as provided in the Indenture and sufficient moneys for the redemption of the Series 2021 Bonds selected for redemption, together with accrued interest to such redemption date are held by the Trustee; then, from and after such redemption date, interest on the Series 2021 Bonds selected for redemption will cease to accrue, and all such Series 2021 Bonds will cease to be entitled to any benefit or security under the Indenture, except for the right of the Owners to receive payment of the redemption price thereof.

Purchase of Series 2021 Bonds. The SFMTA may at any time purchase Series 2021 Bonds and such Series 2021 Bonds shall be deemed cancelled or Outstanding as determined by the SFMTA in a writing of an Authorized SFMTA Representative delivered to the Trustee. Further, the SFMTA may purchase Series 2021 Bonds in lieu of redemption, including sinking fund redemption, and such purchase shall be a credit to any obligation to redeem such Series 2021 Bonds and in the case of Series 2021 Bonds subject to sinking fund installment redemption, the SFMTA may indicate in writing to the Trustee which sinking fund installments are to be credited. The remarketing or resale of any Series 2021 Bonds purchased by or on behalf of the SFMTA shall be conditioned upon delivery of an Opinion of Bond Counsel.

PLAN OF FINANCE

Series 2021 Refunding Bonds

The Series 2021 Refunding Bonds are being issued to (i) refund and defease all or a portion of certain outstanding series of revenue bonds of the SFMTA, and (ii) pay costs of issuance of the Series 2021 Refunding Bonds. The refunding of the Refunded Bonds (as defined herein) is being undertaken to achieve net present value and debt service savings. The following tables detail the Series, maturity dates and principal amounts of Bonds which may be refunded with proceeds of the Series 2021 Refunding Bonds. The specific Bonds to be refunded (the "**Refunded Bonds**") will only be determined by the SFMTA at the time that the SFMTA and the Underwriters for the Series 2021 Refunding Bonds execute the bond purchase contract for the Series 2021 Refunding Bonds. Until such time, the Series, maturity dates and principal amounts of the Refunded Bonds remain subject to change by the SFMTA in its sole discretion.

San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2012A

Maturity (March 1)	Outstanding Principal Amount	Principal Amount to be Refunded	Interest Rate	CUSIP*	Payment or Redemption Date
2021	$1,160,000	$1,160,000	5.00%	797686AJ1	03/01/2021
2022	1,215,000	1,215,000	5.00	797686AK8	03/01/2022
2023	750,000	750,000	5.00	797686AL6	03/01/2022
2024	785,000	785,000	5.00	797686AM4	03/01/2022
2025	820,000	820,000	5.00	797686AN2	03/01/2022
2026	860,000	860,000	5.00	797686AP7	03/01/2022
2027	900,000	900,000	5.00	797686AQ5	03/01/2022
2028	945,000	945,000	5.00	797686AR3	03/01/2022
2029	990,000	990,000	5.00	797686AS1	03/01/2022
2030	1,040,000	1,040,000	5.00	797686AT9	03/01/2022
2031	1,085,000	1,085,000	5.00	797686AU6	03/01/2022
2032	1,140,000	1,140,000	5.00	797686AV4	03/01/2022

San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2012B

Maturity (March 1)	Outstanding Principal Amount	Principal Amount to be Refunded	Interest Rate	CUSIP*	Redemption Date
2023	$ 345,000	$ 345,000	5.000%	797686AW2	03/01/2022
2024	365,000	365,000	5.000	797686AX0	03/01/2022
2025	390,000	390,000	3.000	797686AY8	03/01/2022
2026	400,000	400,000	3.125	797686AZ5	03/01/2022
2027	415,000	415,000	3.250	797686BA9	03/01/2022
2028	430,000	430,000	3.375	797686BB7	03/01/2022
2029	445,000	445,000	3.500	797686BC5	03/01/2022
2030	460,000	460,000	3.500	797686BD3	03/01/2022
2031	485,000	485,000	3.625	797686BE1	03/01/2022
2032	500,000	500,000	3.625	797686BH4	03/01/2022
2037	9,495,000	9,495,000	5.000	797686BF8	03/01/2022
2042	12,105,000	12,105,000	5.000	797686BG6	03/01/2022

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2013

Maturity (March 1)	Outstanding Principal Amount	Principal Amount to be Refunded	Interest Rate	CUSIP*	Payment or Redemption Date
2021	$3,200,000	$3,200,000	4.00%	797686BR2	03/01/2021
2022	3,330,000	3,330,000	5.00	797686BS0	03/01/2022
2023	3,495,000	3,495,000	5.00	797686BT8	03/01/2023
2024	3,670,000	3,670,000	5.00	797686BU5	03/01/2023
2025	3,855,000	3,855,000	5.00	797686BV3	03/01/2023
2026	4,045,000	4,045,000	5.00	797686BW1	03/01/2023
2027	4,250,000	4,250,000	5.00	797686BX9	03/01/2023
2028	4,460,000	4,460,000	5.00	797686BY7	03/01/2023
2029	4,685,000	4,685,000	5.00	797686BZ4	03/01/2023
2030	4,920,000	4,920,000	5.00	797686CA8	03/01/2023
2031	5,165,000	5,165,000	5.00	797686CB6	03/01/2023
2032	5,420,000	5,420,000	5.00	797686CC4	03/01/2023
2033	5,695,000	5,695,000	5.00	797686CD2	03/01/2023

San Francisco Municipal Transportation Agency
Revenue Bonds, Series 2014

Maturity (March 1)	Outstanding Principal Amount	Principal Amount to be Refunded	Interest Rate	CUSIP*	Payment or Redemption Date
2021	$ 1,440,000	$ 1,440,000	4.00%	797686CL4	03/01/2021
2022	1,500,000	1,500,000	5.00	797686CM2	03/01/2022
2023	1,575,000	1,575,000	4.00	797686CN0	03/01/2023
2024	1,635,000	1,635,000	5.00	797686CP5	03/01/2024
2025	1,720,000	1,720,000	5.00	797686CQ3	03/01/2024
2026	1,805,000	1,805,000	5.00	797686CR1	03/01/2024
2027	1,895,000	1,895,000	5.00	797686CS9	03/01/2024
2028	1,990,000	1,990,000	5.00	797686CT7	03/01/2024
2029	995,000	995,000	5.00	797686DE9	03/01/2024
2029	1,095,000	1,095,000	3.75	797686CU4	03/01/2024
2030	2,180,000	2,180,000	5.00	797686CV2	03/01/2024
2031	2,290,000	2,290,000	5.00	797686CW0	03/01/2024
2032	2,405,000	2,405,000	5.00	797686CX8	03/01/2024
2033	2,525,000	2,525,000	5.00	797686CY6	03/01/2024
2034	1,640,000	1,640,000	5.00	797686DF6	03/01/2024
2034	1,010,000	1,010,000	3.50	797686CZ3	03/01/2024
2039	15,290,000	15,290,000	5.00	797686DA7	03/01/2024
2044	19,505,000	19,505,000	5.00	797686DB5	03/01/2024

* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

Escrow Fund. A portion of the proceeds of the Series 2021 Refunding Bonds in an amount sufficient to refund and legally defease the Refunded Bonds will be deposited in an Escrow Fund established by the Trustee, acting as escrow agent (the "**Escrow Agent**"), under an Escrow Agreement, dated as of _____ 1, 2021 (the "**Escrow Agreement**"), by and between the SFMTA and the Escrow Agent. A portion of the funds deposited in the Escrow Fund will be invested in federal securities, the principal of and interest on which, when received, will be sufficient, together with other available amounts held in the Escrow Fund, to pay the principal of and interest on the Refunded Bonds on their respective payment or redemption dates. Pursuant to the Indenture and the irrevocable instructions in the Escrow Agreement, the Refunded Bonds will be paid on their respective payment dates or redeemed on their respective redemption dates at a redemption price equal to the principal amount of the Refunded Bonds, plus accrued interest to the redemption date, without premium. As a result of the deposit and application of funds as provided in the Escrow Agreement, the Refunded Bonds will be defeased pursuant to the Indenture as of the date of issuance of the Series 2021 Refunding Bonds.

Sufficiency of the deposits in the Escrow Fund for the purposes described in the previous paragraph will be verified by _____, _____. See "VERIFICATION OF MATHEMATICAL ACCURACY."

Series 2021C Bonds

The SFMTA expects to apply a portion of the proceeds of the Series 2021C Bonds to finance the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of certain projects briefly described below (the "**Series 2021 Projects**"). These descriptions are not intended to and do not constitute a commitment by the SFMTA to finance or complete any particular project. The SFMTA is permitted to substitute other projects, including the projects listed below and other projects in its Five-Year Capital Improvement Plan, for some or all of the Series 2021 Projects. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Program."

The SFMTA currently anticipates that the Series 2021C Bonds will fund the following Series 2021 Projects:

- <u>Transportation Equipment</u>: Replace and expand revenue and non-revenue vehicles, such as light rail vehicles, motor coaches, trolley coaches, electrical buses, cable cars, historic streetcars, paratransit vehicles, sedans and special vehicles.

- <u>Transportation Infrastructure</u>: Modernize maintenance facilities that are vital to accommodate fleet growth; renovate outdated operational facilities; maintain fixed guideway assets in a state of good repair, such as subway infrastructure, stations, tracks, overhead wires, the train control system and cable car infrastructure; replace parking meters citywide with updated equipment and rehabilitate parking structures to meet the requirements of the Americans with Disabilities Act; create a Rapid Network with several major corridor projects by implementing pedestrian bulbs, transit only lanes, traffic signal priority and other street design changes to support the City's Transit First policy.

Bond Oversight Committee

In 2011, the Board established the SFMTA Bond Oversight Committee (the "**BOC**") to oversee the expenditure of bond proceeds funded by SFMTA revenue bonds and other forms of indebtedness. The purpose of the BOC is to ensure that bond proceeds are spent on permitted purposes and that prudent internal controls are established. The BOC consists of seven members: three members recommended by the Chair of the Board and approved by the Board, two members of the SFMTA's Citizens' Advisory Council, one member appointed by the SFMTA's Director of Transportation and one member appointed by the City Controller (the "**Controller**"). The BOC provides annual reports about its activities.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Series 2021 Bonds, and other available amounts, are expected to be applied approximately as set forth below:

	Series 2021A Bonds	Series 2021B Bonds	Series 2021C Bonds	Total
Sources				
Bond Principal				
[Net] Original Issue [Premium/Discount]	--			
From Indenture Funds				
Total Sources of Funds				
Uses				
Defeasance of Refunded Bonds			--	
For Projects	--	--		
Costs of Issuance(1)				
Underwriters' Discount				
Total Uses of Funds				

(1) Including amounts for rating agency fees, fees for legal services, fees for municipal advisor, Trustee and Escrow Agent fees and expenses, Verification Agent fees, printing costs, and other costs relating to the issuance of the Series 2021 Bonds.

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DEBT SERVICE SCHEDULE

Set forth below are the estimated annual principal, interest and total debt service requirements for the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds and the Series 2017 Bonds (collectively, the "**Outstanding Bonds**"), and the Series 2021 Bonds:

Fiscal Year Ending June 30	Outstanding Bonds[1]	Series 2021A Bonds		Series 2021B Bonds		Series 2021C Bonds		Total Debt Service[3]
		Principal	Interest	Principal	Interest	Principal	Interest[2]	
2021	$23,517,131							
2022	23,521,031							
2023	23,337,781							
2024	23,335,531							
2025	23,338,781							
2026	23,333,831							
2027	23,337,081							
2028	23,336,844							
2029	23,336,831							
2030	23,334,194							
2031	23,336,344							
2032	23,334,013							
2033	23,335,738							
2034	17,361,988							
2035	17,356,988							
2036	17,361,188							
2037	17,358,438							
2038	17,358,525							
2039	17,358,713							
2040	17,354,463							
2041	17,350,575							
2042	17,361,575							
2043	14,559,175							
2044	14,557,725							
2045	10,052,825							
2046	10,053,625							
2047	10,055,025							
TOTAL[3]	$519,235,956							

(1) Includes debt service on the Refunded Bonds. See "PLAN OF FINANCE – Series 2021 Refunding Bonds."
(2) Net of capitalized interest payments.
(3) Totals may not add due to rounding.

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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

The Series 2021 Bonds are special, limited obligations of the SFMTA secured by and payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Series 2021 Bonds from any source of funds other than Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The SFMTA has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds. The Series 2021 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof.

Pledge of Pledged Revenues Under the Indenture

The Indenture provides the Bonds shall be payable as to principal, premium, if any, and interest exclusively from, and shall be secured by a pledge of, first lien on and security interest in Pledged Revenues. Under the Indenture, for the benefit of the Bondholders and the holders of any other Parity Obligations, the SFMTA also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

The Fifth Supplemental Indenture amends the definition of "Pledged Revenues" under the Master Indenture to include amounts received by the SFMTA from proceeds of the Traffic Congestion Mitigation Tax (as defined herein). As amended, the term "**Pledged Revenues**" is defined under the Indenture to mean all revenue of the SFMTA from or with respect to its management, supervision, operation and control of the Transportation System of the City, as determined in accordance with generally accepted accounting principles. Pledged Revenues shall include, but not be limited to, (i) grants or transfers funded pursuant to the Transportation Development Act (Sections 99200 et seq. of the California Public Utilities Code) (the "**TDA**") and AB 1107 (Sections 29140 et seq. of the Public Utilities Code) ("**AB 1107**"), (ii) SFMTA parking meter revenues (but only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions), and (iii) amounts received by the SFMTA from proceeds of the Traffic Congestion Mitigation Tax levied by the City pursuant to the City's Traffic Congestion Mitigation Tax Ordinance (Article 32 of the City's Business and Tax Regulations Code), or any successor legislation. Pledged Revenues shall not include: (a) Special Facility Revenue and any interest income or profit realized from the investment thereof, unless such receipts or a portion thereof are designated as Pledged Revenues by the SFMTA, (b) grants or contributions, which by their terms would be restricted to uses inconsistent with the payment of the Bonds, (c) any State or federal grant (except for grants or transfers funded pursuant to the TDA or AB 1107) unless such grant by its terms may be used to pay debt service and is designated as Pledged Revenues in a Supplemental Indenture or certificate of an Authorized SFMTA Representative, (d) any amounts transferred to the SFMTA from the City's General Fund and any amounts in the SFMTA General Fund Transfer Account or (e) SFMTA parking meter revenues allocable to all or a portion of any Bonds or Parity Obligations that have not financed traffic regulation and control functions. See Table 7 in "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Pledged Revenues" for a description of historical receipts which would have constituted Pledged Revenues under the Indenture definition. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Traffic Congestion Mitigation Tax" for a description of how proceeds of the Traffic Congestion Mitigation Tax are allocated to the SFMTA.

Although the Charter requires the City to make significant fund transfers from the City's General Fund to the SFMTA to support the SFMTA's activities, the Indenture provides that such funds will be expended on operation and maintenance expenses and other SFMTA purposes, but are not to be used to pay debt service on Bonds, including the Series 2021 Bonds. The City has no obligation to transfer any amounts from the City's General Fund to the SFMTA for the purpose of repaying the principal of, premium, if any, and interest on the Series 2021 Bonds or, except with respect to transfers required by the Charter, for the purpose of paying any additional expenses, including operation and maintenance expenses, of the SFMTA. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION

AGENCY – City General Fund Transfers" herein. The SFMTA currently does not derive revenue from any facility classifiable as "Special Facility Revenue" under the Indenture and does not have any "Special Facility Bonds" outstanding. See "– Additional Bonds and Other Indebtedness – Special Facilities and Special Facility Bonds."

"Transportation System" is defined to mean the transportation system of the City over which the SFMTA has jurisdiction pursuant to the Charter and includes the City's public transit, paratransit, street and traffic management and improvements, including parking meters and fines, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, including the parking garages owned or overseen by the SFMTA, the regulation of taxis and commercial vehicles within the City and any other revenue producing activities of the SFMTA.

Application of Pledged Revenues and Enterprise Account

Section 8A.105 of the Charter establishes the "Municipal Transportation Fund." The Municipal Transportation Fund receives moneys from: a) the City's General Fund (pursuant to a formula described under the heading "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Fund Transfers"); b) the revenues generated by Muni, the operations of the Sustainable Streets Division and the Parking Authority; and c) all other funds received by the City from any source, including State and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation including, without limitation, capital improvements, management, supervision, maintenance, extension and day-to-day operation of the SFMTA, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions.

Enterprise Account. All Pledged Revenues as received shall be set aside and deposited by the SFMTA in the Enterprise Account established, pursuant to the Indenture, within the Municipal Transportation Fund, and any successor to such account (the "Enterprise Account"). Moneys in the Enterprise Account shall be applied by the SFMTA for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(a) Moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the Debt Service Fund in amounts sufficient to pay principal and purchase price of and interest and redemption premium on the Bonds. Moneys in the Enterprise Account or Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations or other Parity Obligations to the extent provided in the Indenture. If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of moneys in the Enterprise Account or Debt Service Fund. Moneys shall be transferred from the Enterprise Account to the Trustee for deposit in the Debt Service Fund at the following times and amounts:

(i) for any Bond payment that is due monthly or more frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund at least five Business Days prior to the Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account;

(ii) for any Bond payment that is due annually, semi-annually, quarterly or less frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund in approximately equal monthly installments prior to the Payment Date. The monthly installments for any such Payment Date shall begin the month after the prior related Payment Date and have the final installment at least five Business Days prior to such Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account. The SFMTA may choose to transfer the monthly amounts due for Bond payments in advance; and

(b) On or before each Payment Date, moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the appropriate account within the Reserve Fund in the amount that is needed to satisfy any deficiency in the funding of the Reserve Requirement for a Series of Bonds (provided that replenishment of the

Reserve Fund (or any account therein) after any draw from the Reserve Fund to pay debt service on Bonds shall be funded in approximately equal monthly installments over eighteen (18) months).

(c) Any amounts remaining after the applications pursuant to paragraph (a) or (b) above shall be used for any lawful purpose of the SFMTA and in accordance with all relevant provisions of the Charter, including but not limited to operation and maintenance expenses and payment of Subordinate Bonds.

Series 2021 Debt Service Account. Moneys held by the Trustee in the Debt Service Fund are to be transferred to the Series 2021 Debt Service Account established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, as follows:

On or before the Business Day prior to each Series 2021 Payment Date, the Trustee is required to transfer from the Debt Service Fund to the Series 2021 Debt Service Account established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, the interest and principal amount to become due on such Series 2021 Bonds on such Series 2021 Payment Date; provided that the SFMTA need not transfer any moneys at such time as the balance in the Series 2021 Debt Service Account is equal to the aggregate amount of interest and principal amount becoming due and payable on the then Outstanding Series 2021 Bonds on such Series 2021 Payment Date. The obligation to make such transfers shall be on a parity with the obligation to fund any interest accounts created in the future under the Indenture with respect to any additional Series of Bonds issued pursuant to the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

General Fund Transfer Account. All proceeds of transfers from the City's General Fund as received shall be set aside and deposited by the SFMTA in the General Fund Transfer Account established by the Indenture within the Municipal Transportation Fund. Amounts in the General Fund Transfer Account may not be transferred to the Enterprise Account and are not pledged to the payment of principal of, premium, if any, and interest on the Bonds. The SFMTA has covenanted in the Indenture to apply amounts on deposit in the General Fund Transfer Account solely to pay operation and maintenance expenses or other costs of the SFMTA. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture."

No Reserve Account for the Series 2021 Bonds

The Series 2021 Bonds will not be secured by any reserve account.

Reserve Accounts have been established in connection with the issuance of the Series 2012 Bonds, the Series 2013 Bonds, and the Series 2014 Bonds (collectively, the "**Prior Bond Reserve Accounts**"). **Amounts in the Prior Bond Reserve Accounts do not secure and are not available to pay principal of, premium, if any or interest on the Series 2021 Bonds.**

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture shall be invested upon receipt in Permitted Investments as directed by the SFMTA. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Bonds, see Appendix D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – THE MASTER INDENTURE – Funds – Investment of Moneys" attached hereto. For information regarding the investment of moneys held in the various funds and accounts of the SFMTA, see "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Investment of SFMTA Funds" herein.

Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in such Fiscal Year(s). The SFMTA has further covenanted to manage its operations and set charges (including but not limited to fares, rates and fees) for the Transportation System so that Pledged Revenues in each

Fiscal Year, and available fund balances held by the SFMTA or the Trustee, will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined below) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may be reasonably deferred).

The SFMTA further covenants in the Indenture that if it is unable to comply with the covenant described in the previous paragraph, the SFMTA will review its operations and its schedule of fares, rates, fees and charges and prepare a plan with reasonable measures to comply with such covenant. The SFMTA shall take such plan into account for future budgets and management.

See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY –Financial Operations – Budget Process" for more information about the SFMTA's budget procedures and see generally "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY" for further information about the SFMTA's revenues and expenditures. See also "CERTAIN RISK FACTORS" for a discussion of certain risk factors that could adversely affect the ability of the SFMTA to maintain Pledged Revenues as required by the Indenture.

Other Obligations Secured by Pledged Revenues

The Series 2021 Bonds are payable from Pledged Revenues under the Indenture on a parity with the Outstanding Bonds listed in the table below.

Outstanding Parity Revenue Bonds

Series of Bonds	Principal Amount Outstanding as of September 2, 2020
Series 2012 Bonds[(1)]	$ 37,525,000
Series 2013 Bonds[(1)]	56,190,000
Series 2014 Bonds[(1)]	62,495,000
Series 2017 Bonds	166,865,000
Total:	$323,075,000

(1) All or a portion of the outstanding Series 2012 Bonds, Series 2013 Bonds and Series 2014 Bonds, as applicable, are expected to be refunded by the Series 2021 Refunding Bonds.

Additional Bonds and Other Indebtedness

Pursuant to the Indenture, the SFMTA is permitted to issue additional Bonds pursuant to a Supplemental Indenture and to enter into additional obligations secured by Pledged Revenues on parity with the payment of principal of, premium, if any, and interest on the Bonds, provided that the conditions described below are satisfied. In addition to the Bonds, the SFMTA anticipates incurring future debt payable from Pledged Revenues on parity with the payment of principal of, premium, if any, and interest on the Series 2021 Bonds.

Additional Bonds. The SFMTA may not issue any additional Series of Bonds or other Parity Obligations (other than refunding Bonds as described below) unless the Trustee has been provided with, among other things, a report of the SFMTA demonstrating that either:

(i) for the most recently ended Fiscal Year prior to the issuance of such additional Series of Bonds or other Parity Obligations, the SFMTA: (A) complied with the covenant described under the heading "Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues," and (B) Pledged Revenues in such prior Fiscal Year were at least equal to 300% of Maximum Annual Debt Service, calculated assuming such additional Series of Bonds or other Parity Obligations were Outstanding during such prior Fiscal Year; or

(ii) based on projections for the period from and including the first full Fiscal Year following the issuance of such Bonds or other Parity Obligations through and including the later of (A) the fifth full Fiscal Year following the issuance of such Bonds or other Parity Obligations or (B) the third full Fiscal Year during which no interest on such Bonds or other Parity Obligations is expected to be paid from the proceeds thereof, projected Pledged Revenues in each such Fiscal Year will be at least equal to 300% of Maximum Annual Debt Service and be sufficient to allow the SFMTA to be able to comply with the covenant described under the heading "– Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues."

In determining projected Pledged Revenues for purposes of the report of the SFMTA described in the paragraph above, the SFMTA may take into account any reasonably anticipated changes in Pledged Revenues over such period, which assumed changes and the basis therefor shall be described in the calculations provided by the SFMTA. In determining Annual Debt Service for such purposes, (i) Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (ii) Variable Rate Bonds and variable rate Interest Rate Swaps shall generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of 125% of the average Index Rate (i.e., generally defined under the Indenture as the SIFMA Municipal Swap Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Variable Rate Bonds, Amortized Bonds or Interest Rate Swaps.

The SFMTA may also issue Bonds for the purpose of refunding any Bonds or other Parity Obligations on or prior to maturity.

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the SFMTA and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Reserve Fund) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture. Currently, there are no Repayment Obligations outstanding.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the SFMTA and a Swap Counter Party, Swap Payments under an Interest Rate Swap (including a termination payment) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such obligation to make Swap Payments under the Indenture. As of the date of this Official Statement, the SFMTA had not entered into any Interest Rate Swaps.

Special Facilities and Special Facility Bonds. The SFMTA from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is under its jurisdiction, as a "Special Facility," (b) provide that revenues earned by the SFMTA from or with respect to such Special Facility shall constitute "Special Facility Revenue" and shall not be included as Pledged Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Pledged Revenues. The SFMTA from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds may be issued by the SFMTA unless there shall have been filed with the Trustee (i) a certificate of the SFMTA to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws and (iii) a report of the SFMTA providing the following projections:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility to be paid by the SFMTA, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and,

(b) the estimated Pledged Revenues calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility will be sufficient so that the SFMTA is able to be in compliance with its covenants under the Indenture (see "– Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues" above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility shall be included as Pledged Revenues. As of the date of this Official Statement, the SFMTA has not designated any facility as a Special Facility, nor has it issued Special Facility Bonds.

