

THIS PRINT COVERS CALENDAR ITEM NO.: 17

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Recommend that the Board of Supervisors appropriate \$287 million of new money tax exempt Revenue Bonds (New Money Bonds) to finance the costs for the following SFMTA projects: \$118 million for Transportation Infrastructure and \$137 million for Transportation Equipment, plus \$31.5 million in other proceeds to fund reserve funds for such obligations, and pay the costs of issuance.


SUMMARY:

- On December 15, 2020 the SFMTA Board of Directors approved the issuance of not to exceed \$300 million aggregate principal amount of tax-exempt New Money Bonds to finance the cost of SFMTA capital projects and improvements, fund reserve funds and pay the costs of issuance associated with the issuance of the New Money Bonds
- The SFMTA recommends that the Board of Supervisors appropriate up to \$287 million of the New Money Bonds proceeds for use on Transportation Infrastructure and Equipment projects in the Five-Year Capital Improvement Program (CIP) and to fund reserve funds for such obligations and pay the costs of issuance.
- The Board of Supervisors is expected to consider in or about its January 26, 2021 board meeting a resolution to consider the issuance by the SFMTA of its New Money Bonds
- On January 5, 2021, the SFMTA, under authority delegated by the Planning Department, determined that the New Money Bond Appropriation is not a “project” under the California Environmental Quality Act (CEQA)

ENCLOSURES:

1. SFMTA Board Resolution

APPROVALS:

DIRECTOR 

SECRETARY Caroline Celaya

DATE

January 12, 2021

January 12, 2021

ASSIGNED SFMTAB CALENDAR DATE: January 19, 2021

PAGE 2.

PURPOSE

Recommend that the Board of Supervisors appropriate \$287 million of New Money Bonds to finance the costs for the following SFMTA projects: \$118 million for Transportation Infrastructure and \$137 million for Transportation Equipment, plus \$31.5 million in other proceeds to fund reserve funds for such obligations, and pay the costs of issuance.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

The SFMTA will further the following goal of the Strategic Plan:

Goal 3: Improve the environment and quality of life in San Francisco

Objective 3.3 – Allocate capital resources effectively.

Objective 3.5 – Reduce capital and operating structural deficits.

Approval of this resolution also ensures that the SFMTA has the funding needed to support the City's Transit First Policy. Funding from the GO bonds promotes or impacts nine of the Transit First Policy Principles:

- 1) To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.
- 2) Public transit, including taxis and vanpools, is an economically and environmentally sound alternative to transportation by individual automobiles. Within San Francisco, travel by public transit, by bicycle and on foot must be an attractive alternative to travel by private automobile.
- 3) Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights of way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
- 4) Transit priority improvements, such as designated transit lanes and streets and improved signalization, shall be made to expedite the movement of public transit vehicles (including taxis and vanpools) and to improve pedestrian safety.
- 5) Pedestrian areas shall be enhanced wherever possible to improve the safety and comfort of pedestrians and to encourage travel by foot.
- 6) Bicycling shall be promoted by encouraging safe streets for riding, convenient access to transit, bicycle lanes, and secure bicycle parking.
- 8) New transportation investment should be allocated to meet the demand for public transit generated by new public and private commercial and residential developments.
- 9) The ability of the City and County to reduce traffic congestion depends on the adequacy of regional public transportation. The City and County shall promote the use of regional mass transit and the continued development of an integrated, reliable, regional public

PAGE 3.

transportation system.

- 10) The City and County shall encourage innovative solutions to meet public transportation needs wherever possible and where the provision of such service will not adversely affect the service provided by the Municipal Railway.

DESCRIPTION

On December 15, 2020, the SFMTA Board of Directors authorized a series of new money tax exempt Revenue Bonds (New Money Bonds) to finance the costs of certain transportation projects, in an amount not to exceed \$300 million, and in either case to fund reserve funds for such obligations, and pay the costs of issuance.

