

Overview of Grant Anticipation Financing BART Replacement Railcar Financing

Programming and Allocations Committee

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METROPOLITAN
TRANSPORTATION
COMMISSION

San Francisco Bay Area Transit Funding Context

MTC is committed to investment in State of Good Repair and Capacity Expansion

- Regional transit operator capital needs exceed available funding in the near-term due to BART demands in next two years
- Regional MPO is working with operators on delivering projects faster than FTA Formula grant funds can pay for them
 - Timely project delivery will require intermediate funding or projects will be delayed
 - Project delays result in project cost inflation

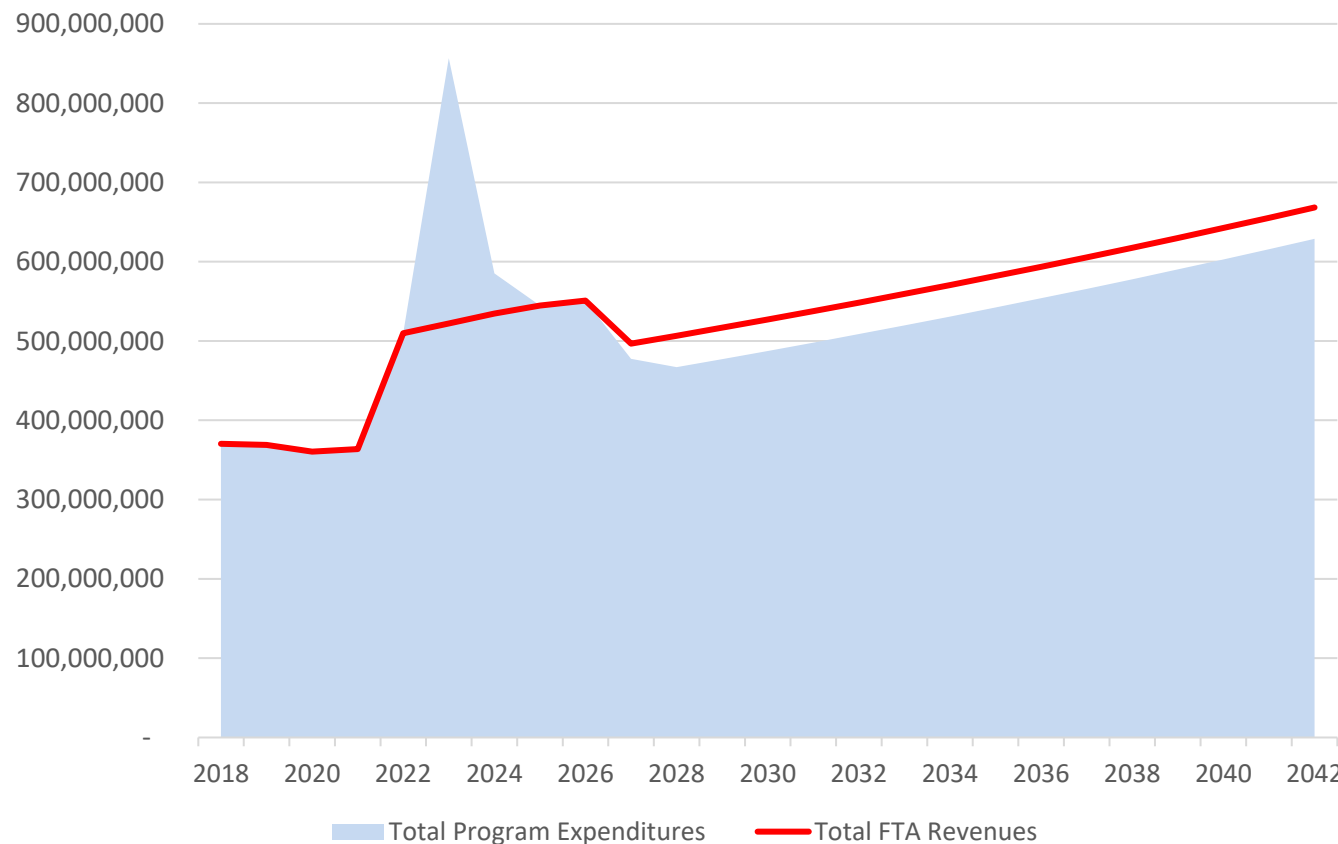
FYs 2023 and 2024 TCP Programming Need vs. Apportionments (\$ in millions)

| | FY 2023 | FY 2024 | Total |
|--------------------------------------|---------------|---------------|-----------------|
| FTA Apportionments* | \$ 522 | \$ 535 | \$ 1,057 |
| BART Railcar Replacements | \$ 372 | \$ 61 | \$ 433 |
| SFMTA Light Rail Vehicles | \$ 116 | \$ 157 | \$ 273 |
| Samtrans Bus Procurements | \$ 36 | \$ 59 | \$ 95 |
| AC Transit Bus Procurements | \$ 19 | \$ 11 | \$ 30 |
| GGBHTD Ferry Replacement | \$ 4 | \$ 12 | \$ 16 |
| Fixed Guideway State of Good Repair | \$ 115 | \$ 130 | \$ 246 |
| Other (ADA, ZEB, PM, Other Vehicles) | \$ 194 | \$ 156 | \$ 350 |
| Total Programming Need | \$ 857 | \$ 585 | \$ 1,442 |
| <i>Delta (Financing Need)**</i> | <i>\$ 335</i> | <i>\$ 51</i> | <i>\$ 385</i> |