Subordinate Bonds. Under the Indenture, the SFMTA may issue at any time Subordinate Bonds with a pledge of, lien on, and security interest in Pledged Revenues which are junior and subordinate to those of the Bonds and other Parity Obligations. The principal and purchase price of and interest, redemption premium and reserve requirements on such Subordinate Bonds are payable from time to time out of Pledged Revenues only if all amounts then required to have been paid or deposited under the Indenture from Pledged Revenues with respect to principal, purchase price, redemption premium, interest and reserve requirements on the Bonds then Outstanding shall have been paid or deposited as required in the Indenture.

Charter Requirements Concerning Additional Indebtedness. The Charter also requires that, prior to the SFMTA's issuance of any additional Bonds or other indebtedness, the Board of Supervisors authorize such issuance and the Controller provide a certificate stating that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments due on such Bonds or other indebtedness and that any such obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.

THE CITY AND COUNTY OF SAN FRANCISCO

THE FOLLOWING INFORMATION IS PROVIDED FOR CONVENIENCE ONLY. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT THEREOF.

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "**Bay**"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The City estimates the City's population in fiscal year 2018-19 was 887,463.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties (collectively, the "**Bay Area**"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, healthcare and higher education. The California State Supreme Court is also based in San Francisco.

The City has historically been a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2019, approximately 26.2 million tourists visited San Francisco, with total spending estimated at $10.2 billion, including spending from conventions, trade shows and group meetings. The COVID-19 pandemic has significantly adversely impacted and is expected to continue to adversely impact tourism and convention activities in San Francisco.

The City is also a leading center for financial activity in the State. The headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank are located in the City.

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2018-19 was $130,961. The San Francisco Unified School District ("**SFUSD**"), which is a separate legal entity from the City, operates 14 transitional kindergarten ("**TK**") schools, 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music and the Academy of Art University.

San Francisco International Airport ("**SFO**"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "**Airport Commission**"), and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2018-19, SFO serviced approximately 57.6 million passengers and handled 564,485 metric tons of cargo. In fiscal year 2019-20, predominately due to airline service suspensions resulting from the COVID-19 pandemic, SFO serviced approximately 40.6 million passengers and handled 489,505 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("**BART**"), a heavy rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("**Muni**"), operated by the SFMTA, provides bus and streetcar service within the City. The Port of San Francisco (the "**Port**"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's final adopted budget for fiscal year 2020-21 and 2021-22 totals $13.6 billion and $12.4 billion, respectively. The General Fund portion of each year's final adopted budget is $6.2 billion in fiscal year 2020-21 and $5.8 billion in fiscal year 2021-22, with the balance allocated to all other funds, including enterprise fund departments, such as the SFMTA, the Airport Commission, the Port Commission and the San Francisco Public Utilities Commission ("**SFPUC**"). According to the City's Treasurer and Tax Collector, at the start of fiscal year 2020-21, total net assessed valuation of taxable property in the City was approximately $301.4 billion, which represents an increase of 7.2% over fiscal year 2019-20.

More detailed information about the City's governance, organization and finances, including the impact of the COVID-19 pandemic on the City's finances and operations may be found in APPENDIX B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." The material in Appendix B was prepared by the City.

THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Organization and Purpose

The SFMTA is an enterprise department of the City and County of San Francisco and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis within the City (collectively referred to in this Official Statement as the "**Transportation System**"). The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. San Francisco voters approved additional Charter amendments in 2007 (Proposition A) and 2010 (Proposition G), which, further increased the autonomy of and revenues to the SFMTA and increased management flexibility, respectively. In November 2014, San Francisco voters approved Proposition A and Proposition B which, respectively, authorized the City to issue up to $500 million in general obligation bonds (of which, $377.215 million have been issued) the proceeds of which may be applied to finance transportation-related projects and provided for annual increases in certain amounts transferred to the SFMTA by the City from its General Fund based on increases in population of the City. In November 2019, San Francisco voters approved Proposition D, which imposed a tax on commercial ride-share companies and driverless vehicle companies to fund public transportation and pedestrian and bicycle infrastructure. See "– City General Obligation Bonds," "– City General Fund Transfers" and " – Transportation Congestion Mitigation Tax."

The Charter states that the SFMTA is to adhere to a "Transit First Policy" in its management of the City's Transportation System and that the SFMTA's goal is to "manage San Francisco's transportation system which includes automobile, freight, transit, bicycle, and pedestrian networks" to help the City achieve its goals for "quality of life, environmental sustainability, public health, social justice, and economic growth." This "Transit First Policy" further requires that within the City, "travel by public transit, by bicycle and on foot must be an attractive alternative to travel by private automobile."

The SFMTA connects San Francisco through a safe, equitable, and sustainable transportation system. It manages Muni, which is the eighth largest provider of public transit service in the United States and historically has over 700,000 boardings per day on its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 39 public off-street parking facilities owned by the SFMTA, Recreation and Park and the Parking Authority, a separate legal entity created under the laws of the State. Members of the Board serve *ex officio* as members of the governing body for the Parking Authority. The SFMTA also manages traffic engineering functions within the City, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City.

Across its various functions and missions, the SFMTA's overarching mission is to work together to plan, build, operate, regulate and maintain the transportation network, with its partners, to connect communities. In furtherance of this mission, the SFMTA has developed a strategic plan which identifies four key goals: (1) create a safer transportation experience for everyone; (2) make transit and other sustainable modes of transportation the most attractive and preferred means of travel; (3) improve the quality of life and environment in San Francisco and the region; and (4) create a workplace that delivers outstanding service.

SFMTA Organizational Structure. The SFMTA organizational structure includes the following primary divisions along with other functional areas which report directly to the Director of Transportation:

<u>Transit Services Division</u>. The Transit Services Division is responsible for delivering multi-modal public transit service within the City through Muni operations. The division's more than 3,800 staff operate motor coaches, light rail vehicles, electric trolleys, historic trolley vehicles and cable cars; maintain vehicles, transit facilities and infrastructure (e.g. rail track and signals, rail stations, garages and maintenance shops); and are responsible for short-term and long-term service planning.

<u>Sustainable Streets Division</u>. The Sustainable Streets Division manages non-transit modes of transportation, including bicycles, pedestrians, and vehicles other than taxis. The division's mission is to provide multi-modal transportation planning, engineering and operational improvements to the City's transportation system to support sustainable community and economic development. The division is responsible for the City's traffic signs, pavement markings, pedestrian, traffic calming, bicycle and school area safety programs, and management of the parking garages, planning, and Traffic Engineering. The division is also responsible for overseeing the enforcement of the City's parking regulations and Proof of Payment program, and provides assistance relating to deployment of

San Francisco Police Department ("**SFPD**") personnel dedicated to security and investigations relating to crime prevention on Muni and certain other services provided by the SFPD Traffic Division.

Capital Programs and Construction Division. The Capital Programs and Construction Division is responsible for the planning, design and construction of SFMTA transit capital projects.

Finance and Information Technology Division. The Finance and Information Technology Division is responsible for budgets, grants, revenue collection and sales, financial services, revenue contracts, real estate, accounting, parking pricing and related policy, information technology and performance, contracts and procurement, and administrative proceedings.

Other Functional Areas. The Human Resources Division, Taxi and Accessible Services Division, System Safety Division, Governmental Affairs Division, Communications and Marketing Division and other related organizational structures each report separately to the Director of Transportation.

Board of Directors

The SFMTA is governed by a Board of Directors consisting of up to seven members, which is appointed by the City's Mayor and confirmed by the City's Board of Supervisors. The Board has the authority to appoint the Director of Transportation, approve the budget and set SFMTA policy. The directors serve staggered four-year terms. No person may serve more than three terms as a director. At least four of the directors must be regular riders of Muni, and must continue to be regular riders during their terms. The directors must possess significant knowledge of, or professional experience in, one or more of the fields of government, finance or labor relations. At least two of the directors must possess significant knowledge of, or professional experience in, the field of public transportation.

The current members of the Board and their appointment and expiration dates of their terms are:

Name and Title	Originally Appointed	Term Expires
Gwyneth Borden, Chair	March 1, 2018	March 1, 2022
Amanda Eaken, Vice-Chair	March 1, 2019	March 1, 2023
Cheryl Brinkman, Director	March 1, 2018	March 1, 2022
Steve Heminger, Director	June 7, 2019	March 1, 2023
Fiona Hinze, Director	January 5, 2021	March 1, 2025
Sharon Lai, Director	August 28, 2020	March 1, 2021
Manny Yekutiel, Director	January 5, 2021	March 1, 2025

Management

The SFMTA's management team is led by the Director of Transportation. The Director of Transportation is appointed by the Board and serves at the pleasure of the Board. Brief biographies of the Director of Transportation and the principal members of the SFMTA senior management team are set forth below.

Jeffrey Tumlin. Jeffrey Tumlin is Director of Transportation of the SFMTA. He was named Director of Transportation in December 2019 and oversees the Muni, parking, traffic engineering, bicycle and pedestrian safety, transportation accessibility, and taxi regulation for the City. Mr. Tumlin is the former director of strategy at Nelson\Nygaard Consulting Associates, a San Francisco-based transportation planning and engineering firm that focuses on sustainable mobility. Previously, he served as Interim Director of the new Oakland Department of Transportation. For more than 20 years, he has led station area, downtown, citywide, and campus plans, and delivered various lectures and classes in 20 U.S. states and five countries. His major development projects have succeeded in reducing traffic and CO_2 emissions by as much as 40% and accommodated many millions of square feet of growth with no net increase in motor vehicle traffic. These projects have won awards from the U.S. General Services Administration, Institute of Transportation Engineers, American Planning Association, American Society of Landscape Architects, Congress for the New Urbanism, and Urban Land Institute. He is the author of Sustainable Transportation: Tools for Creating Healthy, Vibrant and Resilient Communities (Wiley, 2012).

***Jonathan Rewers**.* Jonathan Rewers is Interim Chief Financial Officer of the SFMTA. He was appointed as Interim CFO in December 2020. Mr. Rewers was previously Senior Manager of Budget, Financial Planning and Analysis, and has more than 15 years of complex municipal finance experience in the areas of grant management, financial reporting, financial analysis and budget as well as extensive experience in capital project delivery and finance. Mr. Rewers was also previously the Manager of Design Strategy and Delivery overseeing finances of the $1.4 billion Building Progress Program, managing financial projections for capital delivery across the SFMTA and the asset management program. He also served as the Manager of Capital Financial Planning and Analysis for the SFMTA, overseeing the development of the first financially constrained Five-Year Capital Improvement Program, the full funding plans of the Central Subway, Van Ness Bus Rapid Transit and Islais Creek Bus Yard projects. Mr. Rewers has graduate degrees from San Jose State University in Urban and Regional Planning and from The New School in Strategic Design and Management. His undergraduate degree is from the University of California, Davis.

***Julie Kirschbaum**.* Julie Kirschbaum is Director of Transit of the SFMTA. She joined the SFMTA in 2007 with more than 20 years of experience in the transportation sector. In 2017, she was selected to serve as the SFMTA's Chief Transportation Officer and is responsible for managing day-to-day Muni operations, leading a system-wide redesign, and managing the Transit Planning and Scheduling Groups. Prior to joining the SFMTA, Ms. Kirschbaum served as a senior transportation planner with the San Francisco County Transportation Authority, and as a consultant in the private sector. Her current work is focused on making Muni service more reliable, safer and customer-oriented. She is focused on designing complete streets and transportation systems that promote alternatives to the private automobile and that are accessible to all users. Ms. Kirschbaum is a graduate of Brown University and received her Master of City Planning degree from the Massachusetts Institute of Technology.

***Siew-Chin Yeong**.* Siew-Chin Yeong is Director of Capital Programs and Construction of the SFMTA. Ms. Yeong is a licensed engineer with more than 21 years of experience in design and construction. Prior to joining the SFMTA, Ms. Yeong managed heavy highway construction projects, transportation systems, transit systems, as well as building and facilities modernization projects in both the private and public sectors. She worked for Flatiron Construction Corporation, BART, San Francisco Public Works, and the SFMTA. Ms. Yeong holds a Master of Science degree and Bachelor of Science degree in Civil Engineering and Construction Management from Iowa State University.

***Tom Maguire**.* Tom Maguire is the Director of Sustainable Streets for the SFMTA. He leads the City's efforts to achieve its Vision Zero goal of zero traffic fatalities. He is working to create world-class, equitable streets for all San Franciscans by managing the City's traffic, bicycle and pedestrian safety, on- and off-street parking, and emerging mobility. The Sustainable Streets Division consists of 1,035 employees who operate, engineer, design, and plan the City's traffic, parking, pedestrian and bicycle infrastructure and provide transit security and parking enforcement. Mr. Maguire joined SFMTA in October 2014 after serving as Assistant Commissioner at the New York City Department of Transportation, where he managed Bus Rapid Transit, Freight Mobility, Peak Rate Parking, congestion pricing, and sustainability, and resiliency programs. He has also worked for the engineering and design firm Arup. He holds a Master's degree in City and Regional Planning from University of California, Berkeley and a Bachelor of Arts degree from Rutgers University.

Transit

***Background and History**.* The San Francisco Municipal Railway (the "**Municipal Railway**") began service in 1912 as one of the first publicly owned and operated transit systems in the United States, competing with privately operated systems, and initiating service to areas of the City not served by those systems. In 1944, the Municipal Railway absorbed the much larger, privately owned Market Street Railway Company, creating a combined system that was about three times as large as the prior Municipal Railway system. The City's acquisition of the California Street Railroad in 1952 conveyed to public control all transit services within San Francisco. From 1932 until 1994, the SFPUC governed the Municipal Railway. In 1993, the City's voters passed Proposition M, which created the Public Transportation Commission and the Public Transportation Department, and removed the Municipal Railway from the authority of the SFPUC. Governance of Muni changed again in 1999 with the passage of Proposition E, which created the SFMTA and consolidated the management of Muni with the parking and traffic related functions performed by the previous Department of Parking and Traffic (the "**DPT**").

Transit Operations. The SFMTA operates Muni, which is the City's public transportation system. Muni operates 365 days a year, and connects with regional transportation services, such as those provided by the BART, the Peninsula Corridor Joint Powers Board ("**PCJPB**"), the San Mateo County Transit District ("**SamTrans**"), and the Alameda-Contra Costa Transit District ("**AC Transit**"). Based on ridership, Muni is the eighth largest system in the United States and the Bay Area's largest and most heavily used public transit system, transporting approximately 45% of all transit passengers in the region. Historically, Muni has averaged approximately 700,000 weekday boardings (totaling in excess of 225 million trips per year). By way of comparison, BART carries approximately 400,000 weekday passengers, AC Transit carries approximately 190,000 weekday passengers and Santa Clara VTA carries approximately 140,000 weekday passengers.

Muni's fixed route network has historically consisted of 50 motor coach lines, 14 electric trolley bus lines (i.e. rubber-tired vehicles that operate on electricity provided from overhead wires), seven light rail lines that operate above ground and in the City's Market Street subway tunnel ("**Muni Metro**"), three cable car lines and two historic streetcar lines. Muni also provides paratransit service for passengers who are unable to use fixed route service through a service contract.

Transit ridership declined by approximately 95% during the initial shelter-in-place period from March to May 2020, as compared to the same period in 2019. Because of the decline in ridership as described above, the SFMTA created and implemented the Core Service Plan, which reduced the number of operating bus routes and temporarily closed the Muni Metro light rail system, replacing some rail lines with bus routes. A phased reopening of the Muni Metro light rail system began on December 19, 2020 with the reopening of one rail line. Additional rail lines and service will be added as ridership demand increases and subway repairs are completed. For more information regarding the impact of COVID-19 on transit operations, see "IMPACT OF COVID-19 PANDEMIC."

The table below summarizes the composition of Muni's transit revenue vehicle fleet.

TABLE 1
SUMMARY OF MUNI'S REVENUE VEHICLE FLEET
AS OF JUNE 30, 2020

Motor Buses	604 vehicles
Trolley Buses	262 vehicles
Light Rail Vehicles	219 vehicles[(1)]
Historic Streetcars	42 vehicles
Cable Cars	28 vehicles

(1) In 2014, the Board and the Board of Supervisors approved a contract to acquire up to 264 new light rail vehicles. As of December 2020, the SFMTA has received 68 new light rail vehicles, expanding the fleet of light rail vehicles from 151 to 219. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Projects."

Source: SFMTA

Of Muni's five fixed route modes of service, motorbuses serve the highest number of passengers, followed by light rail, trolley buses, streetcar rail and cable car. During the period from Fiscal Year 2015-16 through Fiscal Year 2018-19, annual Muni ridership varied between approximately 232 million and 222 million boardings.

In Fiscal Year 2019-20, total transit ridership declined by 23.6% from approximately 222.9 million in Fiscal Year 2018-19 to approximately 170.3 million in Fiscal Year 2019-20 due to COVID-19 and the City's stay-at-home order. The SFMTA projects total ridership in Fiscal Year 2020-21 and Fiscal Year 2021-22 will be approximately 63.3 million and 134.3 million, respectively, a decline of approximately 72% and 40% from Fiscal Year 2018-19 total ridership, respectively. See "IMPACT OF COVID-19 PANDEMIC."

The following table sets forth historic fixed route ridership by mode.

TABLE 2
HISTORIC FIXED ROUTE RIDERSHIP BY MODE
(ANNUAL BOARDINGS IN THOUSANDS)(1)
(FISCAL YEARS ENDED JUNE 30)

Mode	2016	2017	2018	2019	2020(2)
Motor Bus	101,847	107,796	111,809	110,803	86,175
Trolley Bus	65,121	53,301	49,200	49,248	38,098
Light Rail	52,125	50,993	49,834	49,796	37,419
Street Rail	7,456	7,472	7,476	7,387	4,580
Cable Car	5,800	6,224	6,292	5,704	4,012
Total Ridership	232,349	225,786	224,611	222,938	170,284

(1) Figures do not include riders that attend special events that occur in San Francisco throughout the year, which the SFMTA estimates to be over a million annually prior to Fiscal Year 2019-20.

(2) The SFMTA submits ridership numbers to the FTA for the National Transit Database ("NTD") for approval each year. Fiscal Year 2019-20 ridership numbers have been submitted but have not yet been approved by the FTA for the NTD. Decrease in ridership numbers was due in substantial part to the COVID-19 pandemic. See "IMPACT OF COVID-19 PANDEMIC."

Source: SFMTA

According to a report by the Congressional Research Service, Trends in Public Transportation Ridership: Implications for Federal Policy, dated March 26, 2018, not including New York, transit ridership nationally declined by 7% between 2008-2018. By contrast, between 2008-2018, Muni ridership increased by 2%. Muni's peak year of ridership was Fiscal Year 2015-16, with ridership slightly declining through Fiscal Year 2018-19.

To counteract declining trends in ridership, the SFMTA has implemented programs to improve transit system efficiency and attract ridership. As part of the Muni Forward program, between Fiscal Year 2014-15 through Fiscal Year 2019-20, the SFMTA increased service by over 10% and realigned routes to improve connections, which resulted in increased ridership where those improvements were implemented. The Muni Forward program has resulted in greater reliability, reduced crowding, and a better customer experience. The SFMTA has also implemented an extensive program of street design improvements to improve transit reliability and efficiency, including transit lanes, traffic signals that stay green longer for buses and trains, optimized stop locations. While total ridership generally declined from Fiscal Year 2015-16 to Fiscal Year 2018-19 by 4.1%, ridership on Muni's Rapid Network (comprised of 10 of the SFMTA's most heavily used routes) increased by 23% over the same period.

In April 2019, the SFMTA launched its Transportation Management Center ("**TMC**") that utilizes new technologies, strategies, and procedures to more actively manage Muni service and San Francisco's transportation system. With the TMC, the SFMTA is in a new era of modern service management and communications that will drive improvements in system performance and communications with the SFMTA's workforce and customers.

As part of its efforts to improve transit system service reliability, the SFMTA is also focused on improving vehicle performance. Using a three-part program, the SFMTA fleet program targets regular fleet replacement to smooth out the procurement cycle to ensure the overall fleet age remains consistent, targeted at half the expected useful life of a vehicle. The SFMTA has implemented a mid-life overhaul program to keep the existing fleet in a high state of repair through the end of its useful life. Finally, the SFMTA has modernized ongoing maintenance activities to make use of new on-board diagnostic systems, enhanced staff training, and responsive maintenance practices to continually update maintenance cycles to reflect the needs of the fleet over time.

The SFMTA recently finished taking delivery of 68 LRVs, expanding the size of the existing fleet to 219 trains. Beginning in 2021, the SFMTA will begin receiving the remaining 151 LRVs to replace the aging legacy vehicles. These new vehicles reflect the nearly 20 years of improvements in technology since the procurement of the SFMTA's legacy vehicles. They are four times more reliable than the current fleet (based on the mean distance between failures) and require fewer and less labor-intensive maintenance cycles. This investment will provide San Francisco with an expanded zero-emissions fleet necessary for achieving the SFMTA's climate goals. In the next 12 months, the SFMTA expects to procure 30 30-32' motor coaches to replace the SFMTA's oldest remaining coaches in revenue service. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Program – Current Projects – Light Rail Vehicle Acquisition."

Transit Facilities. The SFMTA owns and maintains several operations, maintenance and administrative facilities, as well as an extensive network of stations, tracks, overhead power supply lines, and power distribution facilities. The following table sets forth a summary of the SFMTA's transit and bicycle facilities.

TABLE 3
SUMMARY OF SFMTA'S TRANSIT AND BICYCLE FACILITIES
AS OF JUNE 30, 2020

Miles of light rail track for revenue service	71.1 miles
Miles of subway track	13.4 miles
Miles of cable car track for revenue service	10.2 miles
Miles of overhead power supply wires for light rail and trolley bus revenue service operations	209.5 miles
Number of light rail stations	9 Subway and 23 Surface Stations
Number of light rail boarding platforms	168
Number of substations for electrical power distribution	26
Operations, maintenance and administrative – major facilities	29
Signalized intersections	1,271
Bike lanes and shared use paths	458 miles

Source: SFMTA

The SFMTA Facilities Program develops, manages and maintains space for operating, maintenance, administrative and storage needs in support of the SFMTA's transit activities. The majority of the SFMTA's operation and maintenance facilities are dedicated to the storage, maintenance and dispatch of Muni's fleet of vehicles. Three facilities house motor coaches: Woods Division, Flynn Divisions and Kirkland Divisions. Two facilities house trolley coaches: Potrero Division and Presidio Division. Five facilities support Muni's rail operations: Green Division, the Muni Metro East, the Geneva Yard, the Cable Car Barn and the Duboce Yard. Seven other facilities, including the Central Control Center, Scott Division, Marin Street and the Burke Avenue Facility, provide support to all transit modes. Finally, the SFMTA's administrative offices are distributed among six different sites in the City.

The current condition of the SFMTA's transit facilities varies broadly. Certain transit facilities are new, while others have no serious defects noted, and still others require significant renovation or seismic improvement, are outmoded or are inadequately sized for the current operational requirements of the SFMTA. See "– Capital Program – State of Good Repair Analysis."

In 2013, the SFMTA completed a real estate study to determine the SFMTA's long-term facility needs, including potential transit-oriented development projects. This study was revised in 2014 and in 2017. The results of the study were transferred into an implementation plan titled "The Building Progress Program," a $1.2 billion multi-year effort to repair, renovate, and modernize the SFMTA's aging facilities. The Potrero Yard Modernization Project, located at Bryant and Mariposa streets, is the first site scheduled under the program that the SFMTA will modernize and renovate. The Potrero Yard Modernization Project will replace the obsolete two-story maintenance building and bus yard with a modern, three-story, efficient bus maintenance and storage garage, equipped to serve the SFMTA's growing fleet as it transitions to battery electric vehicles.

Regulatory Issues. The SFMTA is regulated by various federal, State and local agencies, including the Federal Transit Administration and the California Public Utilities Commission ("**CPUC**"). The Federal Transit Administration performs a triennial review, as well as fiscal, procurement and other periodic audits, to determine whether the SFMTA is administering its Federal Transit Administration funded programs in accordance with statutory and Federal Transit Administration requirements and is meeting program objectives. In addition, the CPUC conducts a triennial safety review to verify compliance and evaluate the effectiveness of the SFMTA's rail system safety program plan. The CPUC does not have any jurisdiction over the SFMTA's fares, rates and fees. A determination that the SFMTA is not in compliance with regulatory requirements could lead to a loss of federal funding or the levying of fines, and changes in regulatory requirements could impact the SFMTA's operations or increase operating costs or capital requirements. To date, the SFMTA is not aware of any past or expected loss of funding or fines due to non-compliance with any regulatory requirements. See "CERTAIN RISK FACTORS – Statutory and Regulatory Compliance" and "– Reliance Upon Grants and City General Fund Transfers."

Parking and Traffic Functions

The SFMTA currently manages 21 public garages and 18 metered surface parking lots in the City, which account for nearly 15,000 parking spaces; manages on-street parking through the use of approximately 28,000 on-street parking meters, color curbs, and various permits; and sells parking meter cards. The parking garage and lot spaces managed by the SFMTA currently constitute approximately 30% of all spaces downtown and approximately 15% of all spaces Citywide. The SFMTA's traffic responsibilities include managing nearly 200,000 traffic signs, 1,203 signalized traffic intersections, approximately 900 miles of striped streets, pavement messages, and special curb zones throughout the City. In addition, the SFMTA also enforces parking regulations through its Enforcement Division through the issuance of parking citations by the SFMTA parking control officers, San Francisco Police, and other agencies.

In response to the COVID-19 pandemic and parking utilization declines due in part to the City's stay-at-home orders, the SFMTA closed some City-owned parking garages and limited others while prioritizing access to parking garages near essential services such as medical facilities and markets. The SFMTA also created the Shared Spaces program, repurposing curbside parking spaces for pick-up, drop-off and open-air dining and retail spaces while indoor dining and non-essential commerce has been prohibited from time-to-time depending on COVID-19 related City stay-at-home orders. Almost all parking enforcement was suspended between April and June 2020. For more information regarding the impact of COVID-19 on the SFMTA's parking and traffic functions, see "IMPACT OF COVID-19 PANDEMIC."

Parking Garages. The 21 parking garages that the SFMTA currently manages include parking facilities owned by the SFMTA, the Parking Authority and Recreation and Park.

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The following table lists the public parking garages managed by the SFMTA as of June 30, 2020.

TABLE 4
SFMTA-MANAGED PARKING GARAGES
AS OF JUNE 30, 2020

Facility Name	Number of Spaces	Year Opened
7th & Harrison	101	n/a
16th & Hoff	98	1996
Civic Center [(1)]	843	1958
Ellis O'Farrell	950	1964
Fifth & Mission	2,585	1957
Golden Gateway	1,095	1965
Japan Center	920	1965
Lombard Street	205	1988
Kezar [(1)(3)]	300	n/a
Mission-Bartlett	350	1983
Moscone Center	732	1984
North Beach	203	2002
Performing Arts	598	1983
Pierce Street	116	1969
Polk-Bush	129	1993
Portsmouth Square[(1)]	504	1960
St. Mary's Square[(2)]	414	1952
SF General Hospital	1,657	1996
Sutter Stockton	1,865	1959
Union Square[(1)]	985	1941
Vallejo Street	163	1969
Total	14,813	

(1) Owned by Recreation and Park.
(2) Recreation and Park and SFMTA each own 50%.
(3) Kezar is a surface parking lot that is managed by the SFMTA like a public parking garage.
Source: SFMTA

The age of the garages ranges from 18 years to 79 years. Other than with respect to the Recreation and Park Garages (defined below), all revenues from the operations of each parking facility operated by the SFMTA, less parking taxes and amounts applied to pay for operating expenses (including routine maintenance), are used to fund public transit pursuant to the City Charter. While routine repairs, including repairs of concrete failures, drainage issues, lighting, out-of-service elevator, revenue control equipment and signage, are regularly funded and completed, significant repair and rehabilitation projects have been deferred. As a result, substantial maintenance and repair backlogs exist with respect to such repairs and rehabilitation projects at certain facilities and the condition of most garages has declined over the years. These facilities require extensive rehabilitation and equipment upgrades to bring them in line with current standards and to make them more environmentally friendly. Significant repairs currently include projects related to seismic strengthening, waterproofing, elevator upgrades, and ventilation systems.

Some of the garages owned by the SFMTA and Recreation and Park were historically leased (the "**Prior Leases**") by non-profit parking corporations (collectively, the "**Parking Corporations**"), which managed the operations of such garages and transmitted revenues of the garages in excess of certain operating and administrative expenses to the SFMTA. Except for the leases relating to the Japan Center Garage and the Portsmouth Square Garage, the Parking Corporations terminated the Prior Leases and returned direct control of the applicable garage to the SFMTA between 2012 and 2018. The Japan Center Garage Corporation entered into a new lease with the SFMTA, commencing on February 26, 2013 and expiring in 2023, unless it is terminated earlier in accordance with its terms, which provides for daily operational oversight of the Japan Center Garage. The Portsmouth Plaza Parking Corporation continues to oversee the operations of the Portsmouth Square Garage pursuant to a lease that commenced on April 1, 2011, and expires on March 31, 2051, unless it is terminated earlier in accordance with its terms. These remaining leases require that the Parking Corporations contract with professional parking companies to operate their facilities in accordance with the leases and the SFMTA Parking Facility Operation and Management Regulations ("**OMR**"). All gross revenues and parking taxes collected or received by the Parking Corporations operating a parking garage are deposited in a revenue account on the next banking day following receipt. Periodically, but at least once each month, the SFMTA authorizes the withdrawal and transfer of funds from the revenue account for the purpose of paying operating expenses and purpose of paying the corporate employee salaries and payroll expense. Each Parking Corporation is required to transfer all net income to the SFMTA by the twentieth day of each month or at such other more frequent periodic intervals as specified by the SFMTA. During the first three years of the initial term of these new leases, 100% of net income was transferred to the SFMTA on a monthly basis. Upon commencement of the fourth year of the initial term, and on a monthly basis thereafter, the SFMTA may authorize the withdrawal and transfer of funds from the revenue account to the related capital account for the purpose of performing capital improvements to the respective garages.

The SFMTA contracts directly with professional parking management vendors, selected through a request-for-proposal process, to manage the day-to-day operations of all other garages, excluding oversight of retail lease space, which is managed internally, in accordance with a management agreement that outlines the vendor responsibilities and incorporates City contracting requirements. The vendor is also responsible for operating the garage in accordance with the OMR and provides all parking management services necessary to operate and maintain the parking facility. The garage operator is responsible for collection of all garage revenue and making deposits on the next business day into an SFMTA or Recreation and Park held revenue account. The operator is responsible for staffing and daily maintenance/operations of the facility in accordance with SFMTA annually approved operating budgets. Expenses incurred by the operator are submitted for reimbursement to the SFMTA twice per month for review and approval.

The SFMTA oversees parking operations at the following garages owned by Recreation and Park: Civic Center, Portsmouth Square and Union Square, and at St. Mary's Square Garage, half of which is owned by SFMTA and half of which is owned by Recreation and Park (collectively, including the half of St. Mary's Square Garage owned by Recreation and Park, the "**Recreation and Park Garages**"). From revenues of the Recreation and Park Garages, Recreation and Park is obligated to pay to the SFMTA an administrative fee that includes all costs of operating the Recreation and Park Garages and a proportional share of debt service on bonds and other obligations the proceeds of which funded capital improvements at the Recreation and Park Garages. Such administrative fees include a portion of the debt service on the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2017 Bonds and, upon their issuance, the Series 2021 Bonds, equal to the ratio of proceeds of such Series of Bonds applied to finance or refinance capital improvements at the Recreation and Park Garages to net proceeds of such Series of Bonds after paying costs of issuance. The SFMTA expects to withhold a portion of gross revenues from operation of the Recreation and Park Garages equal to such fee and transfer all remaining monies to Recreation and Park.

In 2016, the SFMTA awarded a contract to upgrade its revenue control system at parking facilities, which as of December 1, 2020 is active at 19 of the 21 garages. The new system Parking Access Revenue Control Systems ("**PARCS**"), brings up-to-date technology to the garages that enhances revenue-security, assures that credit card transactions are securely processed, and improves customer service through enhanced efficiency of operations, resulting in an improved customer experience and better accounting of revenues.

The Series 2021 Bonds will not be secured by either the revenues of, or any moneys held in funds and accounts by, Recreation and Park or the Parking Corporations.

Surface Parking Lots, Parking Meters and Parking Enforcement. The SFMTA also manages 18 surface, metered lots. The following table lists the metered surface lots owned by the City and managed by the SFMTA:

TABLE 5
SFMTA-MANAGED METERED SURFACE LOTS
AS OF JUNE 30, 2020

Facility Name	Number of Spaces
Cal-Steiner	48
9th & Irving	41
7th & Irving	36
18th & Geary	34
Norton & Mission	28
8th & Clement	26
20th & Irving	24
Ulloa & Claremont	23
9th & Clement	21
Geary & 21st	21
Castro & 18th	20
18th & Collingwood	20
Ocean & Junipero Serra	20
19th & Ocean	20
West Portal & 14th	19
Lilac & 24th	18
24th & Noe	16
Felton & San Bruno	10
Total	454

Source: SFMTA

All revenues from the operations of each metered surface lot, less amounts applied to pay for operating costs (including routine maintenance), are used to fund public transit pursuant to the City Charter.

The SFMTA currently has approximately 27,000 total on-street metered and off-street surface lot spaces throughout the City. Rates vary by block, by time of day and by weekday or weekend, with periodic rate adjustments based on demand estimated using meter payment data. Rates vary between $0.50 and $8 per hour. Meters are generally in operation from 7 a.m. or 9 a.m. to 6 p.m. Monday through Saturday, except for three meter holidays (Thanksgiving Day, Christmas Day, and New Year's Day). In Fisherman's Wharf, meters are in operation from 7 a.m. to 7 p.m. seven days per week. Meters within a few blocks of Oracle Park and the Chase Center operate from 9 a.m. to 10 p.m., Monday through Saturday, and from 12 p.m. to 6 p.m. on special event Sundays. Meters on two blocks of 18th Street in the Potrero Hill neighborhood operate from 9 a.m. to 10 p.m., Monday through Saturday. SFMTA also charges a $7.00/hour special event rate during events at meters near Oracle Park or the Chase Center.

All SFMTA meters accept payment by phone, credit card, debit card, coins and prepaid SFMTA parking cards. The SFMTA receives revenue from citations issued to vehicles on any City street or surface metered parking lot. The Port has jurisdiction over approximately 1,100 additional metered spaces in the City. The revenues generated by the Port's meters are completely separate from SFMTA's meter revenues and go directly to the Port. However, the SFMTA enforces the Port meters and receives revenue from citations issued to vehicles on any City street or surface metered parking lot, including meters within the Port's jurisdiction.

Smart Parking Management and Demand-Responsive Pricing. Beginning in 2011, the SFMTA implemented a series of enhancements to its management of all paid parking facilities, with the goal of applying a transparent, data-driven methodology to parking management in order to manage parking demand. The program utilizes smart parking meters that change their prices according to location, time of day, and day of the week, with the goal of keeping about 15% of spaces vacant on any given block. The SFMTA believes drivers will find parking more quickly and easily, thus reducing the level of costly negative externalities associated with traffic in the City (e.g., double parking or circling). This smart parking management approach, which includes adjusting prices based on demand and broadcasting those prices to public, has not only improved driver convenience, but also accomplished a host of other goals, such as improving the speed and reliability of Muni service on surface streets, reducing traffic congestion, accidents and transportation-related greenhouse gas emissions, and improving economic vitality.

Other Programs. The following section describes other significant SFMTA programs that do not generate revenues for the SFMTA, many of which operate on a cost-recovery basis.

In December 2008, the Board of Supervisors transferred the functions, powers and duties of the Taxi Commission to the SFMTA. On March 1, 2009, the SFMTA assumed responsibility for regulating the City's taxi industry. Under the Taxi Medallion Sale program, the SFMTA issues permits, or medallions, to taxi drivers to operate taxis in San Francisco at a fixed price of $250,000. Approximately 3,000 taxi drivers operate about 1,200 taxis in San Francisco. In addition, 35 wheelchair accessible vans, or ramp vans, are in operation pursuant to ramp medallions issued by the SFMTA. Transportation network companies, such as Uber and Lyft, directly compete with the taxi industry and have significantly impacted the Taxi Medallion Sale program. Since 2016, the SFMTA has not sold any new medallions to San Francisco taxi drivers.

Taxi vehicles average 56,000 miles per year, up to five times as much as a private vehicle, and there is a desire to make this highly used fleet more environmentally friendly. Over 95% of vehicles in the taxicab fleet (not including the 35 ramp vans) are either hybrid or compressed natural gas vehicles. Hybrid ramp vans recently became available, with the first hybrid ramp van entering service in San Francisco in fall 2020. Applicants that green their vehicles may be reimbursed for hybrid vehicles up-to 90% of the purchase cost with a $7,700 maximum rebate. A recently acquired grant also allows a rebate for the purchase of used hybrid vehicles. The program is funded by the Bay Area Air Quality Management District, which passes funds through the San Francisco County Transportation Authority, and then to the SFMTA. Ramp Taxis for accessible use are now also eligible for the rebate.

Following the shelter-in-place orders due to the COVID-19 pandemic, the taxi industry in San Francisco experienced a decrease of approximately 80% in overall trip volumes, including a decrease of approximately 95% in trips originating at SFO, a historically significant trip generator.

Because of the COVID-19 pandemic, the SFMTA has reduced Muni service; however, walking to an alternate bus or paying for another form of transportation is not possible for many riders. To help seniors and people with disabilities, the SFMTA created the Essential Trip Card program, which provides taxi rides to essential businesses (i.e., grocery stores and doctor's offices) at discounted rates during the shelter-in-place period. In addition, the SFMTA is providing personal protective equipment, such as masks, cleaning products and passenger shields, to taxi drivers to allow cabs to continue to operate safely during the pandemic. The SFMTA has contributed $35,474 to subsidize the Essential Trip Card program in Fiscal Year 2019-20, and expects to contribute $590,482 in Fiscal Year 2020-21. For more information regarding the impact of COVID-19 on the San Francisco Taxi Industry, see "IMPACT OF COVID-19 PANDEMIC."

In addition, the SFMTA is responsible for designing, directing and managing all traffic engineering functions within San Francisco, including placement of signs, signals, traffic striping and curb markings to promote the safe and efficient movement of people and goods throughout San Francisco and to assist Muni's efficient operation.

The Commuter Shuttle Program, which commenced in 2016, permits eligible commuter shuttle operators to use a designated network of stops including both designated Muni stops and a number of permitted commuter shuttle-only loading zones in San Francisco. Participating commuter shuttle operators are required to pay a per-stop fee calculated on a cost-recovery basis to fund enforcement and program administration.

The SFMTA is responsible for making bicycling a safe and comfortable means of transportation for all San Franciscans through planning, engineering and implementing bicycle facilities throughout San Francisco. The SFMTA supports a variety of bicycle education efforts targeting a diverse set of stakeholders. Since 2019, the SFMTA has completed more than 14 quick build projects that help prioritize the safety of bicycle transportation on some of San Francisco's most challenging corridors and is also working to implement 20 miles of protected bike lanes between 2019 and 2029. The City currently has a bicycle network spanning 458 miles, including 117 miles of bicycles lanes, 21 miles of buffered bicycle lanes, and 33 miles of separated bikeways. The SFMTA also continues to add bicycle parking, approximately 100 bicycle racks are installed on sidewalks and in bicycle corrals per month and currently has well over 10,000 bicycle parking spaces.

The SFMTA is the largest partner in the regional Bay Area Bike Share system managed by the Metropolitan Transportation Commission ("**MTC**")**.** The SFMTA continues to lead San Francisco's efforts to permit expansion and promote the service in partnership with a private operator. Launching in 2017, there are presently approximately 3,000 shared bicycles in San Francisco's system that is managed by the currently permitted operator, BayWheels. Over 3,800 trips on an average weekday and over 2,000 trips on an average weekend day are taken on shared bicycles. The system is steadily advancing towards a planned 320 stations and 6,000 bikes, including stationless functionality for a city-wide service area, with specific operational targets in Communities of Concern and for low-income access. The SFMTA supports and facilitates a growing array of shared mobility services as key elements of its strategic plan. With transit service severely reduced under the COVID-19 emergency, sustainable mobility options have become even more important to serving San Francisco's residents and visitors for essential trip-making. Permit fees are priced on a cost recovery basis.

The On-Street Shared Vehicle Parking Permit program grants reserved on-street parking spaces to qualified vehicle sharing operators, such as Zipcar and Getaround, as well as discounting permits in SFMTA-managed public garages for those operators' shared vehicles. By leveraging the SFMTA's citywide inventory of curb parking to help make car sharing more accessible and convenient, the benefits of car sharing are extended to more residents and businesses as the entire city benefits from reduced vehicle ownership and associated reductions in vehicle miles travelled and congestion, in the street and at the curb. Permit fees are priced on a cost recovery basis.

The Shared Electric Moped Parking Permit Program grants permits to qualified Shared Electric Moped Organizations, extending a few limited parking exemptions to facilitate the service in exchange for utilization and parking data, as well as an annual per-moped permit fee. Electric mopeds are a small, quiet, inexpensive, zero-emission way to get around the City. An average of 2,000-2,500 trips per day are taken on shared mopeds, with 2.5-3.5 trips per moped per day, carrying users approximately 2.3 million miles in 2019. Permit fees are priced on a cost recovery basis.

From mid-October 2018 to mid-October 2019, the SFMTA conducted a scooter share pilot program, with the goal of creating a more useful, safe and equitable citywide program. Under the full Powered Scooter Share Permit Program, which began October 15, 2019, three permittees (Lime, Spin and Scoot) may operate approximately 4,500 shared stand-up electric scooters through April 2021. The scooters are available for rent for short trips throughout most of San Francisco. Permit fees are priced on a cost recovery basis.

Financial Operations

General. The SFMTA is an enterprise department of the City. As a result, its financial operations are included in the Comprehensive Annual Financial Report of the City and shown as an enterprise fund. The SFMTA also has independent financial statements included as Appendix A.

Municipal Transportation Fund. The Charter establishes the "Municipal Transportation Fund." The Municipal Transportation Fund receives moneys from: (a) the City's General Fund (pursuant to a formula described under "– City General Fund Transfers"); (b) the revenues generated by Muni and the SFMTA's Parking and Traffic functions; and (c) all other funds received by the City from any source, including State and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation of the SFMTA, including, without limitation, capital improvements, management, supervision, maintenance, extension and day-to-day operations, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions. The Enterprise Account established pursuant to the Indenture is an account within the Municipal Transportation Fund.

Basis of Accounting. The accounts of the SFMTA are organized on the basis of a proprietary fund, specifically an enterprise fund. The financial activities of the SFMTA are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the net statement of assets; revenues are recorded when earned and expenses are recorded when the liabilities are incurred. The SFMTA applies all applicable Governmental Accounting Standards Board ("**GASB**") pronouncements. See Appendix A – "SFMTA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

Establishment of Rates, Charges, Fares, Fines and Penalties. Under Section 8A.102(b)(6) of the Charter, the Board has exclusive authority to set Muni fares, rates for off-street and on-street parking, and all other rates, fees, fines, penalties and charges for services provided for functions performed by the SFMTA (collectively referred to herein as "**Managed Revenues**"). In addition, charges that are not otherwise governed by law are increased on a periodic basis based upon a preset formula as part of SFMTA's two-year operating budget process pursuant to the Board's "Automatic Indexing Implementation Plan." See "– Operating Revenues – Automatic Indexing Policy Applicable to Fares, Fees and Charges." Muni fare increases, including increases pursuant to the Automatic Indexing Implementation Plan, must be submitted to the Board of Supervisors for consideration in accordance with the Charter as part of the SFMTA budget process or in a budget amendment. Any budget or budget amendment that includes rate increases may be rejected in its entirety, but not modified, by the Board of Supervisors by a seven-elevenths vote. See "– Budget Process."

Budget Process. The SFMTA develops a two-year operating budget. In accordance with the Charter, the SFMTA's two-year budget must be presented to the SFMTA Citizen's Advisory Council and the public for review and comment. No later than May 1st of each even-numbered year, the proposed budget for each of the next two years must be submitted to the Mayor and the Board of Supervisors. To the extent that the proposed budget does not seek additional General Fund financial support beyond that required by the Charter, and does not request additional General Fund resources or support, the Board of Supervisors may allow the SFMTA's budget to take effect without any action on its part, or it may reject the budget in its entirety by a seven-elevenths vote. If the Board of Supervisors rejects the SFMTA budget, it must make appropriations to sustain the SFMTA operations at the previously approved level until a budget is approved.

The SFMTA may move funds within its budget and direct the hiring of personnel, so long as the SFMTA remains within its budget as deemed by the City Controller. In determining whether the SFMTA remains within budget, the Controller must confirm that anticipated work orders and revenues are balanced and may, if any revenues are deemed to be contingent, place a reserve on certain expenditures or impose other appropriate controls in his discretion to keep the SFMTA within budget. The SFMTA may also adjust its budget at any time pursuant to a budget amendment process in order to reflect updated budget projections and changes in anticipated or realized revenues and expenditures. Budget amendments are submitted to the Mayor and the Board of Supervisors and, with the exception of the deadline for submission, are subject to the same procedural requirements as described in the prior paragraph with respect to the SFMTA's budget.

The Board approved an operating budget for Fiscal Years 2020-21 and 2021-22 on April 21, 2020, in the amounts of $1.28 billion and $1.34 billion, respectively. Due to updated economic forecasts as a result of the COVID-19 pandemic, the operating budget was subsequently revised and approved on June 30, 2020, in the amounts of $1.26 billion and $1.31 billion for Fiscal Years 2020-21 and 2021-22, respectively. For more information regarding the Revised Operating Budget, see "IMPACT OF COVID-19 PANDEMIC."

Operating Revenues

The SFMTA's financial operations are generally supported from passenger fares, parking revenues (including fines, fees and permits), transfers from the City's General Fund, rent and advertising revenues, and federal, State and regional grants. This diversity of sources gives the SFMTA a relatively stable base of operating revenues. In addition, the SFMTA has received federal relief funds due to the COVID-19 pandemic under the CARES Act and FEMA's Disaster Grants – Public Assistance Program. For more information regarding federal relief funds, see "IMPACT OF COVID-19 PANDEMIC."

The following table summarizes the SFMTA's historical operating revenues and expenses.

TABLE 6
SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES[1]
(FISCAL YEARS ENDING JUNE 30)

	2016	2017	2018	2019	2020
Operating Revenues					
Passenger Fares (fixed route & paratransit)	$ 206,757,542	$ 197,226,565	$ 203,786,619	$ 197,109,784	$ 154,100,412

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Fines, Fees, & Permits	127,316,062	142,189,098	146,843,303	151,066,069	116,027,827
Parking Meters	63,603,024	66,681,541	63,813,492	61,264,074	43,912,682
Parking Garage	68,183,966	65,117,322	70,747,995	72,412,231	56,049,361
General Fund Transfer No. 2[(2)]	68,812,637	67,420,000	66,790,000	68,820,000	55,570,000
Other (includes rent, advertising & interest)	34,568,135	30,920,928	37,147,775	50,477,804	39,888,998
Operating Grants:					
Regional Grants (AB 1107, TDA, Bridge Tolls)	87,180,536	89,428,039	90,636,494	95,626,666	96,371,546
State Transit Assistance (STA)	36,379,697	27,211,840	42,630,948	64,726,627	61,227,565
Gas Tax Adjustment	3,098,525	3,098,525	3,098,525	3,098,525	3,039,033
Restricted Paratransit Grants (5307, Prop K, Other)	16,594,109	17,194,348	16,503,739	18,432,443	16,756,134
Federal Pandemic Support[(4)]	--	--	--	--	199,628,866
Subtotal Operating Grants	143,252,867	136,932,752	152,869,706	181,884,261	377,023,144
General Fund Transfer No. 1[(2)]	284,730,000	312,600,000	338,850,000	408,734,000	367,478,127
Appropriated Fund Balance	20,009,965	45,350,000	47,088,034	33,200,000	-
TOTAL OPERATING REVENUES	**$1,017,234,198**	**$1,064,438,206**	**$1,127,936,924**	**$1,224,968,223**	**$1,210,050,551**
Operating Expenses					
Salaries	$ 450,546,839	$ 478,547,829	$ 506,525,413	$ 531,992,859	$ 552,428,459
Less: Overhead/Recoveries	(46,208,785)	(52,987,924)	(49,126,475)	(59,243,916)	(56,268,531)
Net Salaries	404,338,054	425,559,905	457,398,938	472,748,943	496,159,928
Fringe Benefits:					
Pension	78,590,585	77,067,260	82,088,678	83,112,307	97,807,821
Medical	99,515,495	105,639,073	112,087,780	116,887,329	122,571,401
Less: Overhead/Recoveries	(13,802,624)	(15,827,562)	(14,674,142)	(17,696,235)	(16,807,483)
Net Pension & Medical	164,303,456	166,878,771	179,502,316	182,303,401	203,571,739
All Other Fringe Benefits	36,018,903	37,909,733	40,266,143	41,810,394	42,869,711
Fuel & Lubricants	11,246,552	11,220,353	11,386,423	11,042,471	9,200,641
All Other Materials and Supplies	84,454,524	68,005,816	76,326,938	73,774,504	73,803,191
Paratransit Service Contract	22,545,250	24,008,387	24,557,402	27,369,236	27,020,855
All Other Professional Services	80,786,337	102,137,996	82,269,967	107,640,263	99,646,509
Service of Other City Departments[(3)]	55,249,813	60,423,371	61,280,476	70,801,366	71,382,008
Rent and Buildings	12,858,888	14,310,866	15,369,687	17,270,986	20,776,131
Insurance and Claims	50,332,041	52,798,927	54,993,344	59,644,538	52,904,630
Payments to Other Governmental Entities	13,292,429	12,711,031	11,234,963	13,766,844	13,645,034
Debt Service	17,018,022	17,171,462	28,652,912	25,259,913	25,137,403
Subtotal Operating Expenses before Transfers	952,444,269	993,136,618	1,043,239,509	1,103,432,859	1,136,117,780
Transfers:					
Transfers to Current Capital Projects	5,636,235	30,017,486	25,758,135	54,776,004	30,404,749
Transfers to Future Capital Projects and Net Changes to Operating Carryforwards	3,559,394	13,427,343	7,089,918	(17,199,804)	1,483,920
Transfers to Reserves	2,340,000	6,165,317	2,340,000	2,340,000	2,340,000
TOTAL OPERATING EXPENSES & TRANSFERS	**$ 963,979,898**	**$1,042,746,764**	**$1,078,427,562**	**$1,143,349,059**	**$1,170,346,449**

(1) Detailed information regarding specific line items is set forth in "– Operating Revenues," including Tables 7, 8, 9 and 10 and accompanying footnotes; "– Interest Income"; "– Federal, State, Regional and Local Grants," including Table 11 and the accompanying footnote; "– City General Fund Transfers," including Table 12; "– Appropriated Prior Year Fund Balance;" "Contingency Reserve Policy;" "– Operating and Maintenance Expenses," including Tables 13 and 14 and the accompanying footnotes; and "– Labor Relations," including Table 17 and the accompanying footnotes.

