

Bay Area Infrastructure Financing Authority
BAIFA

July 26, 2023

Agenda Item 4a - 23-0922

BAIFA Resolution No. 19 – BAIFA Tax-Exempt Obligations

Subject:

A request to adopt BAIFA Resolution No. 19 declaring BAIFA's intent to issue tax exempt obligations to facilitate public improvements related to the BART Car Replacement Program and to reimburse expenditures made prior to the issuance of the tax-exempt obligations.

Background:

MTC is the designated Metropolitan Planning Organization (MPO) responsible for programming FTA formula funds to regional transit projects. BART's fleet replacement and expansion project requires significant funding over the next four to six years and the FTA formula grant funds expected to be received during this period would be insufficient to meet the cash flow requirements of anticipated regional projects. Because delays in the projects could lead to notable cost escalation in order to complete all projects on a timely basis, intermediate funding will be required to address their cash flow needs.

Debt financing can be used to provide upfront project funds that can be repaid over time. MTC's role as MPO and direct recipient of federal funds allows it to flexibly program and allocate federal grant receipts for debt service. As designated recipient, MTC allocates FTA formula funds to direct recipients (e.g., regional transit operators), and as a direct recipient, MTC can receive programmed FTA formula funds. This puts MTC in a unique position to manage a regional program that can be used to address the type of cash flow challenges presented by the BART project in the context of other regional needs.

The BART rail car replacement project is the largest Bay Area project in the near term and a top need in the region. BART is eligible for section 5307 and 5337 grants in multiple urbanized areas (UZAs); this provides a large amount of direct funding over an extended period which can in turn be used to secure financing and provide significant debt service coverage (which allows for cost-effective borrowing).

MTC does not have its own financing authority; BAIFA, however, is a joint powers agency (JPA) established by MTC and BATA under a joint powers agreement, as permitted by state law.

As a JPA, BAIFA can issue special obligation debt (as it has done in the past). In the planned financing, BAIFA and MTC would enter a transit funding agreement under which BAIFA would advance funds to BART to reimburse eligible project expenditures. BAIFA debt would be repaid by FTA formula funds programmed annually by MTC, subject to federal appropriation and apportionment.

The financing requires a letter of no prejudice (LONP) from FTA to MTC, which allows the project to be eligible for advance construction. MTC received an LONP for the BART replacement railcar project from the FTA in 2018; the LONP was recently updated and extended.

The contemplated financing structure could also be utilized by MTC to advance other projects on behalf of different transit operators, to the extent that a project presented similar cash flow challenges, subject to the future receipt of LONPs for such projects. The regional structure enables MTC to leverage its expertise and role as MPO, and the structure can be customized to meet operator needs and can cross UZAs for applicable projects. The first financing would be for the BART car replacement rail car program. There are no current plans to issue additional debt in the future. The planned financing structure is a short-term bank revolving line of credit with a future fixed-rate takeout. This structure provides financing flexibility given the uncertainty of the exact timing of funding needs on a cost-effective basis.

Resolution No. 19 does not authorize financing at this time. Rather, Resolution No. 19 allows BAIFA to continue with the project and potentially reimburse project expenses from the proceeds of future tax-exempt bonds. Authorizing documents for the financing will be submitted for approval at the September BAIFA meeting.

Issues:

None identified.

Recommendations:

Staff recommends that the Authority approve BAIFA Resolution No. 19.

Attachments:

- Attachment A: Presentation: Overview of Grant Anticipation Financing - BART Replacement Railcar Financing
- Attachment B: BAIFA Resolution No. 19



Andrew B. Fremier

Date: July 26, 2023
W.I.: 1512
Referred By: BAIFA

BAIFA Resolution No. 19

A Resolution of the Bay Area Infrastructure Financing Authority declaring its intent to issue tax-exempt obligations for certain public improvements and to facilitate the reimbursement of expenditures made prior to the issuance of such obligations.

Further discussion of the BAIFA tax-exempt obligation for certain public improvements is contained in the BAIFA Summary Sheet dated July 26, 2023.

Date: July 26, 2023
W.I.: 1512
Referred By: BAIFA

Re: Bay Area Infrastructure Financing Authority's Tax Exempt Obligations

BAY AREA INFRASTRUCTURE FINANCING AUTHORITY
RESOLUTION NO. 19

WHEREAS, the Bay Area Infrastructure Financing Authority (the "Authority") desires and intends to assist the San Francisco Bay Area Rapid Transit District ("BART") by providing financing to be used by BART for the acquisition of replacement rail cars and related capital improvements to the transit system operated by BART (the "Project"); and

WHEREAS, the Authority expects to cause the execution, delivery, and sale of tax exempt bonds, notes, or other obligations, in one or more series, for the purpose of providing financing for the Project in a principal amount expected not to exceed \$650,000,000 (the "Obligations"); and

WHEREAS, the Authority expects that the Metropolitan Transportation Commission ("MTC"), in its capacity as the regional transportation planning agency, BART or the Authority will incur certain expenditures relating to the Project and pay for such expenditures from, respectively, the Authority's, MTC's or BART's money on hand prior to the delivery or issuance of the Obligations (the "Reimbursement Expenditures"); and

WHEREAS, the Authority reasonably expects to use a portion of the proceeds of the Obligations to reimburse the Authority and, in turn, reimburse MTC or BART, for the Reimbursement Expenditures; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Bay Area Infrastructure Financing Authority, as follows:

Section 1. The Authority hereby declares its official intent, subject to further approval of this Board, to use the proceeds of the Obligations to reimburse itself, MTC and BART for the Reimbursement Expenditures, as applicable. It is intended that this Resolution shall constitute a declaration of "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations promulgated under Section 150 of the Internal Revenue Code of 1986.

Section 2. The adoption of this Resolution shall not bind the Authority to proceed with the execution and delivery of the Obligations until and unless all other necessary actions and approvals are taken or received in accordance with all applicable laws.

Section 3. All actions heretofore taken by the officers, or their respective designees, and the employees and agents of the Authority in connection with the financing of the Project are hereby ratified and confirmed. The officers and their designees, the employees and agents of the Authority are hereby authorized to take any and all actions in connection with the financing of the Project and as may be necessary and consistent with the purposes of this Resolution.

Section 4. This Resolution shall take effect immediately upon its adoption.

BAY AREA INFRASTRUCTURE FINANCING
AUTHORITY

Alfredo Pedroza, Chair

The above resolution was entered into by the Bay Area Infrastructure Financing Authority at a regular meeting of the Board held in San Francisco, California and at other remote locations, on July 26, 2023.