



**SFMTA**

# Refunding of Previously Issued Revenue Bonds

## Revenue Bond Oversight Committee

September 2, 2020

Financial Analysis Office  
Budget, Financial Planning and Analysis

# The Opportunity

- Interest rates are at historic lows
- Staff is investigating the opportunity to refund revenue bonds
- Based on current rates, advance refunding of revenue bonds could result in \$24-29 million cash flow savings over 25 years
- Comparable transportation agencies have secured interest rates on bonds at ~2 percent and lower
- The SFMTA has one of the best credit ratings of any transportation agency in the country

Assumes rates as of 8/20/2020, subject to change based on market conditions

# SFMTA Outstanding Debt

Series	Original Par	Outstanding Par	Avg Yield	Dated Date	Final Maturity	1st Call Date	DSRF Purpose
Series 2012-A	38 M	12 M	2.28	Jul-12	Mar-32	Mar-22	3 M Refunding prior parking bonds
Series 2012-B	26 M	26 M	3.42	Jul-12	Mar-42	Mar-22	2 M New money-Pkg Garages
Series 2013	75 M	56 M	2.68	Dec-13	Mar-33	Mar-23	6 M New money-Traffic safety, vehicles
Series 2014	71 M	62 M	2.09	Dec-14	Mar-44	Mar-24	5 M New money-Traffic safety, vehicles
Series 2017	178 M	167 M	NA	Jun-17	Mar-47	Mar-27	NA New money-BRT, Mission Bay, vehicles
<b>Total</b>	<b>388 M</b>	<b>323 M</b>					<b>15 M</b>

# Summary Comparison of Refunding Scenarios

Scenario	Base Case	Upfront Savings	Upfront + Partial 2017
Approach	Level Savings	Amortization in 2024	Amortization in 2024 and refund only 2021, 2022, 2023 maturities of the series 2017
Objective	Reap max cashflow savings over the life of the bonds	Free ~\$23M (compared to base) in FY21-FY23 to increase financial flexibility	Free ~\$33M (compared to base) in FY21-FY23 to increase financial flexibility
Tradeoff	More total cash flow savings for less near-term flexibility	More near-term flexibility for less cashflow savings	Max near term-flexibility for less cashflow savings, and less flexibility in FY24-FY26
Total Cashflow Savings	\$29.1 M	\$24.7 M	\$24.1 M
NPV Savings	\$25.8 M	\$25.9 M	\$26.1M

Assumes rates as of 8/20/2020, subject to change based on market conditions

# Detailed Comparison of Refunding Scenarios

	Base Case	Upfront Savings	Upfront + Partial 2017
<i>Savings Approach</i>	Level savings	Amortization begins in 2024	Refund only 2021, 2022, 2023
<i>Refunding Par</i>	\$161,000,000	\$161,000,000	\$172,385,000
<i>Total Debt Service</i>	199,872,908	204,286,273	216,179,782
<i>Total Cash Flow Savings</i>	29,071,540	24,658,174	24,139,291
<i>Average Annual Savings</i>	1,211,314	1,027,424	1,005,804
<i>NPV Savings</i>	25,839,574	25,862,677	26,097,407
<i>NPV Savings to Refunded Par</i>	16.542%	16.556%	15.648%

- Upfront option with amortization beginning in 2023 is also available
- Inclusion of full series 2017 results in negative NPV costs due to recency of issuance
- Partial refunding of series 2017 would provide immediate relief but negative NPV costs for the series

<i>Fiscal Year</i>	Base Case	Upfront Savings	Upfront + Partial 2017
2021	\$2,526,323	\$8,827,934	\$13,245,547
2022	2,532,069	10,250,293	13,180,258
2023	2,528,367	10,068,043	13,829,955
2024	2,529,801	400,543	(3,487,295)
2025	2,529,338	405,842	(3,477,652)
2026	2,527,317	406,064	(3,479,772)
2027	2,531,963	401,893	402,406
2028	2,533,204	401,463	401,977
2029	2,532,353	398,650	404,163
2030	2,528,588	395,778	406,207
2031	2,530,290	405,186	405,440
2032	(148,487)	(2,281,657)	(2,281,403)
2033	(3,826,300)	(5,589,138)	(5,588,883)
2034	1,132,757	665,001	665,255
2035	1,131,686	661,872	667,126
2036	1,135,478	664,048	664,186
2037	1,131,293	665,079	665,217
2038	1,133,724	667,863	668,001
2039	1,132,131	661,901	667,039
2040	1,131,043	661,856	661,856
2041	1,129,958	667,091	667,091
2042	(695,585)	(1,161,413)	(1,161,413)
2043	681,252	262,899	262,899
2044	(3,827,022)	(4,248,916)	(4,248,916)
2045			
2046			
2047	\$29,071,540	\$24,658,174	\$24,139,291

Assumes rates as of 8/20/2020, subject to change based on market conditions

# Next Steps

- Define SFMTA's benchmarks in terms of cashflow savings, NPV savings, etc.
- Select a refunding scenario given current revenues and funding goals
- Decide whether to pursue new money given the current market and extant transportation capital needs
- Work with Office of Public Finance, City Attorney, and Bond Counsel to have the transaction market ready
- Secure approval of MTA Board