The Agency has previously issued revenue bond series for the following purposes:

1. The Series 2012A Bonds were issued to (i) refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation.
2. The Series 2012B Bonds were issued to finance (i) Systemwide Transit Access and Reliability (Transit Signal Priority) Program, (ii) Muni Metro Sunset Tunnel Rail Rehabilitation, (iii) Muni Metro Turnback Rehabilitation, (iv) Muni Metro System Public Announcement and Public Display System Replacement, (v) Muni System Radio Replacement Project, (vi) Muni Green Light Rail Facility Rehabilitation, and (vii) major rehabilitation, preservation, and improvement of existing parking facilities.
3. The Series 2013 Bonds were issued to finance (i) Pedestrian Safety and Traffic Signal Improvements, (ii) Transit System Safety and Other Transit Improvements, (iii) Street Capital Improvements, (iv) Facility Improvements, (v) Transit Fixed Guideway Improvements, and (vi) Light Rail Vehicle Procurement.
4. The Series 2014 Bonds were issued to finance (i) Pedestrian Safety and Traffic Signal Improvements, (ii) Transit System Safety and Spot Improvements, (iii) Complete Street Capital Improvements, (iv) Facility Improvements, and (vii) Muni Light Rail Vehicle Procurement.
5. The Series 2017 Bonds were issued to finance (i) Muni Light Rail Vehicle (LRV) Procurement, (ii) Van Ness Bus Rapid Transit Project / Improvement Project, (iii) Mission Bay Transportation Capital Improvements for the Chase Center, (iv) Pedestrian Safety and Traffic Signal Improvements, (iv) Transit System Safety and Spot Improvements, (v) Complete Street Capital Improvements, and (vi) Facility Improvements.

The resolution before the SFMTA Board will provide a recommendation to the City and County of San Francisco Board of Supervisors to appropriate the New Money Bond proceeds for use by the SFMTA.

For a full description of the SFMTA's Revenue Bond Program, prior issuances, and New Money Bond analysis, see SFMTA Board Item 14 (https://www.sfmta.com/sites/default/files/reports-and-documents/2020/12/12-15-20_item_14_revenue_bond_refunding.pdf), filed on December 15, 2020.

Series 2021C New Money Bonds

The SFMTA wishes issue up-to \$287 million in tax-exempt New Money Bonds for use on capital projects in the Five-Year CIP and to fund reserve funds for such obligations, and pay the costs of issuance. Since the onset of the COVID-19 global pandemic, the SFMTA Board has requested that the Agency consider all options to mitigate negative financial impacts while preserving transit and transportation services to the greatest extent possible.

New Money Bonds will aid in maintaining the integrity of the SFMTA’s Five-Year CIP given current and potential revenue losses precipitated by COVID-19. The Agency’s latest review of all Five-Year CIP revenue sources indicates losses of up-to \$100 million in FY 2021 and FY 2022, and \$200 million over the five-years from FY 2021 to FY 2025, compared to the Five-Year CIP approved by the Board on April 21, 2020. Without replacement dollars from New Money Bonds, the SFMTA will fall further behind on its \$3.2 billion state-of-good repair backlog, imperiling San Francisco’s transit and transportation system.

New Money Bonds will keep the Agency moving forward during this unprecedented crisis. Muni is an economic engine of San Francisco that employs residents and keeps the City moving. From service workers, to office workers, to tradespeople, San Francisco’s economy relies on all people being able to get to work, to purchase goods, and to eat at restaurants.

New Money Bonds will serve as a bridge to support transit and other essential transportation services, without which San Francisco would be unable to recover from COVID-19.

The following projects and financing items will receive funding in the amounts specified in Exhibit A:

Exhibit A

Funded Item	Description	Amount (in millions)
Transportation Equipment	Replacement and expansion for both 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.	\$137

Funded Item	Description	Amount (in millions)
Transportation Infrastructure	Modernize maintenance facilities that are vital to accommodate fleet growth, and renovate outdated operational facilities so that employees experience a safe and optimal working environment at SFMTA properties. Maintain SFMTA's 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 at various locations. Replace parking meters citywide with updated equipment and rehabilitate parking structures that are accessible and meet the requirements of the Americans with Disabilities Act (ADA). To support the City's Transit First policy, SFMTA will create a Rapid Network with several major corridor projects by implementing pedestrian bulbs, transit only lanes, traffic signal priority, and other street design changes.	\$118
Debt Service Reserve Fund	Cash assets designated by the SFMTA to ensure full and timely payments to bond holders.	\$22.5
Reserve for Market Uncertainty	A reserve to provide room in the total appropriation amount for fluctuations in the market—standard practice in bonds issuances.	\$7.7
Cost of Issuance	The estimated cost of issuance is includes underwriting fees, legal counsel, rating agency fees, consultants, and bank trustee.	\$1.3
City Services Auditor--Audit Fund	City Services Auditor 0.2% allocation for Controller's Audit Fund.	\$0.5
TOTAL		\$287

STAKEHOLDER ENGAGEMENT

The SFMTA has closely engaged with the SFMTA Board of Directors to advance New Money Bonds. Additionally, the SFMTA will be working closely with members of the Board of Supervisors to ensure they understand the financial needs of the Agency and impacts associated with revenue bond issuance. All projects that will be funded with New Money Bond proceeds have undergone an extensive stakeholder engagement process, and are contained in the Five-Year CIP that was approved on April 21, 2020. Extensive outreach efforts were conducted around the Five-Year CIP, as detailed in Board Item 12

(https://www.sfmta.com/sites/default/files/reports-and-documents/2020/04/4-21-20_item_12_approval_-_capital_improvement_program.docx_.pdf), presented to the SFMTA

PAGE 6.