*BART-eligible UZAs

**Depending on apportionments, BART Railcar Replacement project needs, and other regional needs, additional financing could be required to meet BART Railcar Replacement project needs in FY2025 through 2028.

Regional Transit Project Needs and Expected FTA Grant Revenue



Financing can advance future FTA formula funds to meet funding needs and expedite project delivery

- Accelerate delivery of the Transit Capital Priorities and optimize timing of project funding
- Allow for funding of large projects while not deferring other critical needs
- Provide cost-effective funding

MTC's roles allow it to program and allocate federal grant receipts for debt service

- Proposed structure utilizes elements previously approved by FTA and currently leveraged by many major transit agencies
- In the future, structure could be utilized by MTC as needed to advance other transit operator projects
- Obligations secured by FTA Formula Funds programmed by MTC in its role as Designated Recipient

Proposed Financing would address BART Rail Car Replacement Project

- Project is the largest near-term Bay Area project and a top need
- BART is eligible for §5307 and §5337 grants in multiple urbanized areas creating the largest “bucket” of direct funding to securitize and provide high levels of debt repayment coverage (allowing for more cost-effective borrowing)
- Financing structure will utilize a short-term bank revolving line of credit with a fixed-rate takeout
- Flexibility to establish broad regional financing program in the future

BART Replacement Railcar Financing

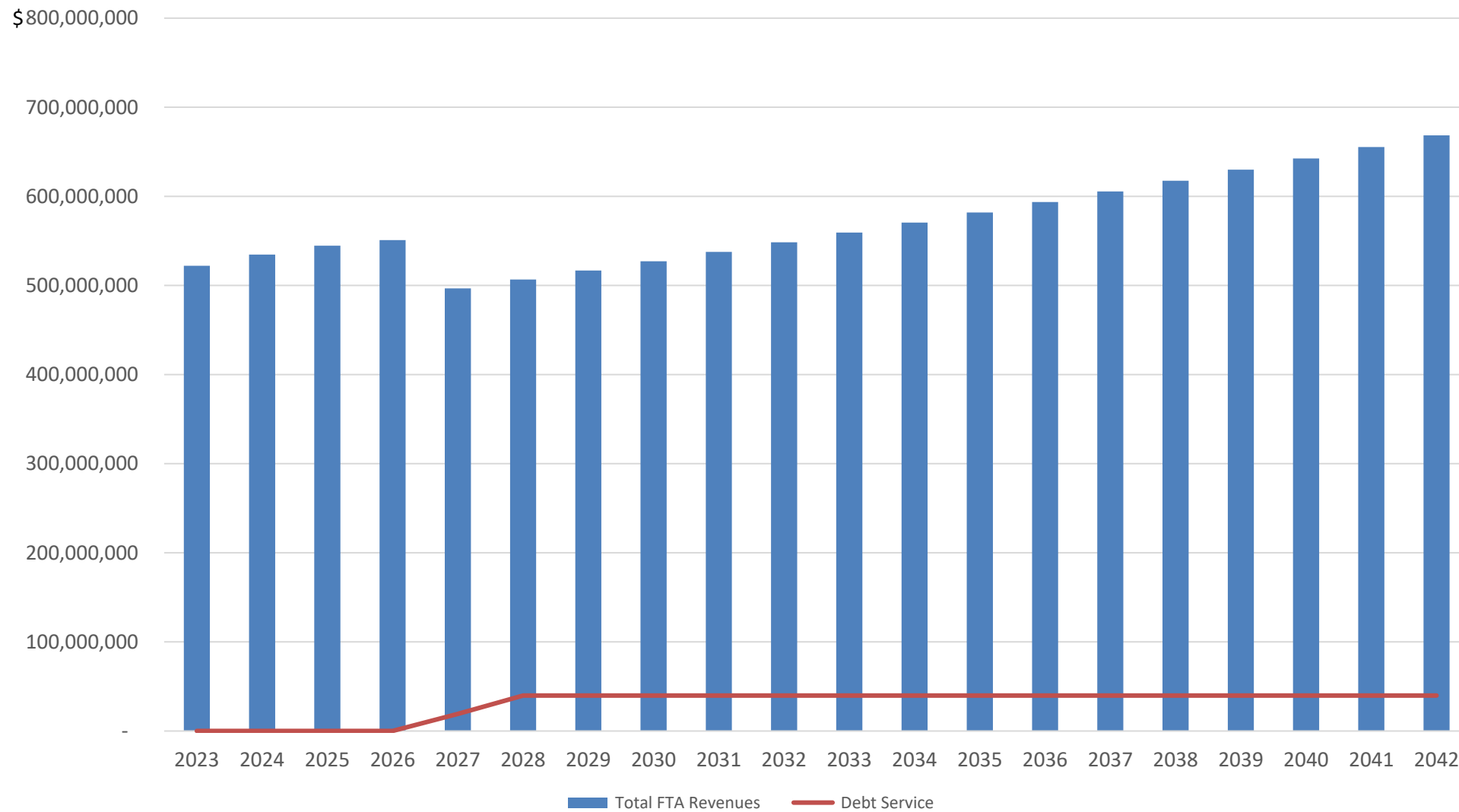
- Replacement of 775 railcars at a cost of approximately \$1 billion
- Currently over 500 cars are in service
- MTC anticipates financing in order to meet BART's cashflow needs as railcars are replaced, and holds an FTA Letter of New Prejudice for this plan
- Project needs likely to be met through combination of direct 5307/5337 programming and financing proceeds.
- BART remains the direct recipient responsible for project delivery