# Thank You.

*(Background Materials Follow)*



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**SFMTA**



# Detailed Base Case for Tax Advance Refunding As of 8/20/2020

	<u>Series 2012-A</u>	<u>Series 2012-B</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>TOTAL</u>
Refunded Series					
Refunded Par	\$11,690,000	\$25,835,000	\$56,190,000	\$62,495,000	\$156,210,000
Maturities	2021 - 2032	2023 - 2042	2021 - 2033	2021 - 2044	
Redemption Date	3/1/2022 @ 100	3/1/2022 @ 100	3/1/2023 @ 100	3/1/2024 @ 100	
Transfer of Prior Reserve Fund	\$2,684,050.70	\$1,826,724.17	\$5,980,000.00	\$4,508,750.00	\$14,999,524.87
Assumed Refunding Date	12/1/2020	12/1/2020	12/1/2020	12/1/2020	12/1/2020
<b>Refunding Par</b>	<b>\$9,860,000</b>	<b>\$25,945,000</b>	<b>\$56,840,000</b>	<b>\$68,355,000</b>	<b>\$161,000,000.00</b>
Maturities	2022 - 2032	2022 - 2042	2022 - 2033	2022 - 2044	2022 - 2044
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable
Escrow Securities	SLGs	SLGs	SLGs	SLGs	SLGs
Escrow Deposit	\$12,492,090	\$27,647,394	\$62,539,504	\$72,525,858	\$175,204,846
Deposit to DS Reserve Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cost of Issuance	\$23,884	\$62,848	\$137,687	\$165,580	\$390,000
UW Discount(\$)	\$24,650	\$64,863	\$142,100	\$170,888	\$402,500
UW Discount (per bond)	\$2.500 per bond	\$2.500 per bond	\$2.500 per bond	\$2.500 per bond	\$2.500 per bond
TIC	1.612%	2.586%	1.716%	2.498%	2.305%
AIC	1.660%	2.606%	1.756%	2.521%	2.332%
Average Life	5.431 years	14.714 years	6.514 years	12.792 years	10.434 years
Total Cash Flow Savings	\$1,862,878	\$8,092,870	\$7,272,769	\$11,843,023	\$29,071,540
Average Annual Savings	\$155,240	\$367,858	\$559,444	\$493,459	\$1,211,314
Savings Approach	Level savings	Level savings	Level savings	Level savings	Level savings
NPV Savings (Net-to-Net) AIC	\$1,925,286	\$6,601,900	\$7,131,080	\$9,956,912	\$25,839,574
<b>NPV Savings to Refunded Par</b>	<b>16.470%</b>	<b>25.554%</b>	<b>12.691%</b>	<b>15.932%</b>	<b>16.542%</b>



# Comps

## RECENTLY PRICED DEALS BY TRANSPORTATION AGENCIES

Pricing Date	8/18/2020		8/19/2020		8/18/2020		8/13/2020		8/11/2020		8/5/2020	
Issuer	SF BART		Los Angeles International Airport		NYS Metropolitan Transportation Authority		Miami-Dade County		Los Angeles County MTA		San Francisco International Airport	
Security Type	GO		GARB		BANS - MLF		Sales Surtax Revenue		Measure R Jr Sub Lien		GARB	
Ratings	Aaa/AAA		Aa2/AA-/AA		SP-2		nr / AA/AA		nr/AA/AA		A1/AA+	
Tax Status	Tax-Exempt		Tax-Exempt (Non-AMT)		Tax-Exempt		Taxable		Tax-Exempt		Tax-Exempt (AMT) / Taxable	
Par Amount	625,005,000		558,500,000		465,000,000		513,405,000		1,356,095,000		291,275,000	
	Yield	T/E Spread	Yield	T/E Spread	Yield	T/E Spread	Yield	Tax Spread	Yield	T/E Spread	Yield	T/E Spread
2021							0.410	+ 25				
2022							0.460	+ 30				
2023					1.920	+ 179.5	0.540	+ 35	0.090	+ 2		
2024	0.100 (5s)	-5	0.370	+ 20			0.750	+ 45	0.140	+ 3		
2025	0.150 (5s)	-6	0.470	+ 25			0.900	+ 60	0.200	+ 4		
2026	0.230 (5s)	-8	0.570	+ 26			1.100	+ 60	0.340	+ 9		
2027	0.330 (5s)	-6	0.690	+ 29			1.250	+ 75	0.480	+ 16		
2028	0.430 (5s)	-3	0.850	+ 37			1.500	+ 82	0.600	+ 21		
2029	0.550 (5s)	+ 1	0.950	+ 39			1.550	+ 87	0.690	+ 23		
2030	0.660 (4s)	+ 6	1.040	+ 41			1.650	+ 92	0.770	+ 24		
2031	0.800 (4s)	+ 11	1.150	+ 44			1.750	+ 107	0.860	+ 28		
2032	0.940 (4s)	+ 19	1.230	+ 45					0.930	+ 32		
2033	1.020 (4s)	+ 20	1.330	+ 48					1.010	+ 26		
2034	1.130 (4s)	+ 24	1.450	+ 53					1.060	+ 24		
2035	1.190 (4s)	+ 25	1.500	+ 53					1.080	+ 21		
2036	1.490 (3s)	+ 50	1.740	+ 72					1.100	+ 18		
2037	1.550 (3s)	+ 52	1.780	+ 71					1.140	+ 18	1.750 (5s)	+ 72
2038	1.590 (3s)	+ 53	1.820	+ 72							1.780 (5s)	+ 72
2039	2.030 (2s)	+ 94	1.820	+ 72							1.960 (4s)	+ 87
2040	2.070 (2s)	+ 95	1.860	+ 73							2.010 (4s)	+ 89
2041	2.100 (2s)	+ 94	1.900	+ 74								
2042	2.130 (2s)	+ 94										
2043							2.600	+ 130				
2044			1.820 (5s)	+ 52								
2045	1.640 (4s)	+ 36										
2046	2.220 (2s)	+ 93										
2047												
2048			2.070 (4s)	+ 70								
2049												
2050	2.060 (3s)	+ 72										
2051											2.958	+ 175