(2) General Fund Transfer No. 1 is reported in the SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 2 is reported in the SFMTA's audited financial statements as "General Fund in lieu of Parking Tax."

(3) Service of Other City Departments includes amounts paid to various cities departments for services such as SFPUC for electricity.

(4) Funding received under the Coronavirus Aid, Relief, and Economic Security Act and FEMA's Disaster Grants – Public Assistance Program.

Source: SFMTA

The amounts in Table 7 (extracted from Table 6) represent the SFMTA revenues that constituted "Pledged Revenues" in Fiscal Years 2015-16 through 2019-20. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture." Revenues shown in Table 6 but not in Table 7 do not constitute "Pledged Revenues" under the Indenture. In addition, beginning in Fiscal Year 2020-21, proceeds of the Traffic Congestion Mitigation Tax will also constitute "Pledged Revenues" under the Indenture. The SFMTA projects that proceeds of the Traffic Congestion Mitigation Tax will be approximately $7.0 million for Fiscal Year 2020-21, and approximately $14.0 million annually thereafter. See "– Traffic Congestion Mitigation Tax."

TABLE 7
PLEDGED REVENUES
(IN THOUSANDS)
(FISCAL YEARS ENDED JUNE 30)

REVENUE SOURCE	2016	2017	2018	2019	2020
Passenger Fares (fixed route & paratransit)(1)	$206,758	$197,227	$203,787	$197,110	$154,100
Fines, Fees, Permits & Taxis(1)	127,316	142,189	146,843	151,066	116,028
Parking Meters(1), (2)	63,603	66,682	63,813	61,264	43,913
Parking Garages(1), (3)	68,184	65,117	70,748	72,412	56,049
Other (includes rent, advertising & interest)	34,568	30,921	37,148	50,478	39,889
AB 1107	40,262	41,215	43,009	46,776	44,468
State Transit Assistance (STA)(4)	36,380	27,212	42,631	64,727	61,228
Transportation Development (TDA)	44,231	45,526	44,940	46,163	49,434
Federal Pandemic Support(5)	--	--	--	--	199,629
Total Pledged Revenues(6)	$621,302	$616,089	$652,919	$689,996	$764,756

(1) Managed Revenues over which the SFMTA has rate-setting authority. See "– Financial Operations – Establishment of Rates, Charges, Fares, Fines and Penalties" and "– Budget Process."

(2) Amounts shown include all parking meter revenues received by the SFMTA in the applicable Fiscal Year. Parking meter revenues constitute Pledged Revenues only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions. As of January 1, 2021, Outstanding Bonds have financed or refinanced sufficient traffic regulation and control functions so as to result in all parking meter revenues constituting Pledged Revenues for such Bonds in the Fiscal Years set forth in Table 7. Should this change in the future, however, some or all of such parking meter revenues may be unavailable to pay debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture."

(3) Net of operating and maintenance expenses of the Parking Corporations. See"– Parking and Traffic Functions – Parking Garages."

(4) A portion of the State Transit Assistance funds received by the SFMTA are restricted to application for paratransit purposes and therefore do not constitute Pledged Revenues under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture." These restricted amounts are not included in Table 7 and are included as part of the "Restricted Paratransit Grants (5307, Prop K, STA, Other)" shown in Table 6.

(5) Funding received under the Coronavirus Aid, Relief, and Economic Security Act and FEMA's Disaster Grants-Public Assistance.

(6) Totals may not add due to rounding.

Source: SFMTA

Automatic Indexing Policy Applicable to Fares, Fees and Charges. In April 2009, the Board adopted an "Automatic Indexing Implementation Plan" ("**AIIP**") applicable to Muni fares, SFMTA parking citations and SFMTA garage parking rates, among other charges. Under the AIIP, which took effect in Fiscal Year 2010-11, charges that are not otherwise governed by law will be increased on a periodic basis based upon a preset formula as part of SFMTA's two-year operating budget process. The formula increases (or decreases) such charges by a rate equal to one half of any change in the Bay Area Consumer Price Index, as determined by the California Department of Finance's Bay Area CPI-U forecast, plus one-half of the annual percentage increase or decrease in the SFMTA's labor costs included in the SFMTA's two-year operating budget (the "**Automatic Inflator**"). Any resulting increase in fares or fees will be rounded up to the nearest $0.25, $0.50 or $1.00, depending upon the base charge, so long as the rounding impact does not result in more than a 10% increase in the applicable charge. The Board may act to increase (or decrease) fares by more or less than the amount determined in accordance with the formula. Such increases (or decreases) would be determined as part of the budget process or in a budget amendment as described in the section "–

Financial Operations – Establishment of Rates, Charges, Fares, Fines and Penalties." The budget, when it includes any rate increases, remains subject to rejection by the Board of Supervisors on a seven-elevenths vote.

The AIIP permits the SFMTA to forego an automatic inflator if the SFMTA's budget projections allow. In April 2020, the Board decided to forego fare increases in Fiscal Years 2020-21 and 2021-22. See "– Financial Operations – Budget Process," "– Establishment of Rates, Charges, Fares, Fines and Penalties."

Passenger Fares. Muni's passenger fare revenues include fares paid by transit riders and paratransit users, as well as proof of payment citations. The basic adult cash fare is $3.00 for regular service, which includes fixed route service on motorbuses, trolley buses, light rail and historic streetcars, but excludes cable cars. Transfers are issued for each cash fare paid for regular Muni service and are valid for 120 minutes in any direction. Frequent riders may purchase a monthly pass, which is good for unlimited rides on all regular service and cable cars. Since September 2011, Muni monthly passes have only been available on the Clipper Card fare instrument, a contactless smart card (the "**Clipper Card**"), which is also accepted on many other transit systems in the Bay Area. MuniMobile, the SFMTA's official ticketing application, offers single ride tickets for $2.50 and a day pass for $5.00.

Senior citizens over age 65, persons with disabilities, and youth between the ages of 5 and 17 qualify for discounted cash and pass fares. A discounted monthly Lifeline Pass is available for adults who meet income eligibility requirements, and is administered by the City's Human Services Agency.

The following table presents Muni's basic adult cash fares and adult monthly passes in force since September 2003:

TABLE 8
BASIC ADULT FARES

Effective Date	Adult Cash Fare	Adult Monthly Pass
July 1, 2019	$3.00	$98(A) or $81(M)
September 1, 2018	$2.75	$94(A) or $78(M)
July 1, 2017	$2.75	$94(A) or $75(M)
January 1, 2017	$2.50	$91(A) or $73(M)
July 1, 2015	$2.25	$83(A) or $70(M)
September 1, 2014	$2.25	$80(A) or $68(M)
July 1, 2013	$2.00	$76(A) or $66(M)†
July 1, 2012	$2.00	$74(A) or $64(M)†
July 1, 2011	$2.00	$72(A) or $62(M)†
January 1, 2010	$2.00	$70(A) or $60(M)†
July 1, 2009	$2.00	$55
September 1, 2005	$1.50	$45
September 1, 2003	$1.25	$45

† Beginning in 2010, the adult "A" monthly pass allows pass holders to ride Muni, as well as BART within the City (between BART's Embarcadero and Balboa Park stations), while the adult "M" monthly pass covers only travel on Muni. Prior to 2010, all adult monthly passes entitled the holder to the use of BART within the City.

Source: SFMTA

The basic adult cash fare is expected to remain unchanged in Fiscal Years 2020-21 and 2021-22.

In 2013, the SFMTA launched a 16-month pilot program to provide free, unlimited rides on Muni to youths between the ages of 5 and 17 who live in households with a gross annual family income at or below the Bay Area median (the "**Youth Program**"). In 2014, the Board approved expanding the Youth Program to include 18 year-olds and 19-22 year-old students enrolled in the San Francisco Unified School District's Special Education Services and English Learner Programs, and extended the Youth Program through the end of Fiscal Year 2015-16. The costs of the expanded and extended Youth Program were funded by a gift from Google of approximately $6.8 million.

In 2015, the Board expanded the program to include senior citizens over age 65 and persons with disabilities through the end of Fiscal Year 2015-16 (as expanded, the "**Free Muni Program**"). In June 2020, the Board expanded the Free Muni Program to include people experiencing homelessness. The Free Muni Program is now ongoing with no expected end date. The SFMTA contributed approximately $19 million in Fiscal Years 2018-19 and 2019-20 to subsidize the Free Muni Program.

As shown in the following table, in the 10 fiscal years prior to Fiscal Year 2019-20, annual ridership remained relatively stable while Muni's adult case fare, the cost of an adult monthly pass and Muni's average fare per passenger have generally increased, with declines in average fare per passenger in Fiscal Year 2013-14 corresponding to the Youth Program and other discounts implemented by the SFMTA, and in Fiscal Year 2015-16 corresponding to further expansion of the Free Muni Program to include Seniors and People with Disabilities. Figures show in the following table for Fiscal Year 2019-20 reflect a decline in annual ridership due in substantial part to the COVID-19 pandemic and City stay-at-home orders. See "IMPACT OF COVID-19 PANDEMIC."

TABLE 9
FARE REVENUE, RIDERSHIP AND
AVERAGE FARES PER PASSENGER

Fiscal Year	Total Fare Revenue(1) (In Thousands)	Total Annual Boardings (In Thousands)	Percentage Change in Boardings	Average Fare Per Passenger(2)	Percentage Change in Average Fare(3)
2019-20(4)	$154,100	170,284(4)	(23.6)%	$0.90	2.4%
2018-19	197,110	222,938	(0.7)	0.88	(2.6)
2017-18	203,787	224,611	(0.5)	0.91	3.9
2016-17	197,227	225,786	(2.8)	0.87	(1.8)
2015-16	206,758	232,349	5.9	0.89	(9.1)
2014-15	214,698	219,326	(3.8)	0.98	4.8
2013-14	212,861	227,977	2.2	0.93	(5.4)
2012-13	220,101	222,991	0.4	0.99	8.4
2011-12	202,284	222,126	3.9	0.91	1.6
2010-11	191,637	213,748	(1.0)	0.90	3.2
2009-10	187,642	215,982	(4.4)	0.87	28.3

(1) Pursuant to a contract finalized with BART in Fiscal Year 2012-13, Fare Revenues for Fiscal Year 2012-13 include a one-time payment totaling approximately $8.0 million made by BART for feeder services provided by SFMTA during Fiscal years 2009-10 to 2011-12, and a payment of approximately $2.8 million for feeder services provided by SFMTA in Fiscal Year 2012-13. Fare Revenues for Fiscal Years 2013-14, 2014-2015, 2015-2016, 2016-17, 2017-18, 2018-19 and 2019-20 include payments for feeder services provided by SFMTA to BART of $2.9 million, $3.1 million, $3.2 million, $3.4 million, $3.5 million, $3.6 million and $3.8 million, respectively.

(2) Average fare per passenger is equal to revenue divided by boardings and reflects the impact of transfers, monthly passes and discounted fares, including the Youth Program. Rounded to the nearest $0.01.

(3) Percentages based on non-rounded average fare per passenger.

(4) Fiscal Year 2019-20 ridership numbers have been submitted but have not yet been approved by the Federal Transit Administration and the NTD. Decrease in ridership numbers was due in substantial part to the COVID-19 pandemic.

Source: SFMTA

Passengers are expected to keep proof of payment such as a tagged Clipper Card, a transfer, a subway ticket or an active MuniMobile ticket. The SFMTA has revised its approach to fare enforcement in an effort to increase fare compliance and increase passenger fare revenues. Rather than focusing solely on punitive citations, fare enforcement will shift to an emphasis on compliance with fare policies by informing customers of their payment options. Fare evasion citations will continue to be issued, however, customers that qualify for a Free Muni Program may have their first violation waived if they enroll in a Free Muni Program within 30 days of receiving the citation.

Parking and Citation Revenues. In accordance with the Charter, the SFMTA receives dedicated revenues from 21 parking garages and 18 surface parking lots other than those under the jurisdiction of Recreation and Park. Additionally, the SFMTA receives revenues from all on-street parking meters in the City except for meters on

Recreation and Park and Port of San Francisco properties. Finally, the SFMTA receives revenue from residential parking permits, special traffic permits, boot removal fees, automobile towing, and fees for violations captured by the City's red light photo enforcement program.

Pledged Revenues include parking meter revenues, but only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions.

Parking and citation revenues for Fiscal Year 2019-20 have been adversely impacted by the COVID-19 pandemic. See "IMPACT OF COVID-19 PANDEMIC."

Other Operating Revenues. The SFMTA receives a portion of its advertising revenue from (i) a Transit Shelter Advertising Agreement with Clear Channel Outdoor, which runs through December 2022, with an option to extend, at the City's discretion, for an additional five years, and (ii) an Agreement for Advertising on the SFMTA Vehicles and Other Property with Intersection Media, which runs through June 30, 2024, with an option to extend, at the City's discretion, for an additional five years. The SFMTA derives another portion of its advertising revenues from an agreement with BART. The SFMTA receives interest earnings on cash balances it maintains on deposit in the City Treasurer's pooled funds. The SFMTA also receives certain rents, including rental revenues from properties, space rentals for antenna installation and rentals from kiosks, equipment and facilities. The following table summarizes other operating revenue. Declines in revenue from rents and concessions and advertising for Fiscal Year 2019-20 were due in part to the COVID-19 pandemic. See "IMPACT OF COVID-19 PANDEMIC."

TABLE 10
OTHER OPERATING REVENUE
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2016	**2017**	**2018**	**2019**	**2020**
Rents and Concessions	$ 3.3	$ 2.5	$ 2.9	$ 3.1	$ 3.0
Advertising	21.7	21.8	23.3	25.4	21.6
Charges for Services & Other	6.5	2.2	2.5	6.9	3.3
Total	$31.5	$26.5	$28.7	$35.4	$27.9

Source: SFMTA

Traffic Congestion Mitigation Tax

In November 2019, San Francisco voters approved Proposition D, which imposes a Traffic Congestion Mitigation Tax (the "**Traffic Congestion Mitigation Tax**") on commercial ride-share companies and driverless-vehicle companies for fares generated by rides that originate in San Francisco. Shared rides are subject to a 1.5% business tax and private rides are subject to a 3.25% business tax from January 1, 2020 through November 5, 2045. Passenger rides in zero-emission vehicles are subject to a 1.5% business tax from January 1, 2020 through December 31, 2024.

Revenues from the Traffic Congestion Mitigation Tax, estimated at $30-35 million annually prior to the COVID-19 pandemic, are deposited into a Traffic Congestion Mitigation Fund. Roughly half of the revenues are allocated to the SFMTA for Muni transit service and affordability, system reliability and capacity, and keeping transit infrastructure in a state of good repair, to be used for the following purposes: (i) improving bus and rail service frequency and reliability; (ii) maintaining and expanding Muni fleet and facilities; (iii) improving access, including stations, escalators, and elevators; and (iv) improving reliability through fixing and/or replacing rails, overhead wires, associated fixed guideway infrastructure, and traffic signals. Revenues from the Traffic Congestion Mitigation Tax may also be used to pay debt service on projects related to the purposes described above. The SFMTA projects to receive approximately $7 million in Traffic Congestion Mitigation Tax revenues in Fiscal Year 2020-21.

In connection with the issuance of the Series 2021 Refunding Bonds, the Fifth Supplemental Indenture will amend the definition of "Pledged Revenues" to include revenues of the Traffic Congestion Mitigation Tax allocated to the SFMTA. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture.

Interest Income

The SFMTA invests operating cash balances in the City Treasurer's pooled funds and earned approximately $3.0 million, $4.4 million, $8.4 million, $15.0 million and $12.1 million in Fiscal Years 2015-16 through 2019-2020, respectively. The City Treasurer's pooled funds are permitted investments for amounts held by the Trustee under the Indenture. See "– Investment of SFMTA Funds."

Federal, State, Regional and Local Grants

The SFMTA receives grants and funding to support its operations from a variety of federal, State, regional and local sources. The operating grants the SFMTA receives from AB 1107 and the TDA grants (as each is described below) constitute Pledged Revenues. Remaining grants will be applied to other lawful purposes of the SFMTA, including as restricted by the terms of any such grant. The SFMTA may, but is not required to, designate as Pledged Revenues other federal, State, regional or local grants that by their terms may be used to pay debt service. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Pledge of Pledged Revenues Under the Indenture."

Although the grants described below are not dependent on the SFMTA's ridership levels, some grants are dependent on sales tax receipts, which have been significantly impacted by the COVID-19 pandemic. See "IMPACT OF COVID-19 PANDEMIC."

Federal Grants. The Federal Transit Administration's Urbanized Area Formula Funding program (49 U.S.C. 5307) ("**Section 5307**") makes federal grant funds available to urbanized areas for transit capital and operating assistance and for transportation related planning. In the Bay Area, MTC, a public agency created in 1970 by the State Legislature to provide regional transportation planning and organization in the Bay Area, allocates Section 5307 funds to transit agencies. Although this funding source is primarily used for capital purposes, it also may be used to fund preventive maintenance costs, which are operating expenses. The SFMTA and other transit agencies throughout the country have made significant use of Section 5307 to fund preventive maintenance expenses in recent years. A small portion of the Section 5307 grants are applied to flexible capital needs and paratransit operating expenses. See "CERTAIN RISK FACTORS – U.S. Government Funding."

The SFMTA received approximately $374 million in CARES Act funding, of which approximately $197 million was allocated to Fiscal Year 2019-20 operating expenses and approximately $177 million has been allocated to Fiscal Year 2020-21 operating expenses. All CARES Act funding has been expended as of December 2020. In addition, the SFMTA received approximately $1.4 million from FEMA, all of which was allocated to Fiscal Year 2019-20 operating expenses. The SFMTA projects it will receive approximately $230 million in additional federal relief funds, with approximately $148 million to be allocated to Fiscal Year 2020-21 operating expenses and approximately $82 million to be allocated to Fiscal Year 2021-22 operating expenses. For more information regarding federal relief funds related to the COVID-19 pandemic, see "IMPACT OF COVID-19 PANDEMIC."

State, Regional and Local Grants. AB 1107, passed in 1977, made permanent a previously temporary half-cent sales tax imposed to provide funding for BART. Pursuant to AB 1107, the half-cent sales tax is imposed within Alameda County, Contra Costa County and the City. MTC allocates proceeds of the sales tax to BART, AC Transit and the SFMTA. The allocation to the SFMTA is based on MTC estimates of AB 1107 sales tax receipts within the three counties. Due to the COVID-19 pandemic, AB 1107 sales tax receipts received in Fiscal Year 2019-20 were approximately 5.0% less than amounts received in Fiscal Year 2018-19. See "Table 11- Operating Grants" and "IMPACT OF COVID-19 PANDEMIC." The SFMTA projects to receive approximately $38 million from AB 1107 funds in Fiscal Year 2020-21, approximately 19% less than amounts received in Fiscal Year 2018-19.

Pursuant to the TDA, a portion of certain sales taxes (1/4 of 1% of the total 8.5% sales tax imposed within the City) is allocated to provide funding for SFMTA operations. Sales tax revenues are apportioned to the City on the basis of the amount of sales tax revenues collected by the State Board of Equalization within the City. Such Local

Transportation Funds (the "**LTF Funds**") are apportioned, allocated and paid by designated regional transportation planning agencies to individual transportation service entities. MTC is the agency responsible for approving allocations of LTF Funds from the Municipal Transportation Fund.

There is a three-step process for obtaining LTF Funds: (1) apportionment, (2) allocation, and (3) payment. The designated regional transportation planning agencies determine each area's share of the anticipated LTF Funds annually. Generally, revenues from the county's LTF Funds must be apportioned, by population, to areas within the county. Once funds are apportioned to a given area, they are typically available only for allocation by the designated regional transportation planning agencies to claimants in that area for a specific purpose. The SFMTA receives LTF Funds by submitting an annual claim form and supporting documents to MTC. MTC may specify payment in a lump sum, in installments, or as funds become available. See "– Operating Revenues."

The SFMTA also receives grants made by the County Transportation Authority from proceeds of a half-cent sales tax imposed in the City pursuant to Proposition K, approved in the City in 2003 ("**Proposition K**"). Although proceeds of the Proposition K sales tax are reserved primarily for funding capital projects, approximately $10 million is allocated annually to support Muni's paratransit operations.

In addition, the SFMTA receives State Transit Assistance ("**STA**") funds for operations associated with local mass transportation programs. These funds are derived from proceeds of a Statewide sales tax on diesel fuel. The amount of funds available Statewide through the STA program has varied significantly, from a record allocation of approximately $624 million in the State's 2006-07 fiscal year, some of which constituted repayment by the State General Fund of previous loans out of the account that funds the STA program, to $0 in the State's 2009-10 fiscal year, due to the suspension of the program in the State Legislature's fiscal year 2009-10 budget. Following the suspension of the STA program by the State Legislature, then Governor Schwarzenegger, in his fiscal year 2010-11 budget proposal, proposed eliminating the transit-related sources of funding altogether and instead dedicating those amounts to the State General Fund. The former Governor's proposal to eliminate transit-related STA funding was never enacted, however, and, in 2009, courts in the State held that certain portions of prior diversions of such funds to the State's General Fund for non-transportation and non-transit purposes exceeded the Legislature's authority following the enactment of Proposition 116 in June 1990.

In April 2017, for the first time since 1983, when the Legislature voted to increase the fuel user fee from seven cents to nine cents, the Legislature approved a major state transportation funding package with ongoing revenue backed by new transportation-related taxes and fees. Senate Bill 1 (Beall and Frazier), formally known as the Road Repair and Accountability Act of 2017, is expected to generate $52.4 billion for transportation investments over the next decade, with the funding sources continuing in perpetuity and indexed to keep pace with inflation. The legislation establishes new programs and funding sources increased formula-funded programs, as well as statewide funding levels for various competitive programs. The SFMTA received approximately $65 million in Fiscal Year 2018-19, and approximately $61 million in Fiscal Year 2019-20. Based on MTC projections, the SFMTA is projected to receive approximately $65 million annually from State Transit Assistance, a Senate Bill 1 program.

In March 2004, voters in the Bay Area region passed Regional Measure 2 ("**RM2**"), which raised the toll by $1.00 on seven State-owned toll bridges in the Bay Area. Proceeds of this additional toll fund are allocated to various transportation projects within the Bay Area that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in State Senate Bill 916, enacted in 2004. Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding, including operating assistance that the SFMTA receives annually for its Third Street Rail line operations and for the Owl Bus Service on the BART corridor.

In June 2018, voters in the Bay Area region passed Regional Measure 3 ("**RM3**"), which raised the toll on seven State-owned toll bridges in the Bay Area by $1.00 beginning January 1, 2019, and will raise the toll by another $1.00 beginning January 1, 2022, and by another $1.00 beginning January 1, 2025. Under the RM3 final expenditure plan, the SFMTA expects to receive approximately $140 million through 2045 for expansion and replacement of Muni's fleet and facilities. However, RM3 is currently under litigation and collected tolls are deposited into an escrow account and not available pursuant to the final expenditure plan. In October 2020, the California Supreme Court granted review of the case; however, a final decision will depend on the Court's resolution of a related issue in another case.

From time to time, subject to authorization by the State Legislature, Bay Area voters may be asked to approve a new regional measure to increase tolls on the Bay Area's State-owned toll bridges. If such a measure were to be enacted, it may result in increased operating and/or capital funding for SFMTA.

Grants designated for specific operating purposes or for capital projects, such as local sales tax revenues received pursuant to Proposition K, STA restricted grants, RM2 grants and RM3 grants, are not included in Pledged Revenues.