Estimated FTA Formula Funds will Provide Significant Coverage



Programmable FTA Formula Funds vs Securitization Debt Service



Debt Service Assumes 4.5% interest rate
 Revenues and Debt Service are PRELIMINARY AND SUBJECT TO CHANGE

Programmable FTA 5307 and 5337 Formula Funds Breakdown FY23-FY42

| Formula Grant | SFO UZA | Concord UZA | Antioch UZA | Total |
|---------------|---------|-------------|-------------|---------|
| (%) | 80% | 16% | 4% | \$11.4B |

MTC's role as Designated Recipient, MPO and Direct Recipient puts MTC in a position to manage the current financing and a future regional securitization program

- As Designated Recipient, MTC allocates FTA Formula Funds to Direct Recipients
- As a Direct Recipient, MTC can receive programmed FTA Formula Funds
- Able to program and allocate FTA Formula Fund grant receipts to debt service
- MTC prioritizes project delivery in line with regional transportation plan (Plan Bay Area)
 - Projects that cross UZA's and may qualify for multiple formula funding programs
 - MTC's ability to program more FTA Formula Funds maximizes flexibility and credit strength for any financing

Bay Area Infrastructure Financing Authority ("BAIFA") is a joint powers agency under State law established by MTC and BATA under a Joint Powers Agreement

- BAIFA and MTC will enter into a transit funding agreement
- BAIFA will advance funds to BART for the project
- BAIFA debt will be repaid by FTA Formula Funds programmed annually by MTC for repayment of BAIFA Obligations

Issuer

Bay Area Infrastructure Financing Authority (BAIFA)

Key Documents

Letter of No Prejudice (FTA to MTC)

- Allows for Project to be eligible for Advance Construction
- Outlines terms/conditions under which debt service is an eligible expense for formula grants

Transit Funding Agreement (BAIFA and MTC)

- Obligates MTC to set Programmed FTA Formula Funds to debt service first before any funds are programmed for projects

Regional Transit Funding Tax & Regulatory

Agreement (Current Agreement Between BART and MTC)

- Obligates BART to fulfill all terms/conditions of each grant agreement and the Letter of No Prejudice
- Obligates BART to take actions/refrain from actions to ensure tax-exempt status of obligations

Security Pledges

MTC

- MTC will program first dollars to debt service
- Creates coverage based on total apportionments for all 3 Urbanized Areas
- Remainder of FTA Formula Funds in excess of debt service will be programmed to projects

BART

- A covenant to comply with RTF Tax & Regulatory Agreement and maintain FTA grant eligibility

BAIFA

- Submit invoice to MTC equal to BAIFA Obligation debt service
- No commitment of any other funds (unless otherwise previously pledged to debt holders)

Proposed Timetable

| Date | Activity |
|--------------------------------|--|
| July 12, 2023 | MTC Programming and Allocations Committee Presentation |
| July 26, 2023 | BAIFA Board Meeting Presentation |
| July/August | Finalize term sheet negotiations with lender |
| | Finalize documents |
| August/September | BART Board (as needed) |
| Tuesday, September 19 | Substantially final documents, Good Faith Estimates, and presentation due for September 27th BAIFA Meeting |
| Wednesday, September 27 | MTC Board Meeting to Approve 2023 FTA financing BAIFA Board Meeting to approve 2023 FTA financing |
| Week of October 2 | Finalize initial borrowing amount, structure and pricing |
| | Circulate numbers for closing documents |
| Week of October 9 | Pre-Closing |
| | Closing |