5s '24-'35  
4s '35-'40

+\$239.55mm T-E

20 competitive bids from 10 firms  
all bids rejected; TIC avg 2.79%  
MLF TIC = 1.92%

taxable 2051

### Transportation Deals pricing the week of 8/24 (\$ mils)

537.630	Chicago Transit Authority, Sales Tax Rev Refunding (Taxable)	nr/A+/nr/AA-
345.070	Chicago Transit Authority, Sales Tax Rev Refunding (Exempt)	nr/A+/nr/AA-
1,300.000	NYS Transportation Dev Auth - LaGuardia Airport Terminal-Delta Airlines, Spec Fac	
215.405	Delaware Transportation Authority, Sr Rev Refunding	Aa1/AA+
84.980	Regional Transit Auth (New Orleans) Sales Tax Refunding (Exempt+Taxable)	Aa3/AA
12.690	Metropolitan Airport Auth of Rock Island, IL (AGM) Refunding	nr/AA

## RECENTLY PRICED DEALS BY TRANSPORTATION AGENCIES (cont.)

Pricing Date	7/28/2020		7/15/2020		7/30/2020		7/7/2020		6/17/2020	
Issuer	Colorado Department of Transportation		Southeast Pennsylvania Transportation Authority		DFW Airport		Bi-State Development Authority, MO		Transbay Joint Power Authority	
Security Type	COP Lease		GANs		GARB		Sales Tax		Sr Tax Allocation	
Ratings	Aa2/AA-		AA-		A1/A/A+/AA		Aa2/AA-/nr/AA+		nr/nr/A-	
Tax Status	Tax-Exempt		Tax-Exempt		Taxable		Taxable		Tax-Exempt	
Par Amount	19,050,000		97,250,000		1,193,985,000		271,205,000		189,480,000	
	Yield	T/E Spread	Yield	T/E Spread	Yield	Tax Spread	Yield	Tax Spread	Yield	T/E Spread
2021			0.410	+ 24			0.765	+ 60		
2022			0.490	+ 29			0.895	+ 73		
2023			0.530	+ 31	1.041	+ 90	1.016	+ 83		
2024			0.620	+ 34	1.229	+ 100	1.224	+ 93		
2025			0.720	+ 36	1.329	+ 110	1.344	+ 105	1.340	+ 90
2026			0.880	+ 42	1.649	+ 125	1.616	+ 113	1.530	+ 100
2027			1.020	+ 49	1.749	+ 135	1.716	+ 123	1.690	+ 109
2028			1.160	+ 56	1.946	+ 140	1.870	+ 122	1.830	+ 115
2029			1.240	+ 56	2.046	+ 150	1.970	+ 132	1.930	+ 116
2030			1.330	+ 58	2.096	+ 155	2.020	+ 137	2.030	+ 118
2031			1.380	+ 54	2.246	+ 170	2.150	+ 150	2.170	+ 122
2032			1.430	+ 52	2.416	+ 187	2.250	+ 160	2.320	+ 130
2033					2.516	+ 197	2.350	+ 170	2.410	+ 131
2034			(all 5s)		2.696	+ 215			2.440	+ 126
2035					2.796	+ 225			2.490	+ 125
2036					2.896	+ 235			2.530	+ 124
2037	1.720	+ 60							2.570	+ 124
2038	1.770	+ 62							2.610	+ 125
2039	1.810	+ 63							2.650	+ 126
2040	1.860	+ 64			3.089	+ 190	2.929	+ 155	2.690	+ 126
2041	1.900	+ 65								
2042							2.979	+ 160		
2043	(all 4s)									
2044										
2045									2.710	+ 112
2046										
2047										
2048										
2049									2.750	+ 111
2050					2.919	+ 173				
2051									(all 5s)	