Board on April 21, 2020.

ALTERNATIVES CONSIDERED

The SFMTA considered reallocating capital budget funding to current and upcoming fiscal years, but is constrained by factors such as timing and grantor requirements. The SFMTA has an upcoming \$350 million General Obligation Bond, and is pursuing a potential Community Facilities District that would require a two-thirds majority vote to pass. However, these funding sources will not be available until mid-FY 2023 and carry contingencies, while the SFMTA's funding shortfall precipitated by COVID-19 precedes when those potential funding sources would go into effect.

FUNDING IMPACT

The debt service costs of any revenue bond issuance is dependent on market conditions during final pricing, as well as the final deal structure that is chosen by the DOT.

Under market conditions as of January 6, 2021, New Money Bonds proceeds of \$287 million would provide the agency with \$255 million for capital project uses, with a true interest cost of 2.38 percent.

Total payment amount for the New Money Bonds, being the sum of (a) debt service on the New Money Bonds to final maturity, and (b) any financing costs not paid from proceeds of the New Money Bonds is estimated at \$443.8 million over 30 years.

New Money Bonds must be paid using the operating budget. However, in no instance does the SFMTA expect to exceed its Debt Policy of spending more than five percent of Agency's annual operating budget on debt service.

ENVIRONMENTAL REVIEW

On January 5, 2021, the SFMTA, under authority delegated by the Planning Department, determined that the New Money Bond Appropriation is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

The SFMTA will not proceed with any projects in these program areas until there has been compliance with CEQA and the City's Environmental Quality Regulations (San Francisco Administrative Code Section 31).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The Board of Supervisors is expected to consider in or about its January 26, 2021 board meeting a resolution to consider the issuance by the SFMTA of its New Money Bonds, as required by

PAGE 7.

Charter Section 8A.102(b)8.13. It will also consider the Supplemental Appropriation of \$287 million of the New Money Bonds in or about its January 26, 2021 board meeting.

The City Attorney has reviewed this calendar item.

RECOMMENDATION

Staff recommends that the Board of Supervisors appropriate \$287 million of New Money Bonds to finance the costs for the following SFMTA projects: \$118 million for Transportation Infrastructure and \$137 million for Transportation Equipment, plus \$31.5 million in other proceeds to fund reserve funds for such obligations, and pay the costs of issuance.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, On December 15, 2020 the SFMTA Board of Directors approved, among other things, the issuance of not to exceed \$300,000,000 aggregate principal amount of taxable or tax-exempt new money revenue bonds (“New Money Bonds”) to finance the cost of SFMTA capital projects and improvements, fund reserve funds and pay the costs of issuance associated with the issuance of the New Money Bonds; and

WHEREAS, The Board of Supervisors is expected to consider in or about its January 26, 2021 board meeting a resolution to consider the issuance by the SFMTA of its New Money Bonds, as required by Charter Section 8A.102(b)8.13; and

WHEREAS, SFMTA recommends that the Board of Supervisors appropriate up to \$287,000,000 of the New Money Bonds proceeds for the following SFMTA projects: \$118,000,000 for Transportation Infrastructure and \$137,000,000 for Transportation Equipment; and \$31,500,000 for reserve funds and costs of issuance; and

WHEREAS, On January 5, 2021, the SFMTA, under authority delegated by the Planning Department, determined that the New Money Bond Appropriation is not a “project” under the California Environmental Quality Act (CEQA) pursuant Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); the SFMTA will not proceed with any projects in these program areas until there has been compliance with CEQA and the City’s Environmental Quality Regulations (San Francisco Administrative Code Section 31); and

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and is incorporated herein by reference; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors requests that the Board of Supervisors appropriate up to \$287,000,000 of the New Money Bonds proceeds for the following SFMTA projects: \$118,000,000 for Transportation Infrastructure and \$137,000,000 for Transportation Equipment; and \$31,500,000 for reserve funds and costs of issuance.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of January 19, 2020.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency