

Metropolitan Transportation Commission

May 27, 2026

Agenda Item 12b - 26-0701

Metropolitan Transportation Commission

Approval of Resolution No. 4782, Authorizing a Loan Agreement with the State of California, and Sub-Loan Agreements with each of Alameda – Contra Costa Transit District, San Francisco Bay Area Rapid Transit District, Peninsula Corridor Joint Powers Board, and San Francisco Municipal Transportation Agency, pursuant to AB 117 (2026)

Subject:

Staff requests adoption of Metropolitan Transportation Commission (MTC) Resolution No. 4782, approving the form of a Loan Agreement with the State of California, and the form of Sub-Loan Agreements with each of Alameda–Contra Costa Transit District, San Francisco Bay Area Rapid Transit District, Peninsula Corridor Joint Powers Board, and San Francisco Municipal Transportation Agency, and authorizing the Executive Director or his designee to execute final agreements, all as authorized by AB 117 (2026).

Background:

The signing of SB 63 last fall allows the Public Transit Revenue Measure District, created by SB 63, to place a regional sales tax measure on the November ballot, or alternatively, for such a measure to be placed on the ballot by a citizens' petition. While the approval of a regional sales tax measure would provide substantial financial support for the region's transit agencies for the fourteen years beginning with Fiscal Year 2027-2028, it would not address the large shortfall that some of the largest transit operators face for Fiscal Year 2026-2027.

To address these near-term funding shortfalls the legislature approved and the Governor signed into law AB 117, which provides for a loan of \$590 million from the California State Transportation Agency (CalSTA) to MTC, for the purpose of on-lending those funds to AC Transit, BART, Caltrain, and SFMTA, and grants to MTC the power to borrow and to lend money for this purpose. MTC and CalSTA will enter into a loan agreement in which CalSTA will provide immediate funding to MTC of \$590 million in four tranches tied to the Sub-Loan Agreements described below. MTC will enter into Sub-Loan Agreements with each of the four operators:

- AC Transit - \$55 million
- BART - \$285 million
- Caltrain - \$50 million
- SFMTA - \$200 million

Each of the Sub-Loan Agreements shall be secured by that particular operator's share of State Transit Assistance revenue-based funds. The MTC/CalSTA Loan Agreement shall be secured by each of the operators' Sub-Loan Agreements and by the STA revenue-based funds of the four operators, on a several and not joint basis. This provides security to the State of loan repayment in the event that any particular operator is unable to pay debt service from a different source of funds – it also ensures that any operator only has financial responsibility for its own portion of the loan. The MTC/CalSTA Loan Agreement does not have recourse with respect to MTC to any source of funds other than the STA revenue-based funds associated with one of the four operators.

The Loan Agreement and the Sub-Loan Agreements work together such that MTC's financial obligations to the State are matched by corresponding financial obligations from the four operators – MTC is not undertaking financial risk in this set of transactions. Both the Loan Agreement and the Sub-Loan Agreements will have variable rate interest – these will match. MTC will be investing half of the loan proceeds received from the State in advance of a second distribution of loan proceeds to the operators in January 2027; interest earned on these funds will be credited towards payments otherwise due from the operators, and the operators will bear any risk of mismatches between interest due to the State and interest earned on invested funds.

The Loan Agreement provides that by January 1, 2027, MTC shall review, in consultation with CalSTA, the planned second loan distribution and make any necessary adjustments in accordance with the provisions of AB117.

The loans shall be interest only for approximately two years and then will have a ten-year amortization period, with final loan repayment in June 2038. The loans are all prepayable, in whole or in part, on any loan payment date, with no prepayment penalty.

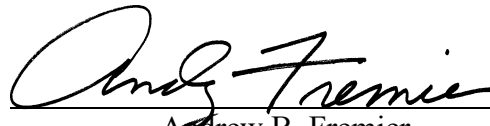
The Loan Agreement and the Sub-Loan agreements have been collaboratively developed with both CalSTA and the operators. MTC will have responsibility for administration of the Sub-Loans, including receipt of payment from the four operators, and for managing payment to the State. MTC is not receiving an administration fee for these efforts. AB 117 requires that the State make its disbursement by July 1, 2026. The operators are taking their own independent actions in June 2026, as necessary, to authorize entering into the Sub-Loan agreements.

Recommendation:

Staff recommends that the Commission approve Resolution No. 4782.

Attachments:

- MTC Resolution No. 4782
- Form of State Loan Agreement
- Form of Operator Sub-Loan Agreement
- Presentation



Andrew B. Fremier