Other Operating Grants. This category includes: (1) BART reimbursement to the SFMTA for Paratransit services that the SFMTA provides in the BART corridor. As determined under the American with Disabilities Act ("**ADA**"), BART's reimbursement to the SFMTA is calculated at 7.9% of actual Paratransit contract expenditures less Paratransit fare revenues and State funding; and (2) Federal funds for Paratransit services under Federal Transit Act ("**FTA**") Section 5307.

TABLE 11
OPERATING GRANTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2016	**2017**	**2018**	**2019**	**2020**
AB 1107	$ 40.3	$ 41.2	$ 43.0	$ 46.8	$ 44.5
State Transit Assistance (STA)[(1)]	36.4	27.2	42.6	64.7	61.2
Transportation Development Act (TDA)	44.2	45.5	44.9	46.2	49.4
MTC Bridge Tolls	2.7	2.7	2.7	2.7	2.5
Gas Tax Adjustment/Revenue	3.1	3.1	3.1	3.1	3.0
Restricted Paratransit Grants (5307, Prop K, STA, other)	16.6	17.2	16.5	18.4	16.8
Federal Pandemic Support[(2)]	--	--	--	--	199.6
Total Operating Grants	$143.3	$136.9	$152.8	$181.9	$377.0

(1) Annual amounts have varied as a result of legislative action. See "– Federal, State, Regional and Local Grants – State, Regional and Local Grants."

(2) Funding received under the CARES Act and FEMA's Disaster Grants-Public Assistance. For more information regarding federal COVID-19 pandemic support, see "IMPACT OF COVID-19 PANDEMIC."

Source: SFMTA

Capital Grants and Other Restricted Grants. The SFMTA receives a variety of capital grants and other restricted grants. Capital grants are an essential source of funds for the maintenance and improvement of the Transportation System. See "– Capital Program – Current Projects – Central Subway Project" and "– Capital Program – Funding of Capital Improvements."

City General Obligation Bonds

On November 4, 2014, voters in the City approved Proposition A authorizing the City to issue up to $500 million in general obligation bonds the proceeds of which may be applied to finance projects that will (i) improve Muni service reliability and reduce travel time, including the SFMTA's Muni Forward program, (ii) improve street conditions for those with limited mobility or other disabilities, (iii) improve pedestrian safety, (iv) manage traffic congestion by updating traffic and pedestrian signals, (v) build streets, improve sidewalks at intersections and establish separated bikeways and bicycle parking, (vi) upgrade streets that anchor the transit system in order to ensure people can safely and efficiently move around the City, and (vii) fix or improve the condition of SFMTA facilities. Such general obligation bonds would be secured by ad valorem property taxes imposed by the City and would not be secured by Pledged Revenues. To date, the City has issued $377.215 million in aggregate principal amount of general obligation bonds pursuant to Proposition A.

The SFMTA plans to seek voter approval in June 2022 for the authorization of up to $350 million in general obligation bonds to finance transportation projects.

City General Fund Transfers

Annual General Fund Transfer No. 1. In accordance with Section 8A.105(b) of the Charter, the SFMTA receives annual non-discretionary transfers ("**General Fund Transfer No. 1**") from the City's General Fund to the Municipal Transportation Fund according to a formula established when the SFMTA was created in 1999. The required "Base Amount" was determined by the Controller based on the amount of General Fund discretionary revenue appropriated to Muni and to other City departments that provided services to Muni in Fiscal Year 1999-2000 (the "**Base Year**"). When the former DPT was incorporated into the SFMTA as of July 1, 2002, the Base Amount was increased by the Controller to reflect the General Fund revenue that had been appropriated to the DPT, as well as other City departments which provided services to the DPT as of Fiscal Year 2001-02. The Base Amount was similarly adjusted to reflect incorporation into the SFMTA of responsibility for the work of the Parking Authority and the former Taxi Commission. The Base Amount is adjusted for each fiscal year by the Controller by the percentage increase or decrease in aggregate City discretionary revenues that can be appropriated by the Mayor and Board of Supervisors for any lawful purpose. As part of the City's existing budget process, the Controller may make further mid-year refinements to adjustments in the Base Amount by increasing or decreasing such adjustments to reflect updated budget projections and any additional information available to the Controller at such time. See "– Financial Operations – Budget Process." Adjustments are also made for any increases in General Fund appropriations to the SFMTA in subsequent years to provide ongoing services that were not provided in the Base Year.

On November 4, 2014, voters in the City approved Proposition B. Proposition B provides that, commencing in Fiscal Year 2015-16, the Controller shall further adjust the Base Amount annually by the percentage increase in the population of San Francisco as determined by data that the Controller, in his or her sole discretion, finds most reliable for the most recent available calendar year. Such increase shall be based on the greater of the increase in the daytime or nighttime population of the City; provided that, in any year in which the Controller determines that neither the daytime nor the nighttime population has increased, no adjustment shall be made. Seventy-five percent of any increase as a result of the provisions of Proposition B shall be applied by the SFMTA to make transit system improvements to Muni and 25% shall be used for transportation capital expenditures to improve street safety for all users. Table 12 sets forth the amount of population based general fund baseline funds received in the last five years pursuant to Proposition B.

Annual General Fund Transfer No. 2. The City imposes a tax on the occupancy of all commercial off-street parking spaces throughout the City. The overall tax rate is 25% of total parking charges. Pursuant to Section 8A.105(f) of the Charter, the SFMTA receives an additional guaranteed annual deposit into the Municipal Transportation Fund from the City's General Fund equivalent to 80% of the revenues from the City's tax on the occupancy of commercial off-street parking spaces ("**General Fund Transfer No. 2**").

Although the City transfers significant funds to the SFMTA annually pursuant to the Charter, such amounts do not constitute Pledged Revenues and the Indenture provides that such funds are not to be applied to pay debt service on the Bonds but must instead be expended on operation and maintenance expenses and for other SFMTA purposes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Pledged Revenues Under the Indenture."

TABLE 12
GENERAL FUND TRANSFERS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2016	**2017**	**2018**	**2019**	**2020**
General Fund Transfer No. 1	$284.7	$312.6	$338.9	$408.7	$367.5
General Fund Transfer No. 2	68.8	67.4	66.8	68.8	55.6
Population Based General Fund Baseline (Proposition B)	27.7	31.0	43.3	47.0	49.8
Total:	$381.2	$411.0	$449.0	$524.5	$472.9

Source: SFMTA

Appropriated Prior Year Fund Balance

This category accounts for revenue derived from funds available at the end of prior Fiscal Years. Historically the SFMTA has used unspent funds remaining from prior appropriations to roll over into subsequent years for use.

Contingency Reserve Policy

In 2007, the Board approved a Contingency Reserve Policy, which directed the establishment of an operating reserve with the goal of setting aside a total of 10% of annual operating expenditures, with such goal being met over a ten-year period by adding 1% to the reserve in each Fiscal Year. Each year, during its annual budget process, the Board reviews the adequacy of the reserves. Pursuant to the Contingency Reserve Policy, the SFMTA has committed to spend no more than 30% of reserves in any year.

The target amounts for Fiscal Years 2018-19 and 2019-20 were $126.0 million and $126.4 million, respectively. As of June 30, 2019, and June 30, 2020, the SFMTA held $137.0 million and $120.1 million, respectively, on deposit in the contingency reserve fund. The SFMTA did not use any amounts from the contingency reserve fund in Fiscal Years 2018-19 or 2019-20. The target amount for Fiscal Year 2020-21 is $125.0 million, and such amount is currently on deposit in the contingency reserve fund. The SFMTA does not anticipate that it will need to use any funds from the contingency reserve fund in Fiscal Years 2020-21, but may need to access such reserves in Fiscal Year 2021-22 to achieve a balanced budget. See also "IMPACT OF COVID-19 PANDEMIC."

Operating and Maintenance Expenses

General. The SFMTA's operating and maintenance expenses are comprised of: personnel expenses (salaries and fringe benefits), contracted services, financial contributions to the PCJPB to subsidize the operation of Caltrain commuter rail service between the City and San Jose, materials and supplies, equipment and maintenance expenses, insurance and claims costs, and the cost of services provided by other City departments. Any repair or maintenance activity that does not extend the useful life and/or expand the productive capacity of a capital asset is accounted for as an operating expense, and is included in the Operating and Maintenance Expenses described herein. See "– Capital Program" for a description of the SFMTA's capital plan and major capital projects. A summary of the SFMTA's historical operating and maintenance expenses is presented in Table 6. Between Fiscal Year 2015-16 and Fiscal Year 2019-20, the SFMTA's total operating and maintenance expenses increased by $183.7 million or 19.3%, from approximately $952.4 million to approximately $1.14 billion. Such increase was due primarily to increased salaries, pension and medical costs, other professional services and the cost of services provided by other City departments.

Wages, Salaries and Benefits. A significant portion of the SFMTA's operating costs consist of wages and salaries for employees. See "– Labor Relations." Salaries have remained relatively flat in recent years, although the cost of benefits has increased. SFMTA employees, as part of the City workforce, are eligible for benefits negotiated by the City and therefore subject to increases or decreases negotiated by the City or approved by voters.

TABLE 13
HISTORICAL PERSONNEL COSTS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

Fiscal Year	Total Operating Expense Before Transfers (In Thousands)	Number of Employees(1)	Total Personnel Costs(2) (in Thousands)	Percentage Change in Operating Expenses	Percentage Change in Personnel Costs (Salaries & Fringes)
2020	$1,136,118	5,981	$815,677	2.96%	5.41%
2019	1,103,433	5,842	773,803	5.77	4.43
2018	1,043,240	5,692	740,968	5.04	5.98
2017	993,137	5,660	699,164	4.27	5.19
2016	952,444	5,308	664,672	4.94	6.99

(1) Based on operating budget.
(2) Includes gross salaries and fringe benefits.
Source: SFMTA

Recent ballot measures passed by the voters have also provided some opportunities for controlling personnel costs for both the City and the SFMTA, including Proposition B, passed in 2008 ("**Proposition B**"), Proposition D, passed in June 2010 ("**Proposition D**"), Proposition G, passed in November 2010 ("**Proposition G**"), and Proposition C, passed in November 2011 ("**Proposition C**"). Proposition B reduces health benefits and requires employer and employee prefunding contributions for new hires to a health care trust fund (the "**RHCTF**") established to pay for future costs relating to retiree health care; however, it also increases maximum pension benefits for employees retiring at and after age 60 and enhances cost of living increases. More than 10% of the City's payroll is now covered by this lower cost RHCTF alternative. Proposition A, a Charter amendment approved by the voters in November 2013, prohibits withdrawals from the City's sub-trust account within the RHCTF, which covers SFMTA employees, except during such times as the City's actuary has determined that amounts held in such sub-trust exceed the City's actuarial accrued liability and for certain other purposes including permitted cost-smoothing and payment of certain administrative expenses.

Proposition D increases the required pension system contributions for certain employees, directs excess City pension contributions resulting from significant investment earnings in any year to a health care trust fund for employees and changed the method for calculating an employee's final compensation for purposes of determining pension benefits. Proposition G eliminates the floor for transit operator wages which had previously been established by City voters at the average of the two highest wage scales in effect in comparable jurisdictions. Proposition C is expected to reduce future pension and health care costs by (i) increasing certain employees contributions to the pension system in years when the City's contribution to the pension system exceeds 12% of covered payroll, (ii) requiring elected officials to contribute at the same rate as City employees, (iii) increasing the retirement age and length of service requirements for employees hired after January 7, 2012 and (iv) requiring elected officials and employees, starting on or before January 1, 2009, to contribute up to 1% of their compensation toward their retiree health care, with a matching contribution by the City. Employee pension contribution rates will decrease, though, under Proposition C during any years in which the City's pension contributions represent less than 11% of covered payroll. Litigation challenging certain aspects of Proposition C have been successful and resulted in increased costs to the City. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations – San Francisco City and County Employees' Retirement System."

As an enterprise department of the City, the SFMTA is excluded from the provisions of California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"). As of January 1, 2013, PEPRA applies to all state and local public retirement systems and their participating employers, except for those charter cities and counties whose retirement systems are not governed by State statute. The only county or city and county not subject to PEPRA is the City.

Charter Amendment Affecting Transit Operator Wages and Benefits. In November 2010, the voters of San Francisco adopted Proposition G, a Charter Amendment that changed how the SFMTA and its transit operators (i.e., the employees who operate the SFMTA's motor buses, trolley buses, light rail and street rail vehicles and cable cars) negotiate wages and benefits. Prior to the adoption of Proposition G, the Charter required that transit operators receive an hourly pay rate no lower than the average of the two highest paid comparable transit agencies in the United States. Proposition G eliminated references to wages and subjects transit operator collective bargaining to the same impasse resolution procedure – binding arbitration – applicable to most other City employees.

Fuel, Lubricants and Electricity Costs. The two primary sources of energy for Muni's operations are diesel fuel (containing 5% to 20% biodiesel) and electricity. Approximately 65% of Muni's buses operate on diesel, while the remaining 35% of Muni's buses are electric. All of Muni's light rail vehicles and cable cars operate on electricity. See "– Transit – Transit Operations." The table below sets forth the SFMTA's expenses for fuels and lubricants, primarily comprised of expenses relating to the purchase of diesel fuel, and its expenses for electricity over the most recent five Fiscal Years. The decrease in the costs of fuels and lubricants was due in part to reduced transit service as a result of the COVID-19 pandemic and the City's stay-at-home orders. See "IMPACT OF COVID-19 PANDEMIC."

TABLE 14
FUEL, LUBRICANTS AND ELECTRICITY COSTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2016	**2017**	**2018**	**2019**	**2020**
Fuels & Lubricants(1)	$11.2	$11.2	$11.4	$11.0	$9.2
Electricity(2)	7.9	8.5	8.9	8.6	8.1

(1) Includes purchases of natural gas.
(2) Electricity purchased from SFPUC is included in the "Service of Other City Departments" line item in the SFMTA's historical operating results.
Source: SFMTA

During Fiscal Years 2015-16 through 2019-20, the SFMTA purchased all of its electricity from the SFPUC. The SFPUC owns and operates the Hetch Hetchy Water and Power system, which generates 100% greenhouse-gas-free hydroelectricity, as well as supplemental in-city solar generation. Power is supplied to SFMTA through SFPUC-owned transmission, as well as PG&E-owned distribution systems.

The SFPUC prices power supplied to the SFMTA and certain other departments of the City at a rate that is lower than the SFPUC's average cost and significantly lower than prevailing PG&E commercial power rates in the Bay Area. As of June 1, 2020, the SFMTA paid approximately $0.01268/kWh for power purchased from the SFPUC, which is below market rate.

The SFMTA purchases fuel through a City-wide contract administered by the Office of Contract Administration ("**OCA**"). The OCA awarded this contract to several vendors at rates based on the diesel wholesale rack rates published by Oil Pricing Information Service rates (the "**OPIS Rate**"). The OPIS Rate represents an average daily price for ultra-low sulfur distillate diesel fuel based on wholesale terminal price data gathered from numerous sources, and thus fluctuates with the market but generally remains below retail rates.

Peninsula Corridor Joint Power Board. The City is a participant in the PCJPB, along with Santa Clara Valley Transportation Authority and SamTrans. The PCJPB is governed by a separate board composed of nine members, three from each participant. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula Caltrain rail service. The PCJPB began operating the Peninsula Caltrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, since which it has continued on a year-to-year basis. Withdrawal by any participant would require one year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB, based primarily on the percentage of system ridership originating in San Francisco. The SFMTA contributed $8.0 million for operating needs in Fiscal Year 2019-20, $7.0 million for operating needs in Fiscal Year 2018-19 and $6.0

million for operating needs in Fiscal Year 2017-18. The PCJPB's annual financial statements are publicly available, however, they are not incorporated by reference into this Official Statement.

In November 2020, voters in the Bay Area region passed Measure RR ("**Measure RR**"), which authorized a sales tax of 0.125% in the Santa Clara and San Mateo counties and the City and County of San Francisco for a period of 30 years (terminating June 30, 2051), estimated to raise approximately $100 million per year. Proceeds from the sales tax must be spent for the operating and capital purposes of the Caltrain rail service, and are expected to be sufficient to cover the operational needs of the Caltrain rail service, thereby eliminating the SFMTA's annual contribution beginning in Fiscal Year 2022-23.

Payment for Services of Other City Departments. City departments contract with one another for services in much the same way that City departments contract with private vendors. The SFMTA reimburses the City for services provided to the SFMTA by other City departments, which include, but are not limited to, the provision of electric power by the SFPUC, police services, legal services provided by the City Attorney, telecommunications and information technology services provided by the Department of Technology and various services provided by the City's General Services Agency. The cost to the SFMTA of work orders have increased from approximately $55.2 million in Fiscal Year 2015-16 to $86.0 million in Fiscal Year 2019-20. These payments include non-service items such as utilities and technology.

Other Materials, Supplies and Professional Services. In the normal course of its operations, the SFMTA purchases a variety of supplies other than fuel and lubricants and services other than paratransit services and services of other City departments. Such purchases include office supplies, maintenance supplies and services, auditing services, financial services and waste collection. The SFMTA's Contracts and Procurement Division ensures compliance with all contracting rules and regulations.

Labor Relations

Employee Relations. As of June 30, 2020, the SFMTA employed 5,981 Full-Time Equivalent employees. Although the COVID-19 pandemic has adversely affected the SFMTA's operations and revenues, the SFMTA has been able to minimize short-term negative impacts to services, and has not yet furloughed or laid off any of its workforce. However, the SFMTA may be required to cut service and make structural adjustments to its labor force in the second half of Fiscal Year 2020-21 or Fiscal Year 2021-22, including reducing its workforce by up to 1,200 if additional federal relief is not received. For more information regarding the impact of COVID-19 on the SFMTA, see "IMPACT OF COVID-19 PANDEMIC."

All of the SFMTA's employees are represented by one of 19 employee bargaining units. The SFMTA is authorized by the Charter to negotiate directly with employee bargaining units for positions the SFMTA designates as "Service Critical." As described in the Charter, "Service Critical" functions are: (1) operating a transit vehicle, whether or not in revenue service; (2) controlling dispatch of, or movement of, or access to, a transit vehicle; (3) maintaining a transit vehicle or equipment used in transit service, including both preventative maintenance and overhaul of equipment and systems, including system-related infrastructure; (4) regularly providing information services to the public or handling complaints; and (5) supervising or managing employees performing functions enumerated above. The following table summarizes the number of employees covered by the Service Critical collective bargaining agreements and the expiration date of such agreements as of June 30, 2020.

TABLE 15
SUMMARY OF SFMTA SERVICE CRITICAL LABOR AGREEMENTS

Employee Bargaining Unit	Full-Time Equivalent Employment[(1)]	Agreement Expiration Date[(2)]
International Association of Machinists, Local 1414	300	June 30, 2022
International Brotherhood of Electrical Workers, Local 6	509	June 30, 2022
Transport Workers Union, Local 200	315	June 30, 2022
Transport Workers Union, Local 250-A, Automotive Service Workers	96	June 30, 2022
Transport Workers Union, Local 250-A, Transit Fare Inspectors	40	June 30, 2022
Transport Workers Union, Local 250-A, Transit Operators	2,555	June 30, 2022
Service Employees International Union, Local 1021	1,006	June 30, 2022
MEA, Municipal Executives Association	136	June 30, 2022
Total Critical Service Employee Count	**4,957**	

(1) As of June 30, 2020. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.
(2) As of June 30, 2020.
Source: SFMTA

The following table summarizes the number of City employees allocated to the SFMTA under the City's collective bargaining agreements and the expiration date of such collective bargaining agreements as of June 30, 2020.

TABLE 16
SUMMARY OF FULL-TIME EQUIVALENT CITY EMPLOYEES
ASSIGNED TO THE SFMTA

Employee Bargaining Unit	Full-Time Equivalent Employment[(1)]	Agreement Expiration Date[(2)]
Carpenters, Local 22	14	June 30, 2022
Glaziers, Local 718	6	June 30, 2022
International Federation of Professional and Technical Engineers, Local 21	551	June 30, 2022
Laborers, Local 261	69	June 30, 2022
Operating Engineers, Local 3	3	June 30, 2022
Painters, Local 1176	41	June 30, 2022
Plumbers, Local 38	2	June 30, 2022
Service Employees International Union, Local 1021	1,006	June 30, 2022
Sheet Metal Workers, Local 104	3	June 30, 2022
Stationary Engineers, Local 39	42	June 30, 2022
Teamsters, Local 853	12	June 30, 2022
Teamsters, Local 856	19	June 30, 2022
Unrepresented Employees (Misc.)	N/A	N/A
Total Employee Count	**1,768**	

(1) As of June 30, 2020. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.
(2) As of June 30, 2020.
Source: SFMTA

The Charter prohibits SFMTA and other City employees from striking. See "CERTAIN RISK FACTORS – Labor Actions."

Employee Benefit Plans. The SFMTA employees are covered by benefit plans offered through the City. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations." SFMTA's obligations with respect to the costs of such plans generally reflect the aggregate Pensionable Salary of SFMTA employees as a percentage of the aggregate Pensionable Salary of all plan beneficiaries.

Retirement System Plan Description. The SFMTA participates in the City's single-employer defined benefit retirement plan (the "**Plan**"), which is administered by the San Francisco City and County Employees' Retirement System (the "**Retirement System**"). The Plan covers substantially all full-time employees of the SFMTA along with all other employees of the City. The Plan provides basic service retirement, disability and death benefits based on specific percentages of final average salary and also provides cost of living adjustments after retirement. The Plan also provides pension continuation benefits for qualified survivors. The Charter and the Administrative Code of the City are the authority that established and amended the benefit provisions and employer obligations of the Plan. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations – San Francisco Employees' Retirement System." The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA, 94103, or by calling (415) 487-7000. Such report is not incorporated herein by reference.

Retirement System Funding Policy. Contributions are made to the plan by both the SFMTA and its participating employees. Employee contributions are mandatory and employee contribution rates for Fiscal Year 2019-20 varied from 1.5% to 7.5% as a percentage of Pensionable Salary. For Fiscal Years 2018-19 and 2019-20 the actuarially determined rate as a percentage of Pensionable Salary was 7.5%. The SFMTA's required contribution was approximately $78.6 million in Fiscal Year 2017-18, $83.6 million in Fiscal Year 2018-19, and $98 million in Fiscal Year 2019-20. The SFMTA's budgeted contributions in Fiscal Year 2020-21 and Fiscal Year 2021-22 are $103.3 million and $108.3 million, respectively, based on an actuarially determined rate as a percentage of Pensionable Salary of 22.9% and 21.4%, respectively. For more information about the plan, including certain unfunded liabilities, see Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations – San Francisco Employees' Retirement System."

Health Care Benefits. Health care benefits for the employees of the SFMTA, retired employees and their surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Services System (the "**Health Service System**"). See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations – Medical Benefits." The SFMTA's annual contribution, which amounted to $120.8 million in Fiscal Year 2018-19 and $125.7 million in Fiscal Year 2019-20, is determined by a Charter provision based on similar contributions made by the ten most populous counties in the State.

Included in these amounts are $37.7 million and $39.3 million for Fiscal Year 2018-19 and Fiscal Year 2019-20 to provide post-retirement benefits for retired employees on a pay-as-you-go basis. SFMTA pays into the Health Service System exclusively for SFMTA employees.

Other Post-Employment Benefits. As prescribed under GASB 75, effective for the year ended June 30, 2018, net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense are actuarially determined on a City-wide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value. The SFMTA's proportionate share percentage of the Plan is determined based on its percentage of citywide pay-as-you-go contributions for the prior year ended June 30.

For Fiscal Year ended June 30, 2016 through June 30, 2017, the City determined a City-wide Annual Required Contribution ("**ARC**"), interest on net Other Post-Employment Benefits ("**OPEB**") obligation, ARC adjustment and OPEB cost based on an actuarial valuation performed in accordance with GASB 45, by the City's actuaries. The City's allocation of OPEB costs to the SFMTA for the years ended June 30, 2016 through June 30, 2017 is based on a percentage of City-wide Pensionable Salary.

The following table shows the components of the City's annual OPEB allocations for the SFMTA for the Fiscal Years ended June 30, 2016 through June 30, 2017 based on GASB 45, and for Fiscal Years ended June 30, 2018 through June 30, 2020 based on GASB 75, the amounts contributed to the plan and changes in the net OPEB obligations. See also Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Employment Costs; Post-Retirement Obligations."

TABLE 17
SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

	2016[(1)]	**2017**[(2)]	**2018**[(3)]	**2019**[(4)]	**2020**[(5)]
Annual Required Contribution	$ 42,506	$ 50,238	--	--	--
Interest on net OPEB Obligation	13,496	13,652	--	--	--
Adjustment to ARC	(10,973)	(5,521)	--	--	--
Annual Net OPEB Cost	$ 45,029	$ 58,369	$ 62,784	$ 57,885	$ 57,881
Contribution Made	(29,334)	(32,044)	(36,034)	(38,717)	(41,736)
Changes in Contributions subsequent to measurement date	--	--	36,034	19,549	30,276
Changes in Net difference between projected and actual earnings on plan investments	--	--	(1,060)	(58,081)	8,501
Increase in net OPEB Obligation	$ 15,695	$ 26,325	$ 61,724	$ (19,364)	$ 54,992
Net OPEB Obligation at beginning of Fiscal Year	220,297	235,992	262,317	657,062	637,698
Cumulative effect of change in accounting principle	--	--	333,021	--	--
Net OPEB Obligation at end of Fiscal Year	$235,992	$262,317	$657,062	$637,698	$692,620

(1) In Fiscal Year 2015-16, the City had 31,342 funded positions and the SFMTA had 5,308 funded positions for both operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(2) In Fiscal Year 2016-17, the City had 32,749 funded positions and the SFMTA had 5,660 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(3) In Fiscal Year 2017-18, the City had 33,045 funded positions and the SFMTA had 5,692 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(4) In Fiscal Year 2018-19, the City had 33,519 funded positions and the SFMTA had 5,842 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(5) In Fiscal Year ending 2019-20, the City had 33,782 funded positions and the SFMTA had 5,981 funded positions for operations and capital project support. The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

Source: SFMTA and City CAFR, calculated in accordance with GAAP

Capital Program

Capital Planning Process. As part of its capital planning process, the SFMTA develops several different planning documents that cover different time periods and use different assumptions regarding funding. Each such document is updated and adopted by the Board on a biannual basis. The SFMTA's five-year capital improvement plan ("**CIP**") presents prioritized capital needs that are constrained by projected capital funds. The SFMTA also develops 10-year and 20-year capital plans that represent the prioritized list of "unconstrained needs," i.e., that represents projected capital needs over the time period without regard to how much capital funding or other resources might be available to meet those needs. Finally, the SFMTA develops a two-year capital budget, which is constrained by "known and available funding at the time." The CIP represents expected investment in the system, which includes amounts above what is reflected in appropriated budgets. The two-year capital budget determines the SFMTA's expenditure appropriation authority.

A two-year capital budget consistent with the CIP is approved by the Board every even-numbered year. The two-year capital budget authorizes planned expenditures for projects to rehabilitate, replace, enhance or expand SFMTA capital assets during the next two Fiscal Years, and covers all the SFMTA modes, including public transit, paratransit/taxis, streets, bicycles and pedestrian projects, as well as all phases of capital project development, including planning, design, construction and procurement efforts for fleet, facilities, infrastructure and equipment. The objectives of the SFMTA's capital planning process are to develop a detailed program of projects for the two-year capital budget that is realistic and achievable, to fund project phases completely so that projects remain within scope and on schedule, and to prevent funding accessibility from being a barrier to project delivery. See "– Funding of Capital Improvements."

Five-Year CIP. The CIP includes those capital projects that can reasonably be assumed to be funded and worked on in the next five years and identifies the funding that the SFMTA expects to receive within the five-year timeframe. While not a guarantee of funding, the CIP conveys specific commitments from various funding agencies to support the SFMTA's highest priority capital improvements. The most recently approved CIP, covering the period from Fiscal Year 2020-21 to Fiscal Year 2024-25, was adopted by the Board on April 21, 2020. The Original Five-Year CIP totaled $2.54 billion for 188 projects within 10 capital program areas, including communication and information technology, facility, fleet, parking, security, signals, streets, taxi, transit fixed guideway, and transit optimization and expansion. In December 2020, due to financial impacts related to the COVID-19 pandemic, the SFMTA revised its Original Five-Year CIP. The Revised Five-Year CIP totals $2.33 billion, an 8% decrease from the Original Five-Year CIP. The current revenue projection for the Revised Five-Year CIP includes current and anticipated competitive grants, federal formula funds, local sales taxes and debt. The funding estimates represent the SFMTA's best current assessment of available capital resources. See also "IMPACT OF COVID-19 PANDEMIC."

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TABLE 18
ESTIMATED SFMTA FIVE-YEAR CAPITAL FUNDING BY FUNDING SOURCE
(FOR THE FISCAL YEARS 2020-21 THROUGH 2024-25)
(IN THOUSANDS)

Source	Projected Funding Amount
Federal Funding Sources	
FTA Section 5307, Urbanized Area Formula Program	$ 336
FTA Section 5337, State of Good Repair	23,497
FTA Transit Capital Priorities	791,331
Other Federal Funds	14,150
State Funding Sources	
Cap and Trade Proceeds	84,636
SB1 State of Good Repair	65,379
Active Transportation Program	23,162
Other State Grant Funds	30,185
Local Funding Sources	
Proposition K Sales Tax Proceeds	219,267
AB 664-Bridge Tolls	30,645
Regional Measure 3	156,400
Other MTC Funding	41,236
Developer Impact Fees/Contributions	325,820
Population Based General Fund Baseline (Proposition B)	191,597
Traffic Congestion Mitigation Tax	38,601
Transfer from Operating Revenues	35,177
Other Local Capital Funds	11,776
Debt Financing Proceeds	
San Francisco General Obligation Bond[1]	249,938
Total:	$2,333,133

[1] In November 2014, San Francisco voters approved Proposition A authorizing the City to issue up to $500 million in general obligation bonds (of which, $377.215 million have been issued) the proceeds of which may be applied to finance transportation-related projects. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Obligation Bonds."

Source: SFMTA

To ensure that projects expected to be funded through the CIP and two-year capital budget proceed, the SFMTA has implemented capital plan and program policies that include cost controls designed to facilitate the completion of projects on schedule and on budget. All projects over the CIP period are funded to phase and only if 90% of the funding for the proposed scope of work for a given phase is identified. The SFMTA is also building a capital fund reserve through the CIP process in order to mitigate any unanticipated cost increases during the course of project delivery. In addition, a Transportation Capital Committee, comprised of members form the SFMTA's different divisions, provides project oversight and controls on project scope, schedules and budgets.

Fiscal Years 2020-21 and 2021-22 Capital Budget; 2-Year Projected Capital Improvement Investments. The Board approved a two-year capital budget for Fiscal Years 2020-21 and 2021-22 on April 21, 2020, in the amounts of $559.8 million and $553.1 million, respectively. The SFMTA has also revised the Original Two-Year Capital Budget, with net changes resulting to totals similar to the Original Two-Year Capital Budget of $559.7 million and $532.2 million for Fiscal Years 2020-21 and 2021-22, respectively. Based on the Revised Five-Year CIP, the Two-Year Capital Budget, and expenditures authorized in prior two-year capital budgets but not yet completed, the SFMTA projects total investment in capital projects for Fiscal Years 2020-21 and 2021-22, classified as either State of Good Repair projects or Enhancement/Expansion projects, as follows:

TABLE 19
PROJECTED TWO-YEAR CAPITAL IMPROVEMENT INVESTMENTS
FISCAL YEAR 2020-21 TO FISCAL YEAR 2021-22
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2021	**2022**
State of Good Repair Projects	$233.6	$265.8
Enhancement/Expansion Projects	326.2	287.3
Total	$559.8	$553.1

Source: SFMTA

State of Good Repair Analysis. In accordance with Federal Transit Administration guidance, a "State of Good Repair" analysis evaluates the level of investment required to maintain an asset or system in a state of good repair. FTA defines "State of Good Repair" as the condition in which a capital asset is able to operate at a full level of performance. As part of a regional effort, the SFMTA completed the first phase of an analysis of its State of Good Repair needs in August 2010 and produced its 2010 State of Good Repair report (the "**2010 SGR Report**"). The 2010 SGR Report was the SFMTA's first comprehensive inventory of its capital assets, and included revenue and non-revenue vehicles, infrastructure such as track, overhead electrical wires and signals, communications and fare collection systems, and operating facilities (e.g., maintenance yards) and passenger facilities (e.g., rail stations). From this inventory, the SFMTA has analyzed asset lifecycles and costs, and has produced a preliminary assessment of its state of good repair needs.

The 2010 SGR Report was subsequently updated, most recently in June 2020 (the "**2019 SGR Report**"). The 2019 SGR Report is the seventh comprehensive State of Good Repair report. The SFMTA's current asset replacement value is approximately $14.98 billion. The table below summarizes the breakdown of the SFMTA's current asset replacement costs by asset category, as updated.

TABLE 20
$14.98 BILLION TOTAL CAPITAL ASSET REPLACEMENT VALUE
BY ASSET CATEGORY

Stations	24%
Overhead Wires	19
Facilities	14
Parking and Traffic	11
Track	8
Light Rail Vehicles	7
Train Control and Communications	6
Other Systems and Vehicles	4
Motor Coach Vehicles	4
Trolley Coach Vehicles	2

Source: SFMTA

The SFMTA currently evaluates whether an asset is in a State of Good Repair using the "TERM Lite" tool developed by the Federal Transit Administration. The TERM Lite tool produces a "condition score" for all assets in the Capital Asset Inventory on a scale of one (poor) to five (excellent). The cumulative, value-weighted average of all asset condition scores in the Capital Asset Inventory determines the SFMTA's overall condition score. The FTA defines a transportation system in which assets receive an overall condition score of 2.5 or better as being maintained in a State of Good Repair. According to the SFMTA's 2019 SGR Report, the SFMTA's TERM Lite condition scores for Fiscal Year 2018-19 assets averaged a score of 3.18. This score represents a decline of 0.01 from the reported value of 3.19 in the 2018 State of Good Repair Report. The model calculated these scores based only on the age of the assets reported, excluding other factors such as specific operating conditions and level of use that impact the assets' condition. In the future, the SFMTA plans to conduct a condition assessment of all its assets to produce a TERM Lite score that more accurately reflects the true conditions of its assets.

The State of Good Repair analysis indicated a backlog of asset replacement of approximately $3.24 billion as of June 2019 based on accounting asset life. Eliminating the backlog over 20 years was calculated to cost approximately $632 million annually. Maintaining the backlog at the level existing as of June 2019 would require annual capital expenditures of approximately $472 million per year, according to the 2019 SGR Report. The SFMTA has committed to investing an average of $250 million annually on transit State of Good Repair. This commitment was made to the Federal Transit Administration in 2010 as part of the SFMTA FFGA for the Central Subway Project.

In Fiscal Year 2018-19, the SFMTA spent $394 million on State of Good Repair investments. Since Fiscal Year 2009-10, the SFMTA has expended an average of $235 million annually on transit State of Good Repair. Table 21 provides the estimated expenditures required from Fiscal Years 2018-19 to 2038-39 to maintain the SFMTA's ideal State of Good Repair.

TABLE 21
20 YEAR ESTIMATE OF CAPITAL EXPENDITURES NECESSARY TO MAINTAIN AN IDEAL STATE OF GOOD REPAIR BY ASSET CATEGORY
(IN MILLIONS)

Asset	Amount Needed	Percentage
Parking and Traffic	$2,290	18%
Stations	1,498	12
Facilities	1,584	12
Overhead Lines	1,520	12
Motor Coach Vehicles	1,315	10
Light Rail Vehicles	1,149	9
Train Control & Communications	1,049	8
Tracks	1,049	8
Other Systems & Vehicles	834	6
Trolley Coach Vehicles	604	5

Source: SFMTA, 2019 State of Good Repair Report (June 2020)

The SFMTA currently generates asset condition scores based solely on asset age. This approach shows the condition score of an asset deteriorating as it reaches the end of its scheduled useful life, and does not reflect specific operating conditions, level of use or other factors that impact the performance and operating life of an asset. A key component of the SFMTA's 10-Year Asset Management Strategy is to incorporate additional factors into condition scoring, such as an inspected operating condition. Accordingly, the SFMTA will begin to incorporate use-based condition data to better model the condition of its assets to support more data-driven investment and project development decisions. Use-based condition data has been or will be provided through condition assessments of ultrasonic rail testing on the rail network, buildings and grounds and tragic signals.

To the extent that the SFMTA is unable to effect asset replacement in a manner consistent with the strategic approaches described above, it is likely that more of the SFMTA's asset base will age beyond its design life. As with all transit systems, this could impair the SFMTA's ability to operate and maintain some portion of its vehicle fleets, infrastructure and facilities, possibly resulting in limitations on the SFMTA's ability to deliver service, an increase in the SFMTA's operating and maintenance expenses, and/or a reduction in the SFMTA's operating revenues below the levels that otherwise would have been realized. See "CERTAIN RISK FACTORS – Physical Condition of the SFMTA Assets."

Current Projects

Central Subway Project. The Central Subway project (the "**Central Subway Project**") is an extension and second phase of the Third Street light rail transit ("**LRT**") line from its current terminus at Fourth and King Streets. From a portal south of Market Street, the alignment will descend below grade into a twin bore subway northward under San Francisco's downtown beneath Fourth Street and Stockton Street into Chinatown near the theater, hotel and central business district. The Central Subway includes one surface station and three underground stations (collectively, the "**Central Subway**"). The Central Subway Project funding plan includes the acquisition of four light rail vehicles as part of a larger SFMTA light rail vehicle procurement program to augment the existing light rail fleet. When completed, the combined Third Street LRT and Central Subway will provide a continuous, seven-mile route connecting the south-eastern portion of San Francisco with Chinatown in the north. The Central Subway twin bore tunnels have been constructed using two tunnel boring machines, a technology used for large sewer systems, water transport and transit subway infrastructure.

In 2011, the SFMTA awarded a contract for the twin bore tunneling (the "**Tunneling Contract**") to Barnard Impregilo Healy, a Joint Venture ("**BIH**"). Construction of the twin bore tunneling was substantially completed in 2015. In 2013, the SFMTA awarded a contract for the construction of the Chinatown Station, the Union Square/Market Street Station with concourse connection to the existing Powell Street Muni/BART Station, the Yerba Buena/Moscone Station, the 4th and Brannan Station, tracks, switches, control systems and related items for the Central Subway Project (the "**Station Contract**") to Tutor Perini Corporation ("**Tutor Perini**"). Construction of the stations and related items under the Station Contract is approximately 98% completed. Remaining work under the Station Contract includes Chinatown, Union Square/Market Street and Yerba Buena/Moscone station finishes, AC and DC substations, elevators, lighting, HVAC fire alarm, suppression and protection, settlement monitoring, building protection, public announcement equipment, CCTV, signage, installation of fare collection equipment and station start-up and commissioning. The projected schedule for commencement of revenue service is spring 2022, approximately 30 months behind the original projected date.

The original budgeted cost of the Central Subway Project was $1.578 billion and the current budgeted cost of the Central Subway Project is $1.659 billion (in year of expenditure dollars). All Central Subway Project funding sources for budgeted costs are committed, as set forth in Table 22 and as further described below.

TABLE 22
CENTRAL SUBWAY PROJECT: COMMITTED PRINCIPAL FUNDING SOURCES
(IN THOUSANDS)

Funding Source	Original Budget	Funding Amount through October 2020
FTA Section 5309 New Starts Program	$942,200	$942,214
Federal Congestion Mitigation and Air Quality Program	41,025	41,025
FTA One Bay Area Grant	--	15,980
State Regional Transportation Improvement Program	--	12,498
State Proposition 1B, PTMISEA[(1)]	307,792	307,898
State Proposition 1A High-Speed Passenger Train Bond	61,308	61,308
State TCRP Grant[(2)]	14,000	9,000
State LCTOP[(3)]	--	4,000
Local SFCTA Proposition K	137,727	143,692
Local SFMTA Operating	74,248	97,277
Local SFMTA Proposition B	--	24,102
Total	$1,578,300	$1,658,993

(1) Public Transportation Modernization, Improvement and Service Enhancement Account.
(2) Traffic Congestion Relief Program.

(3) Low Carbon Transit Operations Program.
Source: SFMTA

Federal Funding. The largest committed funding source for the Central Subway Project is the Federal Transit Administration's Section 5309 New Starts Program (the "**New Starts Program**"). The New Starts Program is the largest federal program dedicated to public transit infrastructure investment based on matching funds from local project sponsors. Projects that qualify for funding follow the New Starts assessment process that results in rating New Starts and Small Starts applicants: The ratings range from High, Medium-High, Medium, Medium-Low, to Low. Only projects rated Medium or higher may advance through the New Starts and Small Starts project development process. Projects that continue to be rated Medium or higher annually during their development will be eligible for consideration for multi-year funding recommendations embodied in a Full Funding Grant Agreement ("**FFGA**") in the President's budget. FFGAs are preceded by an extensive series of reviews and audits of the proposed project scope, cost estimate and budget to confirm that the estimates and plans are reliable and based on industry standards, as well as to verify local funding commitments. From the time the Central Subway Project completed Preliminary Engineering, the Central Subway Project has received a "Medium-High" project rating from the Federal Transit Administration, a "Medium-High" rating for project justification, and a "Medium" rating for "local financial commitment."

With approval of the Central Subway Final Supplemental Environmental Impact Statement in September 2008, the Federal Transit Administration issued the Record of Decision in November 2008, and approved commencement of final design in January 2010. The Central Subway Project is now fully in the construction phase. An FFGA between the SFMTA and the Federal Transit Administration, executed in October 2012 (the "**SFMTA FFGA**"), established a multi-year commitment of $942.2 million in Federal Transit Administration New Starts Program funds, all of which have been received and expended by the SFMTA on the Central Subway Project.

The SFMTA FFGA commits to a maximum level of New Starts financial assistance, establishes the terms and conditions of federal financial participation in the Central Subway Project and will help the SFMTA and the Federal Transit Administration manage the Central Subway Project in accordance with applicable federal law. The Federal Transit Administration uses a Project Management Oversight Program to obtain independent feedback on Central Subway Project progress and the status of the scope, budget, and schedule, as well as to provide guidance on management, construction, and quality assurance practices. The SFMTA FFGA also defines the start of revenue service date for the Central Subway Project as on or before spring 2022. See "– Central Subway Project Status" and "– Certain Central Subway Project Risks and Risk Management."

The SFMTA FFGA has provided the SFMTA with predictable federal financial support for the Central Subway Project. However, the SFMTA FFGA places limitations on the amount and timing of its support which have not taken into account any cost increases relating to the Central Subway Project. See "– Additional Project Costs." As is the case with other FTA grants, the SFMTA FFGA requires that SFMTA follow the terms of the Federal Transit Administration Master Agreement containing the standard terms and conditions governing the administration of projects that the Federal Transit Administration has financed with federal assistance. The SFMTA FFGA also outlines Central Subway Project cost eligibility. In the event that it is determined by the Federal Transit Administration that SFMTA FFGA requirements have not been met or that Central Subway Project costs incurred are ineligible, the SFMTA would be responsible for paying or reimbursing the Federal Transit Administration for such costs.

Three smaller, targeted, federal funds sources are committed to the Central Subway Project. The first, the Congestion Mitigation and Air Quality Improvement Program, committed $41 million to the Central Subway Project, of which 100% has been received by the SFMTA and expended on the Central Subway Project. The second source, Countywide Regional Transportation Improvement Program ("**RTIP**") grants are administered by the State, from an array of State and Federal funding sources, as part of its State Transportation Improvement Program ("**STIP**"). These are funds that are federal transportation revenues programmed by the State of California, including its Congestion Management Agencies. MTC, as the Regional Transportation Planning Agency for the Bay Area and its nine member County Transportation Agencies, develop local and regional priorities within the RTIPs, which are then submitted to the California Transportation Commission for programmatic inclusion in the STIP, with funds awarded (allocated) to the project sponsor agencies across a five year horizon, i.e. 2020-2024. In 2014, San Francisco County Transportation Authority awarded the SFMTA approximately $12.5 million of State-RTIP funds for the

Central Subway Project. This increment originally represented the first payment of $88 million of State RTIP Grant funds to the Central Subway Project. However, due to the timing of the receipt of the remaining State RTIP Grant funds, the SFMTA partnered with the Metropolitan Transportation Commission and the San Francisco County Transportation Authority to fund the remaining State RTIP Grant funds through other funding sources. The third source, the One Bay Area Grant ("**OBAG**"), represents federal funding administered by the MTC and directs federal funding to projects and programs that integrate the region's transportation program with California's climate law and Plan Bay Area, the Regional Transportation Plan/Sustainable Communities Strategy. Approximately 45% of OBAG funds are directed to county Congestion Management Agencies (CMAs), such as the San Francisco County Transportation Authority, enabling them to select their own OBAG program of projects. On November 27, 2018, to backfill the Central Subway State RTIP Grant funds, the San Francisco County Transportation Authority Board approved a Proposition K fund exchange with the Better Market Street to help backfill the State RTIP commitment through $16.0 million in OBAG funds.

See also "– Remaining Central Subway Project Risks and Risk Management" and "CERTAIN RISK FACTORS – Reliance Upon Grants and City General Fund Transfers" and "– U.S. Government Funding."

State, Regional and Local Funding. The State has formally committed to provide approximately $307.9 million of Public Transportation, Modernization, Improvement, and Service Enhancement Account ("**PTMISEA**") funds from proceeds of the sale of State Proposition 1B (voter-approved) infrastructure bonds.

PTMISEA funds are appropriated by the California State Legislature to the State Controller's Office for allocation to project sponsors, such as the SFMTA, pursuant to State statute. As a project sponsor, the SFMTA submits allocation requests to Caltrans. Caltrans ensures the requests meet the required criteria. The approved allocation request also serves as the agreement verifying the SFMTA's commitment to the project's scope of work, schedule and budget. The SFMTA is required to submit semi-annual financial and outcome progress reports on all projects. Any change in scope of work, schedule, or budget requires the submittal of an amendment plan that identifies the original commitment and the revised information, including an explanation of the change. The SFMTA is also required to submit an annual TDA Guidelines audit that has been expanded to include PTMISEA activities. These reports provide program and project status based on the financial activities of the SFMTA. The annual TDA Guidelines audit of the SFMTA includes the PTMISEA funds and includes verification of receipt and appropriate expenditure of bond funds.

To date, the SFMTA has received Caltrans' full allocation of approximately $307.9 million in PTMISEA funds, all of which have been expended on the Central Subway Project. As there are cost savings in other projects funded by the PTMISEA program, SFMTA anticipates using these cost savings to further fund the project as needed.

Traffic Congestion Relief Program ("**TCRP**") grants provide funding for transportation projects that relieve congestion, connect transportation systems and provide for better goods movement in the State. Working with regional agencies, including MTC, the State developed a list of projects for funding with TCRP. The SFMTA has received and expended all $9 million from the TCRP grant on the Central Subway Project.

In 2008, State voters approved funding for the California High-Speed Rail project, including the issuance of bonds (the "**Proposition 1A Bonds**") to finance local rail transit projects that would connect to the new high-speed rail system. In 2012, the State approved issuance of up to $4.5 billion in Proposition 1A Bonds to finance a portion of the High-Speed Rail Project in the Central Valley along with certain transit connection projects. On September 27, 2012, the California Transportation Commission allocated to the SFMTA all $61.308 million of the Proposition 1A High Speed Rail Connectivity funds that had been programmed to the City for connecting transit to the State system. All of these funds were directed to the Central Subway Project Tunneling Contract and Station Contract, and have been received and spent by the SFMTA.

The County Transportation Authority awarded $143.7 million in Proposition K local sales tax revenues to the SFMTA for the Central Subway Project and all of these funds have been received and spent by the SFMTA.

In 2006, California passed climate law AB 32, establishing the goal to reduce greenhouse gas emissions to 1990 levels by 2020. To reach this goal, the State initiated a cap-and-trade program to generate revenue by selling carbon credits. This revenue supports investments in renewable energy, low-carbon transportation, and sustainable community development. Cap-and-trade revenue is managed through the Greenhouse Gas Reduction Fund ("**GGRF**") and is administered by Caltrans. Funding available through the GGRF includes the formula-based Low Carbon Transit Operations Program ("**LCTOP**"). SFMTA has received $4.0 million in LCTOP funds which partially offsets the backfill of the Central Subway State RTIP commitment.

Proposition B was approved by San Francisco voters in 2014 and required the City to increase General Fund contributions to the SFMTA by a percentage equal to the City's annual population increase, accounting for both daytime and nighttime populations. Proposition B also requires 75% of the population-based increase go to projects that improve Muni's reliability, frequency of service, as well as pay for Muni repairs; the remainder goes to capital street safety improvements. The SFMTA manages the allocation of Proposition B directly and has allocated $24.1 million to the Central Subway Project. This amount also offsets the backfill of the Central Subway State RTIP commitment.

SFMTA Operating funds represent operating fund balance allocated to the capital budget. The SFMTA has allocated approximately $97.3 million to the Central Subway Project.

Additional Project Costs. Based on current estimates and predictions, the SFMTA anticipates that the total cost of the Central Subway Project will be approximately 15% above the current project cost of $1.659 billion. The most significant remaining item is negotiations with Tutor Perini, the contractor under the Station Contract, to resolve a variety of contractor claims for, among other things, change orders, delays and associated project impacts. Given the ongoing negotiations, the SFMTA cannot provide more than an approximation of the final Central Subway Project budget. The SFMTA can provide no assurance that total cost of the project will not be higher than currently estimated.

From November 2013 through September 2019, the SFMTA issued 671 change orders to Tutor Perini, representing the cost of differing site conditions and design changes necessary to complete the project. Following negotiations, the SFMTA and Tutor Perini agreed that the total cost of all 671 change orders was approximately $48.8 million, all of which has been paid to Tutor Perini. The SFMTA is currently negotiating a collection of approximately 350 change orders issued from October 2019 through October 2020. In addition, the SFMTA expects to have a final set of change orders issued between November 2020 through final projection completion.

To the extent that costs of the Central Subway Project ultimately exceed $1.659 billion, the SFMTA will require additional funds to complete the project. The SFMTA is working to identify additional funding sources in anticipation of the cost overruns described above. Potential sources include non-federal funding programmed to other SFMTA projects, SFMTA operating funds, additional Bonds, new sales tax revenues and proceeds of future general obligation bonds, if any, issued by the City for such purpose. Such events could have a material adverse effect on the SFMTA's finances. See "CERTAIN RISK FACTORS."

Remaining Project Risks and Risk Management. While the current schedule for commencement of revenue service on the Central Subway is spring 2022 and the current budgeted cost of the Central Subway Project is approximately $1.659 billion in year of expenditure dollars, there can be no assurance that the schedule for commencement of revenue service will not be longer, or the cost of the Central Subway Project will not be higher. As is the case for every large infrastructure project, there are circumstances that could cause delay or cost increases for the Central Subway Project. Given the magnitude and the complexity of the Central Subway Project, such risks include, but are not limited to, project or funding delays, multiple project scheduling dependencies, litigation, unanticipated natural hazards, hazardous waste, soil, groundwater or other project site conditions or events, including groundwater intrusion, occurring in connection with construction, accidents or seismic events during construction, unanticipated environmental or archaeological issues and adverse conditions in the credit and capital markets that increase the SFMTA's borrowing costs.

Certain other risks include the following: liability or delays associated with construction impacts on stakeholders and other third-parties, public concerns resulting in unexpected restrictions on or changes to project specifications, construction plans and schedules, potential increases in the costs of rolling stock, and potential service issues in connection with integration of the Central Subway line into Muni's existing operations. See "CERTAIN RISK FACTORS."

To further manage risks from disputes with its contractors, the SFMTA has also created a Configuration Management Board ("**CMB**") to focus on certain risks and mitigations from challenges and opportunities arising during construction of the Central Subway Project. The CMB is a project-level, decision-making body that reviews and approves, or recommends approval to the SFMTA's upper management of, all change requests to the Central Subway Project's baseline documents prior to implementation of such changes. The SFMTA has found this process to be an effective means to assist in managing costs associated with change orders and mitigating any potential disputes. The CMB includes Central Subway Project staff and a representative from the County Transportation Authority's Project Management Office.

The SFMTA has pursued a variety of both operational and contractual means to mitigate and manage identified risks. Risks related to excavation and station construction include, without limitation: subsidence, underground obstructions or previously unknown environmental or archaeological site conditions, adverse impacts on existing underground utility services, changes to construction specifications or plans following commencement of construction, or evolving restrictions on construction intensity as a result of noise, vibration, local traffic control or other requirements. See "CERTAIN RISK FACTORS – Construction Risk." With respect to subsidence and liability generally associated with construction impacts on stakeholders and other third-parties, Tutor Perini has obtained multiple insurance policies with a total aggregate claims limit of $50 million through Alliant Insurance Services to cover certain loss-claims relating to the activities undertaken pursuant to the Station Contract, and BIH has obtained multiple insurance policies with a total aggregate claims limit of $200 million through Marsh Risk & Insurance Services to cover loss-claims relating to activities undertaken pursuant to the Tunneling Contract. The SFMTA continues to address public concerns about construction of the Central Subway through requirements that contractors' activities preserve access to residences and businesses, assist with vehicle and pedestrian traffic, control noise and vibration, and clean up any debris or other materials left following construction. The SFMTA also maintains comprehensive public outreach programs that alert local residents and merchants to planned and ongoing construction activities, which has resulted in successful resolutions of issues relating to construction impacts, including the successful completion of the relocation of the tunnel boring machine extraction site to the Pagoda Theater.

Although the SFMTA implements a formal and systematic risk management and mitigation in connection with identified risks, and has put in place processes to address risks arising during or first identified during the course of construction, including through the activities of the Project Risk Assessment Committee and the CMB, there can be no assurance that the SFMTA will be able to fully mitigate such risks nor that the impact of any such risks, if realized, on the Central Subway Project would not result in the time to completion being longer, or costs of completion higher, than the current schedule and cost estimates for the project, including by amounts that exceed current estimates of available funding. See "– Additional Project Costs" and "CERTAIN RISK FACTORS."

<u>Mission Bay Transit Loop Project</u>. Prior to opening service on the Central Subway line, the SFMTA has undertaken the Mission Bay Transit Loop Project (the "**MBL**") to construct facilities that would allow up to half of the light rail vehicles traveling south on the Central Subway/Third Street LRT lines to turn around during peak hours near the intersection of Third Street and Eighteenth Street. By allowing up to half of the trains to return toward the City's downtown prior to arriving at the terminus of the Third Street LRT line at the Sunnydale Station, the MBL would facilitate increased frequency of service on the Central Subway line in the Chinatown, Mission Bay and South of Market Neighborhoods during peak periods. SFMTA also anticipates providing additional services and financing other capital facilities, such as public transit services, special event shuttles, parking and traffic engineering and control services, local access programs, Muni infrastructure improvements, bicycle and pedestrian access improvements, and studying the feasibility of a ferry landing and service for Mission Bay South and surrounding areas. The FTA delivered its Finding of No Significant Impact with respect to the MBL's Environmental Assessment on July 30, 2013. The SFMTA has obtained and received funding for the MBL pursuant to a Federal Transit Administration Tiger Grant. The SFMTA took beneficial occupancy of the MBL rail in October 2019. Delays in completing the final testing and punch list work have delayed substantial completion of the project which is anticipated in January of 2021.

<u>Muni Forward</u>. Developed through the extensive Transit Effectiveness Project planning effort which included several years of data collection, intensive assessment, and public outreach efforts, the Rapid Network

Improvement projects will restructure transit service on Muni's high ridership lines to improve efficiency and connectivity. This program consists of targeted engineering improvements designed to minimize transit service delays at key intersections and along the Rapid Network, the busiest transit corridors in the city. Street design engineering tools that reduce travel time, ensure safer transit operations, and improve accessibility on the busiest transit routes include lane modifications, traffic signal and stop sign changes, transit stop changes, parking and turn restrictions, and pedestrian improvements. Approximately $185 million has been secured through the San Francisco Transportation and Road Improvement General Obligation bond to implement approximately 20 projects, including the third issuance in September 2020 of approximately $79 million of such bonds. These general obligation bonds are secured by ad valorem property taxes imposed by the City and would not be secured by Pledged Revenues.

Light Rail Vehicle Acquisition. In 2014, the Board approved a contract with Siemens to acquire up to 264 new LRVs over a 15 year period to replace and expand Muni's existing fleet of Breda LRVs. Of such amount, the Board has authorized the SFMTA to purchase 219 LRVs; the SFMTA has taken delivery of 68 LRVs and anticipates taking delivery of 151 additional LRVs in early 2021. The remaining 45 LRVs are subject to a purchase option under the Siemens contract, which the SFMTA has not yet exercised.

The Board and the Board of Supervisors have approved a total contract price of not to exceed approximately $1.193 billion for the acquisition of the Siemens LRVs. Total project costs, including project support, taxes and contingency are estimated to be $1.42 billion. The SFMTA has identified funding for approximately $1.127 billion of such project amount, including approximately $613.8 million in funding from MTC, $191.9 million of Proposition K local sales tax funds, $113.1 million in revenues from the State's cap-and trade emissions program, up to $145.1 million in bond proceeds (including the planned expenditure of up to $125 million in proceeds of the Series 2021C Bonds, which the SFMTA currently plans to issue in March 2021), $8 million of operating funds, $16.8 million of Central Subway Project funds, and $38.2 million in other local funds. The SFMTA projects that such amounts will be sufficient to purchase the 219 LRVs described above. In some cases the funds identified have been prioritized by the grantors to facilitate SFMTA's acquisition of the LRVs, though the SFMTA has not yet secured such amounts. If the SFMTA does not receive any portion of such amounts, the SFMTA will attempt to identify alternative funding sources, potentially including the issuance of additional Bonds or the deferral of other capital projects to make available sufficient funding for the light rail vehicle purchases, or it will delay the purchases of, or purchase fewer, LRVs under the contract with Siemens. If the SFMTA exercises its option to purchase the remaining 45 LRVs under the Siemens contract, it will need to identify approximately $150 million in additional funding.

Van Ness Avenue Bus Rapid Transit. The Van Ness Avenue Bus Rapid Transit project, now known as the Van Ness Improvement Project, covers approximately two miles, from Mission St. and South Van Ness Avenue to Lombard St. and Van Ness Avenue. The project includes improvements that would provide for rapid, reliable transit, including dedicated bus lanes separated from regular traffic to improve transit performance; transit signal priority, recognizing an approaching bus rapid transit ("**BRT**") vehicle and extending the green light when it is safe to do so; proof of payment and all-door boarding to allow buses to pick up and drop off passengers more quickly; high-quality stations; pedestrian safety enhancements, including reduced crossing distances on streets where BRT stations are located; and large platforms for waiting passengers. The project is expected to improve transit speeds by up to 30% on these corridors, significantly improve reliability, improve rider and pedestrian comfort, amenities, and safety, and fill a key gap in the City's Rapid Transit Network. The project will also include replacement of the aging overhead wire system that powers the buses, replacement of more than 22,000 feet of water main, rehabilitation and relocation of the underground sewer system, overhauling the emergency firefighting system that supplies water to over 1,200 hydrants, installation of an electrical duct bank, installation of new landscaping and rain gardens, and repaving of Van Ness Avenue. The project was originally estimated to cost approximately $195 million (in 2017 dollars) and is currently estimated to cost approximately $319.8 million (in 2020 dollars). Revenue service is projected to start beginning in calendar year 2021.

Rail Replacement Program. The Rail Replacement Program is an on-going program of phased replacement of sections of rail on the light rail or cable car systems which will enhance system reliability and productivity and help reduce operational problems. The program allows for a systematic replacement cycle of, on average, approximately 35 years for most segments of the Muni rail system. Sections of rail to be replaced are prioritized based on their potential for failure and derailments, the amount of noise and vibration experienced at surrounding structures, and their relationship with complementary projects of other city departments. Rail replacement projects are organized in two ways: (1) a corridor wide replacement; or (2) the selected replacement of particularly vulnerable sections of track, including curved rail and other special work such as track switches, which tend to wear out much faster than straight track. Corridor wide projects replace 1-2 miles of straight track and any special work in that area and are normally coordinated with the work of other City departments and utilities to upgrade the entire infrastructure along the corridor.

Funding of Capital Improvements. The SFMTA's capital program is financed from a variety of funding sources, including Bonds and capital grant funds from federal, State and local sources. During the 20-year period from Fiscal Year 2018-19 to Fiscal Year 2039-40, the SFMTA projects capital needs of approximately $30.8 billion.

Grant Recovery and Relinquishment. Grants the SFMTA receives generally provide for monitoring of compliance with various restrictions and termination or suspension of payments or recovery of disbursed funds in the event of a serious violation of grant terms or misapplication of grant funds. The compliance conditions which the Federal Transit Administration, the California Department of Transportation, MTC, the County Transportation Authority and other agencies apply to recipients of grants are uniform for all recipients. With respect to the recovery of such grant funds, the SFMTA is not subject to any unique rules, requirements or auditing procedures as compared with other recipients. For example, in connection with Federal Transit Authority grants, recipients, including the SFMTA, agree to comply with all applicable federal statutes and regulations in carrying out any project supported by such grants, along with the terms and conditions of the Federal Transit Authority grant agreements which include restrictions relating to, among other issues, lobbying, procurement compliance, acquisition of rolling stock and bus testing, drug and alcohol use and the payment of interest and other financing costs. As another example, State law requires, subject to certain possible exceptions and exemptions, that the SFMTA maintain a ratio of local revenues to transit operating costs of at least 31.2%, including farebox revenues, in order to preserve its eligibility for STA and LTF funding. The ratio of local revenues, including fare revenues, to transit operating costs in Fiscal Year 2018-19 was 75.6%, and in Fiscal Year 2019-20 was 65.0%. The ratio of fare revenues only to transit operating costs was 22.4% and 16.5% in Fiscal Year 2018-19 and Fiscal Year 2019-20, respectively. See "– Current Projects – Central Subway Project," "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Federal, State Regional and Local Grants" and "CERTAIN RISK FACTORS – Reliance Upon Grants and City General Fund Transfers."

The County Transportation Authority grants sales tax funds to support certain programs which include an identified number of projects authorized by the voters in the County. The SFMTA has occasionally released grant funds back to the County Transportation Authority when the SFMTA has completed, under budget, a project funded by County Transportation Authority grants. The applicable project savings are then returned to the County Transportation Authority to provide additional funding for other projects within the same grouping. The availability of the SFMTA project savings to the SFMTA is determined by the number of eligible sponsors within each respective grouping. In many cases, however, the SFMTA is the only eligible project sponsor within such grouping.

Commercial Paper Program

In 2013, the Board approved the SFMTA's commercial paper notes program and authorized the issuance of commercial paper notes in an aggregate principal amount of up to $100 million. The commercial paper notes were secured by a letter of credit, which the SFMTA terminated in August 2020. No commercial paper notes were outstanding at the time the SFMTA terminated the letter of credit.

The SFMTA does not have any plans to issue commercial paper notes. If the SFMTA were to issue commercial paper notes, such notes would be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Outstanding Debt

Prior to the issuance of the Series 2021 Bonds, the SFMTA's outstanding long-term debt obligations consist of the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds and the Series 2017 Bonds. As described under "PLAN OF FINANCE – Series 2021 Refunding Bonds," all or a portion of the Series 2012A, Series 2012B, Series 2013 and Series 2014 Bonds are expected to be refunded with proceeds of the Series 2021 Refunding Bonds. See also "DEBT SERVICE SCHEDULE," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Other Obligations Secured by Pledged Revenues" and "– City General Obligation Bonds."

Lease/Leaseback Transactions

In April 2002 and September 2003, following approval by the Federal Transit Administration and the Board of Supervisors, the SFMTA entered into a leveraged lease-leaseback transaction in two tranches covering 139 Breda light rail vehicles. All of the lease-leaseback transactions have been terminated.

Risk Management and Insurance

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The SFMTA's risk management program includes both self-insured and insured coverage. With certain exceptions, the City and the SFMTA's general policy is to first evaluate self-insurance for the risk of loss to which it is exposed. Based on this analysis, the SFMTA has determined that in certain areas of risk, mitigating risk through a wholly or partially self-insured program is more economical as it manages risks internally, and administers, adjusts, settles, defends and pays claims from annually-budgeted resources. When it is economically more advantageous, or when required by financial covenants, the SFMTA obtains commercial insurance for the risks of specific loss, not including earthquake.

The SFMTA self-insures for general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA's general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3 million. The reserve was $29.4 million at the end of Fiscal Year 2019-20. Additionally, the SFMTA participates in the City master property program for fixed asset protection, including scheduled Breda light rail vehicles. The SFMTA also currently maintains commercial insurance on the SFMTA-controlled parking garages.

The following is a summary of the SFMTA's coverage approach to risk:

TABLE 23
RISK MANAGEMENT AND INSURANCE

Primary Risk	Coverage Approach
General/Transit Liability	Self-insure
Property (including Breda light rail vehicles and parking garages)	Self-insure and Purchase insurance
Workers' Compensation	Self-insure
Employee (Transit Operators)	Purchase insurance
Directors and Officers	Purchase insurance

Source: SFMTA

The SFMTA does not maintain insurance policies covering earthquake, flood, environmental pollution or other, similar risks.

The SFMTA does require contractors to maintain insurance for all construction activities. Requirements with respect to policy limits, covered losses and other terms of the insurance vary depending upon the type of activity undertaken and are usually determined in collaboration with the City's Risk Manager.

Investment of SFMTA Funds

Pursuant to the Charter, the SFMTA maintains its deposits and investments and a portion of its restricted asset deposits as part of the City's pool of investments and deposits. The management of the pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California law, including, among others, California Government Code Sections 27000, 53601, and 53635. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) members of the general public. The current City and County of San Francisco Office of the Treasurer Investment Policy is attached hereto as Appendix C. The City's Comprehensive Annual Financial Report categorizes the level of common deposits and investment risks associated with the City's pooled deposits and investments. As of June 30, 2020, the City Treasurer held $848.3 million of SFMTA's current assets, of which $731.3 million was unrestricted.

CERTAIN RISK FACTORS

The following section discusses certain risk factors that should be considered by potential investors, along with all other information presented in this Official Statement, in evaluating the risks associated with an investment in the Series 2021 Bonds. The following discussion is not meant to be a comprehensive nor a definitive list of the risks associated with an investment in the Series 2021 Bonds. Any one or more of the risk factors discussed below, among others, could adversely affect the ability of the SFMTA to pay principal of, premium, if any, or interest on the Series 2021 Bonds or lead to a decrease in the market value and/or in the liquidity of the Series 2021 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. There can be no assurance that other risk factors not discussed herein will not become material in the future, and the SFMTA has not undertaken to update investors about the emergence of other risk factors in the future.

Series 2021 Bonds Limited Obligations

The Series 2021 Bonds are special, limited obligations of the SFMTA secured by and payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of, premium, if any, or interest on the Series 2021 Bonds from any source of funds other than Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2021 Bonds. The Series 2021 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The SFMTA has no taxing power. In case of default by the SFMTA in the payment of principal of, premium, if any, and interest on the Bonds, the remedies of the Bondholders may be limited.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the SFMTA. The enforceability of the rights and remedies of the owners of the Bonds and the Trustee under the Indenture in the event of a default by the SFMTA may be subject to the following: limitations on legal remedies available against public agencies in the State; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See Appendix G – "PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL" herein.

Reliance Upon Grants and City General Fund Transfers

Operating Grants and City General Fund Transfers. The SFMTA relies on operating grants and transfers from the City's General Fund to cover operating expenses and other amounts payable from the Municipal Transportation Fund. The City General Fund transfers to the SFMTA are made in accordance with certain provisions on the City Charter. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Fund Transfers" and "– Federal, State Regional and Local Grants." There can be no assurances that such Charter provisions will not be amended in the future, and such amendments could reduce operating grants and transfers from the City's General Fund. See "– Change in Law; Local Initiatives."

Grants to Address Capital Needs. The SFMTA relies primarily on federal, State and regional grants to address capital needs. The budgets for most major capital projects include reimbursement-based grant funding that is disbursed to the SFMTA based on satisfaction of certain conditions. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Federal, State Regional and Local Grants," "– Capital Program – Current Projects – Central Subway Project" and "– Capital Program – Funding of Capital Improvements."

Certain Impacts of Failure to Receive and Apply, or Delay in Receipt and Application of, Grant Funding. The continuation of federal, State, regional and local grant programs to fund both operational and capital needs, including any additional federal relief funds due to the COVID-19 pandemic, and the timely disbursement of such funding, is not assured. See also "IMPACT OF COVID-19 PANDEMIC." Such grants are generally subject to the availability and appropriation of funds as well as to satisfaction of various conditions specified in connection with the grant. For example, appropriation and disbursement of certain federal grant funds the SFMTA receives generally requires the federal government to enact an appropriations bill or a continuing appropriations act. In addition, should grant conditions fail to be satisfied, granting agencies may not disburse, may cease disbursing or may delay disbursement of such funds to the SFMTA, and, in some circumstances, the SFMTA could be obligated to reimburse all or a portion of previously disbursed grant funds to the grantor agency. Should the SFMTA for any reason be unable to obtain and apply funds from such grant programs on a timely basis or become obligated to reimburse any portion of such funds, including as a result of any failure to satisfy specified conditions of such grants, it could adversely affect the SFMTA's operations or its Capital Program or both, and could have a material adverse impact on the SFMTA's financial condition.

Physical Condition of the SFMTA Assets

The physical condition of the SFMTA's current assets varies broadly. Although most of the SFMTA's capital assets are within their design life, the SFMTA, like most other large transit agencies, has a backlog of deferred investment and a number of facilities that require renovation or seismic improvement. For example, two of the SFMTA's key subway tunnels were constructed in the early twentieth century and five garages with a combined 7,196 spaces are over fifty years old. Certain overhead power lines, which require periodic rehabilitation and replacement, have been in place since, or were last rehabilitated as early as, 1973, although the SFMTA's ongoing transit fixed guideway program includes a number of capital projects to systematically rehabilitate or replace these assets.

See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Transit – Transit Operations", "– Parking and Traffic Functions – Parking Garages" and "– Capital Program – State of Good Repair Analysis." Assets kept in operation beyond their design life are less reliable, resulting in increased maintenance and operations expenses and limitations on the SFMTA's ability to deliver service. Such assets are also more vulnerable to casualty loss. See "– Seismic Risks" and "– Casualty Losses." Although the SFMTA is working to address these issues, if the SFMTA is unable to continue to obtain significant funding to address capital needs, more of the SFMTA's asset base will age beyond its design life and the SFMTA's ability to generate operating revenues may be adversely affected.

Construction Risk

The SFMTA is undertaking a number of construction projects, the most significant of which is the Central Subway Project. The Central Subway Project is a major undertaking involving complex engineering and coordination of underground and surface activities. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Capital Program – Current Projects – Central Subject Project" and, specifically, "– Certain Central Subway Project Risks and Risk Management." Construction of SFMTA facilities is also subject to ordinary construction risks and delays applicable to projects of their kind, such as (i) inclement weather affecting contractor performance and timeliness of completion, which could adversely affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) force majeure or work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; or (vi) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. Increased construction costs or delays could have a material adverse impact on the SFMTA's financial condition in general and the implementation of its capital programs in particular.

Increased Operation and Maintenance Expenses

In addition to paying debt service on the Series 2021 Bonds, the SFMTA uses amounts in the Municipal Transportation Fund for the payment of the operation and maintenance expenses of the SFMTA. There can be no assurance that the operation and maintenance expenses of the SFMTA, such as wages and salaries, pension and other benefits, or diesel fuel and electricity costs, will not increase substantially. The SFMTA has a limited ability to increase its rates and charges, and in all cases such increases are subject to prevailing market conditions which could reduce the market demand for the SFMTA's services. The SFMTA may, however, also address substantial increases in costs through service reductions. See "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Operating and Maintenance Expenses" herein.

Labor Actions

The Charter prohibits SFMTA and other City employees from striking. Nonetheless a work stoppage or other labor action may limit the SFMTA's ability to operate Muni or the parking garages, and have a material adverse impact on Pledged Revenues. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Labor Relations – Employee Relations."

Statutory and Regulatory Compliance

The SFMTA is subject to a variety of State and federal statutory and regulatory requirements. The SFMTA's failure to comply with applicable laws and regulations could result in significant fines and penalties and, changes in the scope and standards for the activities undertaken by the SFMTA may also lead to administrative orders issued by federal or State regulators. Changes in statutory or regulatory requirements or the issuance of new administrative orders could materially adversely impact the SFMTA's operation of the Transportation System and compliance with such charges or orders could impose substantial additional costs or operations or require material capital expenditures.

Safety and Security

The safety of the facilities of the SFMTA is maintained via a combination of regular inspections by SFMTA employees, electronic monitoring, and analysis of unusual incident reports. All above-ground facilities operated and maintained by the SFMTA are controlled access facilities with fencing, gates, closed circuit television systems and security officers at certain points. Smaller facilities operated and maintained by the SFMTA are locked with padlocks or internal locking mechanisms, and most are monitored via access/intrusion alarms. Security improvements are evaluated on an ongoing basis. Electronic operations and controls have been evaluated and exposure reduced through a series of technology systems enhancements and integration.

Military conflicts and terrorist activities may materially adversely impact the operations of the SFMTA's systems or the finances of the SFMTA. Mass transit facilities and vehicles have in the past been the target of terrorist attacks. The SFMTA continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that hostile or terrorist activities are directed against the assets of the SFMTA or that the costs of such security measures will not be greater than presently anticipated.

Cybersecurity

City Measures. The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "**Systems Technology**"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy (the "**City Cyber Policy**") to support, maintain, and secure critical infrastructure and data systems. The objectives of the City Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments, including the SFMTA, to implement the City Cyber Policy. The City Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer (the "**CCISO**"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments, including the SFMTA. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

SFMTA Measures. The SFMTA has a separate and distinct Information Technology department from the City, including its own dedicated Cybersecurity Manager. As such, the SFMTA has a cybersecurity program that is specifically tailored to its needs based on the SFMTA's business and risk profile. The program includes state-of-the-art tools and procedure to prevent attacks against the SFMTA that would result in loss of data or availability to SFMTA systems. The SFMTA works closely with peer City departments, including the City's Department of Technology to ensure safe and secure transport between all entities.

In November 2016, the SFMTA was a victim of a ransomware attack that disrupted some of its internal computer systems. The SFMTA network was not breached from the outside and hackers did not gain entry through the SFMTA's firewalls. Transit service was unaffected and there were no impacts to the safe operation of buses and Muni Metro. The SFMTA took the precaution of turning off the ticket machines and faregates in the Muni Metro subway stations for approximately 24 hours to minimize any potential risk to Muni customers, which resulted in a revenue loss of approximately $50,000. Neither customer privacy nor transaction information were compromised. All systems were restored and the SFMTA paid no ransom for the attack. Following the incident, the SFMTA formalized its cybersecurity program and implemented new tools for vulnerability management and malware protection.

Casualty Losses

The SFMTA's facilities and its ability to generate Pledged Revenues from its properties are also at risk from events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots and from torts, including theft, damage and destruction of assets, business interruption and omission, injuries to employees and others. While the SFMTA has attempted to address the risk of a loss from many of these sorts of occurrences through its risk management program, which includes both self-insured and insured coverages, the program does not provide for every conceivable risk of loss. Damage attributable to seismic events and environmental pollution, for example, are excluded. In situations where the SFMTA has not purchased commercial coverage, the SFMTA has a 'self-retention' program that is administered and retains budgeted resources internally to provide coverage for loss liabilities. See also "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Risk Management and Insurance." The SFMTA is not required to either insure against or self-insure against every potential risk of loss and there is a risk that damage or destruction of its property and equipment could occur for which no insurance or self-insurance funds will be available. There can be no assurance that insurance providers will pay claims under any policies promptly or at all, should a claim be made under such policies in connection with property loss or damage. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force the SFMTA to pursue legal remedies to collect on or settle the insurance claim. Further, there can be no assurances that any insurance proceeds will be sufficient to rebuild or replace any damaged property.

Notwithstanding that the SFMTA may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to the SFMTA's facilities, the collection of fees and charges for the use of the Transportation System and other amounts comprising the Pledged Revenues could be materially impaired for an undetermined period.

Seismic Risks

San Francisco and the Transportation System are located in a seismically active region. Active earthquake faults underlie both San Francisco and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles to the southeast of the border of the SFMTA's service area, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of San Francisco, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in San Francisco were permanently closed and eventually removed. See "– Casualty Losses." In 2014, the San Francisco Bay Area experienced a 6.0 earthquake near Napa along the West Napa Fault. San Francisco did not suffer any material damage as a result of that earthquake.

Because science relating to prediction of seismic events is inexact, the SFMTA is unable to predict the likelihood of a significant earthquake or the effects of any such earthquake on the Transportation System or Pledged Revenues. In a variety of reports, however, the U.S. Geological Survey ("**U.S.G.S.**") has noted the potential for significant seismic events in the San Francisco Bay Area. As one example, a 2015 report by the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S.G.S., the California Geological Society, and the Southern California Earthquake Center) estimated that there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger would occur in the Bay Area before the year 2045. An earthquake of such magnitude or larger would likely be very destructive. In addition to the potential damage to SFMTA-owned buildings, facilities, fixtures, rail lines and equipment (on which the SFMTA does not generally carry earthquake insurance), a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts and residential and business real property values, with uncertain but potentially significant corresponding material adverse impacts on the operations and revenues of the SFMTA, by harming the City's status as a tourist destination and regional hub of commercial, retail and entertainment activity. In the event of a significant seismic event, the SFMTA would attempt to repair damage to SFMTA facilities as quickly as possible, but the time required to return the facilities to service would depend on the nature and extent of the damage.

Climate Change, Risk of Sea Level Rise and Flooding Damage

Impact on San Francisco. Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 ("**NCA4**"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and

Mission Rock projects. Also, the City has started the process of planning to fortify the Port's Seawall from sea level rise, including an initial investment of about $8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over $500 million and long-term upgrades to cost more than $5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Series 2021 Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which vacated the dismissal and remanded the case to the District Court. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Impact on SFMTA.

Sea level rise is the primary climate change risk currently projected to impact the SFMTA. Approximately four-square miles of San Francisco (not including Treasure Island or San Francisco International Airport) are located within the City's Sea Level Rise ("**SLR**") Vulnerability Zone. The SLR Vulnerability Zone is 108 inches above today's high tide (mean higher high water, or MHHW). This includes 66 inches of SLR plus 42 inches of tidal and storm surge, an upper-range scenario for end of century.

Muni Metro operates below ground in the subway along Market Street, sharing four of the nine subway stations with BART. BART is generally operated at the lowest level underground, with Muni Metro located between BART and the surface streets. LRV service also operates along the Embarcadero and King Street at surface grades, with long portions of track and stations located in the SLR Vulnerability Zone. Muni Metro LRVs enter the Market Street tunnel along the Embarcadero between Howard and Folsom Streets. The Embarcadero Muni portal is vulnerable to sea level rise at 48 inches. If the Embarcadero Muni portal were flooded, water could enter the Embarcadero Station and the BART/Muni tunnel, causing significant service disruptions for San Francisco and region.

Muni Metro is currently under expansion through the Central Subway Project. The Central Subway portal is on Fourth Street between Harrison and Bryant Streets in the SLR Vulnerability Zone. The lowest point within the Central Subway is under Market Street, below the existing Market Street subway.

Light rail tracks above and below ground are sensitive to inundation. Although LRVs can continue to operate during minimal flooding, rail service would be suspended if inundation exceeds a minimum safe depth. Exposure to saltwater would accelerate corrosion risks and damage sensitive electrical equipment of tracks along the shoreline. LRVs can be moved out of potentially inundated areas prior to a storm event with enough notice, but finding adequate and safe storage for the fleet is a challenge. The rail system would require inspection by regulators before placing the system back in service.

Underground subway stations are sensitive to projected flooding and inundation, as numerous flood pathways are available for floodwater to enter the stations (portals, utility access holes, conduits, vents, grates, stairs, etc.). Portions of the light rail system may continue to operate if inundation impacts are localized. However, impacts to the subway portions and the electrical systems could cause systemwide disruptions and impacts to stations that are outside of inundated areas. Seventeen buses can provide limited alternative service during disruptions and maintenance. Buses are placed into service to provide alternate transportation during construction and/or long-term repairs to portions of the system. However, short-term replacements would require pulling buses from other routes, impacting residents on those revenue lines.

The City's public ground transportation system relies on a variety of operations and maintenance facilities where vehicles and equipment are stored, serviced, assembled, repaired, tested, painted and fueled. These facilities are required for continued safe and reliable operation of the public transit system. The facilities within the SLR Vulnerability Zone were evaluated individually. The SFMTA determined that the Islais Creek and Marin Yard Motor Coach facilities are in low-lying areas within the SLR Vulnerability Zone and vulnerable to both temporary and permanent flooding as sea levels rise. In response, the SFMTA initiated the Islais Creek Adaptation Strategy, a two-year community planning process in the Islais Creek area that will develop actionable strategies that address sea level rise and coastal flood risk through a robust public engagement process. Building on the Resilient by Design proposal and other city and regional efforts, the strategy will develop a long-range vision for the Islais Creek shoreline, asset-specific solutions for public infrastructure, and a prioritized funding and implementation strategy that increases the resilience of the community and provides improved transportation networks and new open space. The SFMTA's work at Islais is being coordinated with the San Francisco Public Utilities Commission, Planning Department and Port, and the area is also being examined by the Army Corps of Engineers Flood Study which is an element of the Port's Waterfront Resilience Program.

Sidewalks are generally not sensitive to flooding and can resume their function once floodwaters recede; however, during flood events, accessibility and safety are issues. Traffic signals and roadway and pedestrian have electrical equipment at grade that is sensitive to flooding. Sidewalks have minimal adaptive capacity for flooding because they cannot be easily raised and need to consider ADA accessibility and maximum slope restrictions when meeting the roadway.

San Francisco has 447 miles of streets on the bike network, of which 121 miles are counted as part of the "High-Quality Bike Network." Bicycle lanes and bikeways can experience flooding without significant damage.

The following are projects in design development or in construction that will be impacted by SLR and flooding: Market Street canopies are being developed for all four Market Street stations, including the Embarcadero and its 24 entrances. To date, two have been constructed and are open to the public at the Powell and Civic Center stations. Better Market Street proposes to improve the transportation, streetscape, and safety of a 2.2-mile segment of Market Street between Octavia Boulevard and the Embarcadero. The Better Market Street project finished its California Environmental Quality Act and National Environmental Policy Act environmental review and received project approvals in October 2019 and is now preparing to start the first phase of construction, between 5th and 8th streets, in early 2021.

Pandemics; COVID-19 Pandemic

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. The current ongoing COVID-19 pandemic has significantly impacted the nation, state and the City and resulted in a prolonged City stay-at-home orders that has materially adversely impacted the SFMTA's operations and finances. See "IMPACT OF COVID-19 PANDEMIC."

Long-Term Financial Condition of the City

A significant portion of the SFMTA's revenues is derived from the City, including General Fund Transfer No. 1. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – City General Fund Transfers." Accordingly, a decline in the financial condition of the City may have an adverse impact on the financial condition of the SFMTA. For more information regarding the financial condition of the City, see "APPENDIX B – CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES."

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually. The ability of the SFMTA to pay principal of, premium, if any, and interest on the Series 2021 Bonds may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Constitutional and Statutory Limitations on Taxes and Expenditures – Article XIIIB of the California Constitution."

Constitutional and Statutory Restrictions

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996; and Proposition 26, a State ballot initiative known as "Supermajority Vote to Pass New Taxes and Fees Act," was approved by the voters on November 2, 2010.

Among other results, Proposition 218 added Article XIIIC to the California Constitution. Article XIIIC extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. The courts have not fully interpreted the provisions of, and the SFMTA is unable to predict how courts will in the future interpret, Article XIIIC. It is not clear, for example, whether a purported reduction or repeal by initiative of SFMTA's fares and charges would be valid in a situation in which such fares and charges are pledged to the repayment of bonded indebtedness. Any reduction of SFMTA's fees and charges through the initiative process could have a material adverse impact on Pledged Revenues. Proposition 26 amended Article XIIIC to add additional restrictions on local agencies' ability to impose new, or increase existing, fees and charges.

To the extent that the SFMTA's transit fare revenues do not result in the SFMTA receiving total revenues in excess of the total costs for providing transit service, Proposition 218 and Proposition 26 do not limit the SFMTA's ability to increase transit-related fares.

Change in Law; Local Initiatives

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on certain categories of legislation adopted by the State Legislature, through the powers of initiative and referendum, respectively. Under the Charter, the voters of the City have similar powers, and can restrict or revise the powers of the SFMTA through the approval of a Charter amendment, or can exercise the power of the SFMTA through the adoption of an initiative ordinance.

The SFMTA is also subject to various laws, rules and regulations adopted by local, State and federal governments and their departments and agencies. The SFMTA is unable to predict the adoption or amendment of any such laws, notes or regulations, or their effect on the operations or financial condition of the SFMTA.

As described in "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY – Organization and Purpose," the SFMTA has been the subject of three specific charter amendments since 1999. These initiatives have had a variety of impacts on the jurisdiction, funding management and operations of the SFMTA. For example, both Proposition E, adopted in 1999, and Proposition A, adopted in 2007, made significant changes in the funding available to support the activities of the SFMTA and the SFMTA's authority to control transit and other charges that generate revenue for the SFMTA. In addition, Charter Amendments that make citywide changes affecting, for example, employee benefits, as well as ordinances of general application may affect the budget and operations of the SFMTA.

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature or the City's Board of Supervisors will not enact legislation, that amends the laws of the State Constitution or the Charter, respectively, in a manner that could result in a reduction of amounts constituting Pledged Revenues or a reduction to the City's General Fund revenues, or an increase in Operation and Maintenance and other expenses of the SFMTA, or otherwise adversely impact the ability of the Board to effectively manage the SFMTA, potentially hindering the SFMTA's ability to pay principal of, premium, if any, and interest on the Series 2021 Bonds. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Constitutional and Statutory Limitations on Taxes and Expenditures – Articles XIII C and XIII D of the California Constitution."

Impact of a Chapter 9 City Bankruptcy Filing

The SFMTA, being an enterprise department of the City, cannot by itself file for bankruptcy protection, but would be included in bankruptcy proceedings if the City's Board of Supervisors were to seek bankruptcy protection for the City under Chapter 9 of the United States Bankruptcy Code (the "**Bankruptcy Code**"). Moreover, third parties cannot bring involuntary bankruptcy proceedings against either the SFMTA or the City.

The City is authorized under California law to file for bankruptcy protection under the Bankruptcy Code, if circumstances warranted such a filing. As of the date hereof, there have been no public discussions by any City officials, including the Mayor, the Board of Supervisors or the City Attorney, with respect to any potential chapter 9 filing by the City. Should the City become a debtor in a bankruptcy proceeding, the owners of the Series 2021 Bonds would continue to have a lien on Pledged Revenues after the commencement of the bankruptcy case, provided the Pledged Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide transportation services. While the SFMTA believes that Pledged Revenues may constitute "special revenues," no assurance can be given that a bankruptcy court would not determine otherwise. If Pledged Revenues do not constitute "special revenues," there could be delays or reductions in payments by the SFMTA with respect to the Series 2021 Bonds in connection with a bankruptcy proceeding. Further, even if a court were to determine that the Pledged Revenues were "special revenues," operating expenses may be required to be paid before payments to Owners and such payments may otherwise be delayed, which could delay payments on the Series 2021 Bonds.

Accordingly, in addition to the limitations on remedies contained in the Indenture, the rights and remedies in the Indenture may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. In addition to any specific determinations by a court in a City bankruptcy proceeding that may be adverse to the SFMTA or the Owners, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and the market price of the Series 2021 Bonds.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under "TAX MATTERS", interest with respect to the Series 2021B Bonds and the Series 2021C Bonds (collectively referred to as the "**Tax-Exempt Bonds**") could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the execution and delivery of the Tax-Exempt Bonds as a result of future acts or omissions of the SFMTA in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Tax-Exempt Bonds are not subject to prepayment or any increase in interest rate.

SFMTA has not sought to obtain a private letter ruling from the IRS with respect to the exempt status of interest on the Tax-Exempt Bonds, and the opinion of Co-Bond Counsel is not binding on the IRS. There is no assurance that, if an IRS examination of the Tax-Exempt Bonds were undertaken, it would not adversely affect the secondary market value of the Tax-Exempt Bonds.

Change in Tax Law

As discussed under "TAX MATTERS," current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

SFMTA Does Not Undertake to Maintain Credit Ratings

Certain rating agencies have assigned ratings to the SFMTA's Series 2021 Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. The SFMTA undertakes no responsibility to maintain its current credit ratings on the Series 2021 Bonds or to oppose any such downward revision, suspension or withdrawal. See "RATINGS" herein. There is no assurance current SFMTA ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have a material adverse effect on the market price of the Series 2021 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2021 Bonds or, if a secondary market exists, that the Series 2021 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse developments or economic prospects connected with a particular issue, secondary trading practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Uncertainties of Projections, Forecasts and Assumptions

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the SFMTA assumes no responsibility for the accuracy of such projections. See "FORWARD-LOOKING STATEMENTS" after the inside front cover of this Official Statement.

State of California Financial Condition

The SFMTA receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the SFMTA. The SFMTA cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the SFMTA cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the SFMTA has no control.

U.S. Government Funding

The SFMTA receives a portion of its funding from the federal government. The SFMTA's finances may be adversely impacted by fiscal matters at the federal level under a new presidential administration and Congress. Such matters include but are not limited to cuts to federal spending, potential withholding of federal grants or other funds flowing to "sanctuary jurisdictions" and suspension or termination of other federal grants for capital projects. The SFMTA cannot predict the outcome of future federal budget deliberations, and levels of federal funding available to the SFMTA are subject to uncertainty. See Appendix B – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget – Impact of Federal Government on Local Finances."

Other Risks

The discussion in this section, "CERTAIN RISK FACTORS," is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2021 Bonds. There may be other risks inherent in ownership of the Series 2021 Bonds in addition to those described in this section. Investors are advised to read the entire Official Statement in order to obtain information necessary to make an investment in the Series 2021 Bonds.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the SFMTA (the "**Financial Statements**") for the Fiscal Year ended June 30, 2020 are attached as Appendix A. See Appendix A – "SFMTA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020." Such financial statements have been audited by KPMG LLP ("**KPMG**"), independent certified public accountants. The SFMTA prepares financial statements that are audited annually. Once finalized, the SFMTA's financial statements become public documents.

The SFMTA has not requested nor did the SFMTA obtain permission from KPMG to include its report on the audited financial statements in Appendix A to this Official Statement. KPMG has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The SFMTA has covenanted for the benefit of the Owners of the Series 2021 Bonds to provide certain financial information and operating data relating to the SFMTA not later than 270 days after the end of the SFMTA's Fiscal Year (which currently ends on June 30), commencing with the report for Fiscal Year 2020-21 (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the SFMTA with the MSRB through EMMA.

The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in Appendix E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriters of the Series 2021 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

As of the date of this Official Statement, the City has independently undertaken several continuing disclosure obligations and files annual reports through EMMA that include its audited financial statements.

TAX MATTERS

The proposed form of opinions of Co-Bond Counsel are contained in Appendix G to this Official Statement.

Series 2021A Bonds

Co-Bond Counsel is of the opinion that interest on the Series 2021A Bonds is exempt from State of California personal income taxes. Co-Bond Counsel observe that interest on the Series 2021A Bonds is not excluded from gross income for U.S. federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "**Code**"). Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2021A Bonds.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Series 2021A Bonds that acquire their Series 2021A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2021A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2021A Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2021A Bonds pursuant to this offering for the issue price that is applicable to such Series 2021A Bonds (i.e., the price at which a substantial amount of the Series 2021A Bonds are sold to the public) and who will hold their Series 2021A Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2021A Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, a "Non-U.S. Holder" generally means a beneficial owner of a Series 2021A Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2021A Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2021A Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2021A Bonds (including their status as U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2021A Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2021A Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2021A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2021A Bonds is less than the amount to be paid at maturity of such Series 2021A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2021A Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("**OID**"). U.S. Holders of Series 2021A Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2021A Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2021A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2021A Bond.

Sale or Other Taxable Disposition of the Series 2021A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the SFMTA) or other disposition of a Series 2021A Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2021A Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2021A Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2021A Bond (generally, the purchase price paid by the U.S. Holder for the Series 2021A Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2021A Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2021A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2021A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Series 2021A Bonds. If the SFMTA defeases any Series 2021A Bond, the Series 2021A Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2021A Bond.

Information Reporting and Backup Withholding. Payments on the Series 2021A Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2021A Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2021A Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2021A Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Series 2021A Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the SFMTA through stock ownership and (2) a bank which acquires such Series 2021A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2021A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Sale or other Taxable Disposition of the Series 2021A Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement or other taxable disposition (including pursuant to an offer by the SFMTA or a deemed retirement due to defeasance of the Series 2021A Bonds) of a Series

2021A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the SFMTA) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2021A Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2021A Bond or a financial institution holding the Series 2021A Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2021A Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2021A Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2021A Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Tax-Exempt Bonds

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State personal income taxes. Co-Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Tax-Exempt Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Tax-Exempt Bonds, like the Premium Tax-Exempt Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Tax-Exempt Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The SFMTA has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in federal gross income, possibly from the date of issuance of the Tax-Exempt Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to the attention of Co-Bond Counsel after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or may otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel is expected to express no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the SFMTA, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The SFMTA has covenanted, however, to comply with the requirements of the Code.

Co-Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the SFMTA or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the SFMTA and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the SFMTA legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the SFMTA or the Beneficial Owners to incur significant expense.

Although Co-Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes, the accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect a Bondholder's federal income tax liability. The nature and extent of these other consequences will depend upon the holder's particular tax status and the holder's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**") and S&P Global Ratings ("**S&P**"), have assigned their municipal bond ratings of "___" and "___," respectively, to the Series 2021 Bonds. Moody's and S&P's rating outlooks with respect to the Series 2021 Bonds are "_____." The ratings and outlooks issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2021 Bonds. Any explanation of the significance of these ratings and outlooks should be obtained from the respective rating agencies. There is no assurance that such ratings or outlooks will be retained for any given period or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Series 2021 Bonds.

UNDERWRITING

The Series 2021 Bonds are being purchased by RBC Capital Markets, LLC, Goldman Sachs & Co. LLC and Siebert Williams Shank & Co., LLC (collectively, the "**Underwriters**").

The Underwriters have agreed to purchase the Series 2021A Bonds at a purchase price of $__________ (comprised of the principal amount of the Series 2021A Bonds, less an underwriters' discount in the amount of $__________). The Underwriters have agreed to purchase the Series 2021B Bonds at a purchase price of $__________ (comprised of the principal amount of the Series 2021B Bonds, [plus/less] [net] [premium/discount] on the Series 2021B Bonds of $__________, less an underwriters' discount in the amount of $__________). The Underwriters have agreed to purchase the Series 2021C Bonds at a purchase price of $__________ (comprised of the principal amount of the Series 2021C Bonds, [plus/less] [net] [premium/discount] on the Series 2021C Bonds of $__________, less an underwriters' discount in the amount of $__________).

The purchase contract pursuant to which the Series 2021 Bonds are being sold provides that the Underwriters will purchase all of the Series 2021 Bonds if any Series 2021 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2021 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover pages hereof. The offering prices may be changed from time to time by the Underwriters.

The Underwriters provided the information contained in the following paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the SFMTA. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the SFMTA.

ABSENCE OF LITIGATION

The SFMTA is not aware of any litigation pending or threatened questioning the political existence of the City or the SFMTA or contesting the SFMTA's power to fix passenger rates and charges, or in any way questioning or affecting:

(i) the proceedings under which the Series 2021 Bonds are to be issued,

(ii) the validity of any provision of the Series 2021 Bonds or the Indenture,

(iii) the pledge of Pledged Revenues by the SFMTA under the Indenture, or

(iv) the titles to office of the present members of the Board of Supervisors and the Board.

Suits and claims against the City and the SFMTA, which may include personal injury, wrongful death and other suits and claims against which the City and the SFMTA may self-insure, arise in the ordinary course of business. There is no litigation pending, with service of process having been accomplished, against the City or the SFMTA which, if determined adversely to the City or the SFMTA, would in the opinion of the City Attorney materially impair the ability of the SFMTA to pay principal of, premium, if any, and interest on the Series 2021 Bonds as they become due.

CERTAIN LEGAL MATTERS

The validity of the Series 2021 Bonds and certain other legal matters are subject to the approving opinions of Schiff Hardin LLP, San Francisco, California, and the Law Office of Monica M. Baranovsky, Berkeley, California, Co-Bond Counsel. Complete copies of the proposed form of Co-Bond Counsel opinions are contained in Appendix G hereto, and will be made available at the time of the original delivery of the Series 2021 Bonds. Neither Co-Bond Counsel nor Disclosure Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the SFMTA by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the SFMTA. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Orrick, Herrington & Sutcliffe LLP has served as Disclosure Counsel to the SFMTA and in such capacity has advised the SFMTA with respect to applicable securities laws and participated with responsible SFMTA officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the SFMTA is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the issuance of the Series 2021 Bonds, Disclosure Counsel will deliver a letter to the SFMTA which advises the SFMTA, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of issuance of the Series 2021 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2021 Bonds, or other person or party other than the SFMTA, will be entitled to or may rely on such letter of Orrick, Herrington & Sutcliffe LLP having acted in the role of Disclosure Counsel to the SFMTA.

ROLE OF THE MUNICIPAL ADVISOR

Backstrom McCarley Berry & Co., LLC, San Francisco, California is acting as municipal advisor to the SFMTA with respect to the Series 2021 Bonds (the "**Municipal Advisor**"). The Municipal Advisor has assisted the SFMTA in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2021 Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the SFMTA to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor will not purchase or make a market in any of the Series 2021 Bonds.

A portion of the compensation to be received by the Municipal Advisor from the SFMTA for services provided in connection with the planning, structuring, execution and delivery of the Series 2021 Bonds is contingent upon the sale and delivery of the Series 2021 Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2021A Bonds, _____, _____, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the SFMTA, relating to (a) the sufficiency of the anticipated receipts from the cash deposited in the Escrow Fund to refund the Refunded Bonds in full, and (b) the "yield" on the investments deposited in the Escrow Fund and on the Refunded Bonds considered by Co-Bond Counsel in connection with the opinion rendered by such firm that the Refunded Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the SFMTA and the purchasers or owners of any of the Series 2021 Bonds. The preparation and distribution of this Official Statement has been authorized by the SFMTA.

APPROVAL AND EXECUTION

The execution and delivery of this Official Statement has been authorized by the Board of Directors of the SFMTA.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

By: ____________________________________
Director of Transportation

APPENDIX A

SFMTA AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

APPENDIX B

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX C

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER INVESTMENT POLICY

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2021 Bonds, payment of principal, interest and other payments on the Series 2021 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2021 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the SFMTA nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal with respect to the Series 2021 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2021 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2021 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current Rules applicable to DTC are on file with the Securities and Exchange Commission and the current Procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Series 2021 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a rating from Standard & Poor's of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the SFMTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the SFMTA or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the SFMTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the SFMTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the SFMTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The SFMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

APPENDIX G

PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL