THIS PRINT COVERS CALENDAR ITEM NO.: 10.5

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Affirming that the SFMTA's FY2019 and FY2020 Operating Budget includes the City's portion of debt service payments for issuance of farebox revenue bonds and interim proposed financing by the Peninsula Corridor Joint Powers Board which is to be offset by reductions in Caltrain operating costs.

SUMMARY:

- The City and County of San Francisco (City) is a member agency of the Peninsula Corridor Joint Powers Board (JPB) and is required by the JPB's Joint Powers Agreement to contribute to the operating costs of Caltrain and to the costs of JPB capital projects.
- The JPB wishes to undertake a financing comprised of: (i) the issuance of farebox revenue bonds in a total amount not to exceed $62 million to finance the purchase of two leased facilities housing Caltrain operations and to refund farebox revenue bonds issued by the JPB in 2007 and 2015; (ii) an increase in an existing interim financing from an amount at any one time not to exceed $150 million outstanding to an amount at any one time not to exceed $170 million outstanding to support the electrification of the Caltrain rail corridor between San Francisco and San Jose and to provide local match funds to enable the JPB to obtain a $164.5 million grant from the Transit and Intercity Rail Capital Program awarded in 2018 (TIRCP Grant) to support Caltrain capacity and system improvements and interim financing for such capacity and system improvements; and (iii) an additional interim financing in an amount not to exceed $30 million outstanding at any one time to support completion of the installation of the positive train control system and possibly other projects and to provide working capital for Caltrain system needs.
- The JPB expects that the 2018 Financing will reduce the JPB's debt service and will result in a decrease in the costs of certain capital projects, thereby reducing the amount of the annual contributions by the member agencies for operations and for capital projects.

ENCLOSURES:

1. SFMTAB Resolution
2. Caltrain Memo dated August 30, 2018

APPROVALS:	**DATE**
DIRECTOR ____________________	10/9/2018
SECRETARY ____________________	10/9/2018

ASSIGNED SFMTAB CALENDAR DATE: October 16, 2018

PURPOSE

Affirming that the SFMTA's FY2019 and FY2020 Operating Budget includes the City's portion of debt service payments for issuance of farebox revenue bonds and interim proposed financing by the Peninsula Corridor Joint Powers Board which is to be offset by reductions in Caltrain operating costs.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This item will meet the following goals and objectives of the SFMTA Strategic Plan:

Goal 1: Create a safer transportation experience for everyone.
Objective 1.2: Improve the safety of the transportation system

Goal 2: Make transit and other sustainable modes of transportation the most attractive and preferred means of travel.
Objective 2.1: Improve transit performance

This item will support the following Transit First 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.

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 transportation system.

DESCRIPTION

Background

The JPB is a public entity duly established and organized under the laws of the State of California, and was created under the Joint Powers Agreement entered into by the Santa Clara Valley Transportation Authority, formerly known as the Santa Clara County Transit District, the City and County of San Francisco (City), and the San Mateo County Transit District. The JPB operates the Caltrain commuter rail service (Caltrain) within San Francisco, San Mateo, and Santa Clara counties.

As a member agency of the JPB, the City is required to contribute to the operating costs of Caltrain and the costs of JPB capital projects as set forth in the JPB Joint Powers Agreement. The City's share of the operating costs are paid through the SFMTA budget.

The JPB has reported that Caltrain has experienced a substantial increase in ridership over the past decade and anticipates further increases in ridership demand as the San Francisco Bay Area's population increases and traffic congestion intensifies. To address this issue, the JPB has embarked on a project to electrify the Caltrain rail corridor running between San Francisco and the Tamien Station in San Jose and convert a portion of the Caltrain diesel fleet to electrical multiple unit vehicles (EMUs) (Peninsula Corridor Electrification Project or PCEP).

The JPB also needs to complete installation of its positive train control (PTC) system, as required under federal law to enhance safety and prepare for the shared future use of the corridor by the State's high-speed rail system.

The PCEP and PTC projects will help the JPB (i) meet current and future transportation demand between San José and San Francisco, (ii) offset existing and future worsening roadway congestion, (iii) address continuing regional air quality issues, (iv) reduce greenhouse gas emissions, (v) provide electrical infrastructure compatible with contemplated future high-speed rail service, and (vi) enhance safety throughout the Caltrain system.

Past Financing

In 2007, the JPB issued $23,140,000 of 2007 Series A farebox revenue bonds (2007 Issuance), of which $22,960,000 of those bonds are still outstanding. In 2015, the JPB issued $11,000,000 in 2015 Series A farebox revenue bonds (2015 Issuance), of which all $11 million in bonds are still outstanding, since debt service on those bonds consists of interest only until January 2019. The 2007 Issuance and the 2015 Issuance helped to finance rail car capacity expansion.

In December 2016, the JPB secured a revolving line of credit (Existing Line of Credit) in an amount not to exceed $150,000,000 outstanding at any one time. The Existing Line of Credit has been used to pay the costs of the current phase of the PCEP.

2018 Financing

The 2018 Financing consists of three main elements:

1. **Issuance of New Farebox Revenue Bonds**.

    a. The JPB will issue up to $62,000,000 in new bonds (Bonds) secured by and payable from Caltrain farebox revenues. The JPB intends to use a portion of the proceeds of the Bonds to refund all of its outstanding farebox revenue bonds (2007 Issuance, 2015 Issuance). The JPB expects to realize a debt service savings from this refinance.

    b. The JPB intends to use the remainder of the Bond proceeds to finance the purchase of two Caltrain operations facilities, which are currently leased by the JPB. If the JPB is unable to acquire one or both of the leased facilities, the JPB intends to apply proceeds of the Bonds to finance certain capacity and system improvements, including additional EMUs, platform modifications, wayside bicycle parking improvements, installation of a broadband communication system and funds to support development of plans and agreements to meet goals and service levels in the 2018 State Rail Plan.

2. **The Existing Line of Credit.** In April 2018, the JPB secured a Transit and Intercity Rail Capital Program (TIRCP) grant of $164,500,000. In order to provide local matching funds for the TIRCP grant, the JPB and the provider of the Existing Line of Credit (JPMorgan Chase Bank) intend to increase the amount available to be drawn under the Existing Line of Credit by $20,000,000, to an amount not to exceed $170,000,000 outstanding at any one time.

3. **Additional Line of Credit**. In order (a) to provide necessary funding with respect to the PTC Project, including costs of the PTC Project, and possibly other projects; and (b) to provide working capital for Caltrain system needs, the JPB also intends to secure an additional revolving line of credit in an amount not to exceed $30,000,000 outstanding at any one time. The security for this Additional Line of Credit will be farebox revenues, subordinate to the payment of debt service on the Bonds.

The 2018 Financing is described in greater detail in a memorandum prepared by Caltrain staff (Enclosure 2).

STAKEHOLDER ENGAGEMENT

Caltrain staff has reached out to the City Controller’s office and the SFMTA to discuss and make recommendations regarding this matter, as well as to the Santa Clara Valley Transportation Authority (VTA). This item will be heard by, and recommended to, VTA’s Board of Directors, the SamTrans Board of Directors, and the JPB Board of Directors for approval.

ALTERNATIVES CONSIDERED

The alternative to approving this JPB request is to require the JPB to undertake financing for the purposes described above in a different way.

FUNDING IMPACT

The SFMTA’s FY 2019 approved Operating Budget includes the City’s share of the JPB’s operating budget at $7 million. The City’s portion of the JPB’s capital budget is $7.5 million paid by either the City or the San Francisco County Transportation Authority.

The JPB expects that the 2018 Financing will reduce the JPB's debt service and will result in a decrease in the costs of certain capital projects, thereby reducing the amount of the annual contributions for operations and for capital projects required to be provided by the City and each of the other member agencies. Therefore, no additional funds are expected to be required from the SFMTA for FY 2019 beyond the approved amount of $7 million.

Annual debt service on the portion to be refunded is estimated to range between $1.46 million to $2.55 million through FY2038 (i.e., the final maturity of the existing outstanding bonds). Total debt service on the bonds to be refunded is estimated to generate approximately $3.9 million in present value debt service savings compared to expected debt service on the outstanding bonds if no refunds were made.

Annual debt service on the new-money portion is estimated to range from $1 million to $2.43 million through FY2049. Estimated annual debt service payments relating to the new money portion are expected to produce cash flow savings over time compared to expected lease payments on the two facilities currently leased by Caltrain for its operations.

Total combined annual debt service for the proposed 2018 Series A Bonds is estimated to range from $2.4 million to $3.6 million through FY2049. Peak debt service of approximately $3.6 million equals approximately 2.7% of the JPB's 2017 operating expenses.

Should it be necessary for the JPB to issue long term fixed rate farebox revenue bonds in FY2022 to refinance outstanding interim financing (e.g., other financing, such as grants, don't come through), additional annual debt service is expected to be approximately $2 million annually through FY2052. This would increase the JPB's total annual debt service costs to approximately $5.5 million, or 4.2% of the JPB's 2017 operating expenses. In such an event, the JPB would bring this matter to the City for advance approval.

ENVIRONMENTAL REVIEW

On September 27, 2018, the SFMTA, under authority delegated by the Planning Department, determined that the Approval of JPB Financing Package and the City's Portion of Debt Service Payments 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).

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 City Attorney's Office has reviewed this report.

The Board of Supervisors must approve the 2018 Financing.

RECOMMENDATION

That the SFMTA Board of Directors affirms that the SFMTA's FY2019 and FY2020 Operating Budget includes the City's portion of debt service payments for issuance of farebox revenue bonds and interim proposed financing by the Peninsula Corridor Joint Powers Board which is to be offset by reductions in Caltrain operating costs.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. ______________

WHEREAS, The City and County of San Francisco (City) is a member agency of the Peninsula Corridor Joint Powers Board (JPB) and is required to contribute to the operating costs of Caltrain and for the costs of JPB capital projects as set forth in the JPB Joint Powers Agreement; and,

WHEREAS, As the transportation agency for the City, the San Francisco Municipal Transportation Agency (SFMTA) is responsible for paying the City's portion of these costs through its Operating Budget; and,

WHEREAS, In 2007, the JPB issued $23,140,000 of 2007 Series A farebox revenue bonds (2007 Issuance), of which $22,960,000 of those bonds are still outstanding, and in 2015, the JPB issued $11,000,000 in 2015 Series A farebox revenue bonds (2015 Issuance), of which all $11,000,000 in bonds are still outstanding, since debt service on those bonds consists of interest only until January 2019; the 2007 Issuance and the 2015 Issuance helped to finance rail car capacity expansion; and,

WHEREAS, The JPB is now proposing to undertake a financing (2018 Financing), comprised of: (i) the issuance of up to $62 million aggregate principal amount of farebox revenue bonds to finance the purchase of two leased facilities housing Caltrain operations and to refund the 2007 Issuance and the 2015 Issuance; (ii) an increase in an existing interim financing from an amount not to exceed $150,000,000 outstanding at any one time to an amount not to exceed $170,000,000 outstanding at any one time to support work currently underway to electrify the Caltrain rail corridor between San Francisco and San José and to provide local matching funds for a $164,500,000 grant from the Transit and Intercity Rail Capital Program, awarded in 2018, to support Caltrain capacity and system improvements, including additional electric rolling stock, and interim financing for such capacity and system improvements; and (iii) an additional interim financing in an amount not to exceed $30 million outstanding at any one time to support completion of the installation of the positive train control system and possibly other projects, and to provide working capital for Caltrain system needs; and,

WHEREAS, The JPB expects that the 2018 Financing will reduce the JPB's debt service and will result in a decrease in the costs of certain capital projects, thereby reducing the amount of the annual contributions for operations and for capital projects required to be provided by the City and each of the other member agencies; and,

WHEREAS, On September 27, 2018, the SFMTA, under authority delegated by the Planning Department, determined that the Approval of JPB Financing Package and the City's Portion of Debt Service Payments 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); 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; and,

WHEREAS, The Board of Supervisors is required to approve the 2018 Financing; now therefore be it

RESOLVED, That the SFMTA Board of Directors affirms the SFMTA's FY2019 and FY2020 Operating Budget includes the City's portion of debt service payments for issuance of farebox revenue bonds and interim proposed financing by the Peninsula Corridor Joint Powers Board which is to be offset by reductions in Caltrain operating costs; and be it

FURTHER RESOLVED, That the SFMTA Board recommends that the Board of Supervisors approve the 2018 Financing; and be it

FURTHER RESOLVED, That the SFMTA Board authorizes the Director of Transportation to execute any documents which may be necessary to complete this transaction.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 16, 2018.

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Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

Enclosure 2

Memorandum

To: Ben Rosenfield, City and County of San Francisco

From: Derek Hansel, Chief Financial Officer, Peninsula Corridor Joint Powers Board

Re: Caltrain Funding Needs and Proposed Plan of Finance

Date: August 30, 2018

CC: Anna Van Degna, Jamie Querubin

Peninsula Corridor Joint Powers Board ("JPB") has prepared this memo to provide an update on the Caltrain Modernization ("CalMod") program), the related funding requirements and an updated financing strategy. In this context we detail a plan of finance which has three basic components: (1) the issuance of fixed rate farebox revenue bonds (the "Bonds") to refinance outstanding farebox revenue bonds for savings and finance the acquisition of two leased facilities housing Caltrain operations; (2) an increase in the amount of interim financing available under the JPB's existing revolving line of credit (the "Existing Credit Facility") from an amount not to exceed $150 million outstanding at any one time to $170 million outstanding at any one time to serve as matching funds to enable the JPB to access $164.5 million of grant funds (the "TIRCP Grant") awarded to the JPB for capacity and system improvements (the "TIRCP Projects"), including electrical multiple unit vehicles ("EMUs"), platform modifications, wayside bicycle parking improvements, installation of a broadband communication system and planning funds to support development of plans and agreements to meet goals and service levels in the draft 2018 State Rail Plan; and (3) additional interim financing under a revolving line of credit (the "New Credit Facility") to serve as matching funds and/or cash flow financing for installation of a signal and train control system (the "PTC project") and to provide working capital for Caltrain system needs. The JPB expects the fixed rate refunding to generate annual cash flow savings. Additionally, the real property acquisition is expected result in lower annual debt service payments compared to expected lease payments over time. These combined budgetary savings provide some capacity, should the JPB need to take out the interim financings with additional long-term debt in the future. In the event that the JPB is unable to acquire one or both of the leased facilities, the JPB intends to apply proceeds of the Bonds to provide local match funding to finance a portion of the TIRCP Projects.

1. Program Overview:

Over the last decade, Caltrain has experienced a substantial increase in ridership and anticipates further increases in ridership demand as the San Francisco Bay Area's population grows and traffic congestion intensifies. The CalMod Program was developed to electrify and upgrade the performance, operating efficiency, capacity, safety, and reliability of Caltrain's commuter rail service. The CalMod Program includes three major projects:

i) **Electrification** of the existing Caltrain rail corridor from San Francisco to San Jose;
ii) Replacement of a portion of Caltrain's diesel trains with EMUs (which, together with electrification, is referred to as the Peninsula Corridor Electrification Project or **"PCEP"**); and
iii) Installation of the **PTC project**, which includes federally mandated safety improvements.

A. PCEP:

The budgeted cost for the initial phase of PCEP, which is expected to be completed by 2022, is $1.98 billion. As of July 2018, about a quarter of the budget has been expended and construction is on schedule. PCEP is fully funded from various federal, state and local grants without the need for long-term borrowing. However, grant funding is received on a reimbursement basis. In anticipation of cashflow mismatch, the JPB secured the Existing Credit Facility in an amount not to exceed $150 million outstanding at any one time from an affiliate of JPMorgan Chase Bank, National Association ("J.P. Morgan"). Since then the JPB has utilized the Existing Credit Facility and repaid it with grant reimbursements several times.

Electrification Expansion: Programmed within the initial phase of the PCEP is replacement of a portion of Caltrain's diesel fleet with EMUs. The aim of the broader CalMod program is to attain a 100% electrified fleet in the future. In working towards that goal, the JPB applied for the TIRCP Grant which provides funding for additional EMUs and the other TIRCP Projects listed above. This is in addition to the $1.98 billion budgeted for the initial phase of PCEP.

B. PTC Implementation:

The implementation of PTC project has been a time-sensitive and safety-critical project with rigid federal requirements. Both staff and the JPB Board have been tracking its progress very closely. After termination of the prior contract in 2017 with Parsons Infrastructure & Technology Group due to delays and non-performance, the JPB staff moved quickly to re-start and re-energize activities, focusing foremost on the work required to meet the federal requirements to obtain an extension beyond the original December 2018 implementation date. A new $43.0 million contract was awarded to Wabtec Corporation in March 2018 for the completion of the PTC project. Thus far project activities have been on schedule and the project team is awaiting federal approval for testing and an amended implementation schedule.

The revised cost for the PTC project is $89.4 million. As of July 2018, about $7.1 million of the budget has been expended. The PTC project is partly funded from prior grants of $59.8 million. The New Credit Facility is expected to provide interim financing while JPB staff investigates opportunities for future grant funding.

JPB Outstanding Debt:

The JPB currently has a combination of long-term and short-term debt as summarized in the table below. The JPB has two series of long-term bonds currently outstanding with a combined total par of $34.1 million. These are secured by a senior lien on farebox revenues.

Summary of Outstanding Debt							
LONG-TERM BONDS							
Series Name	**Interest**	**Security**	**Issue Size**	**Delivery Date**	**Final Maturity**	**Call Date**	**Outstanding Par****
2007 Series A	Fixed	Farebox	$23,140,000	10/31/2007	10/1/2037	10/1/2017	$22,960,000
2015 Series A	Variable	Farebox	$11,000,000	1/14/2015	10/1/2033	1/14/2019*	$11,000,000
Total			**$34,140,000**				**$33,960,000**
*Mandatory Tender Date	**Outstanding in November 2018 at the time of closing						
SHORT-TERM DEBT							
Series Name	**Interest**	**Security**	**Borrowing Limit**	**Delivery Date**	**Termination Date**	**Call Date**	**Outstanding Par**
Existing Credit Facility	Variable	Project Grants + Sub. Farebox	$150,000,000	12/6/2016	12/31/2022	NA	NA

The 2015 Series A is currently callable and has a mandatory tender date coming up in January 2019 and the 2007 Series A is currently callable. In addition, the JPB entered into the Existing Credit Facility to provide interim financing for costs associated with PCEP. The Existing Credit Facility expires in December 2022. The Existing Credit Facility is payable from receipts of eligible PCEP project grants and is additionally secured by a subordinate lien on the farebox revenues.

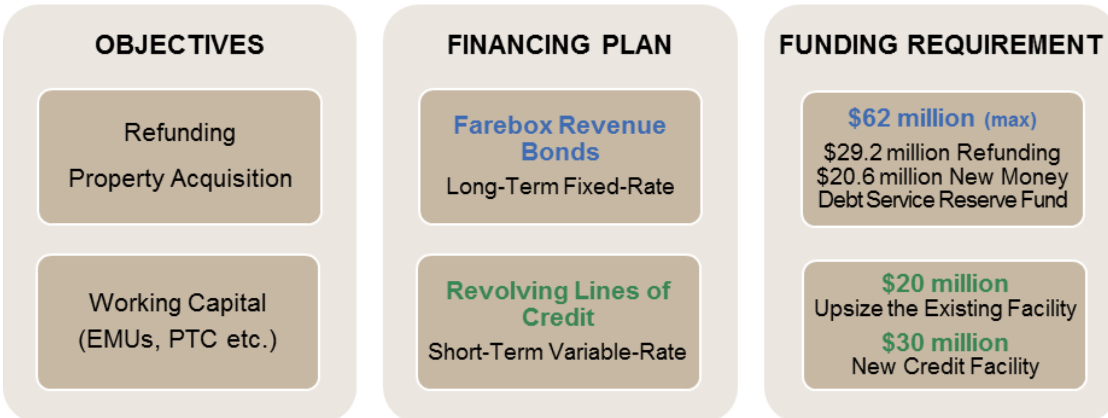
I. Funding Requirements:

As described previously, the JPB has several projects underway at this time. They are each unique as to the funding sources and completion timeline. The staff has identified the following funding requirements to accomplish a number of objectives:

1) **Refunding:** With the mandatory tender date on the 2015 Series A Bonds approaching and the potential for debt service savings on the 2007 Series A Bonds, the JPB plans to issue the Bonds, a portion of the proceeds to be used to refund all of the $33.9 million which will be outstanding as of the contemplated November 28 closing date.
2) **New Money**: Issuance of the Bonds also provides JPB the perfect opportunity to access the public markets to finance the acquisition of two core facilities along the Caltrain corridor that are currently being leased.
3) **Increased Interim Funding Needs:** The JPB staff has identified certain additional interim funding needs to facilitate the CalMod delivery schedule.
   a) Estimated $20.0 million to provide match and address cash flow mismatch for the TIRCP Grant awarded for the TIRCP Projects.
   b) $30.0 million for PTC project implementation and working capital needs for the Caltrain system.

II. Plan of Finance:

Working with its municipal advisors, bond counsel and investment bankers, the JPB staff developed a comprehensive financing plan to accomplish the above objectives. Various financing options were considered based on the nature and timing of the capital needs as well as availability of committed or potential repayment sources. A combination of additional short-term and long-term debt best suits the project needs and minimizes overall borrowing costs. *Long-term fixed-rate farebox revenue bonds will be used to finance the refunding and the property acquisition. Short-term revolving lines of credit will be used for interim needs.* In order to issue new debt, the JPB requires consent from its funding partner J.P. Morgan, provider of the Existing Credit Facility. Member agency approval of the financing of public capital improvements and a finding of significant public benefit are required pursuant to Section 6586.5 and Section 6586 of the California Government Code. The following proposed plan ensures funding will be available when needed without causing any project delays.



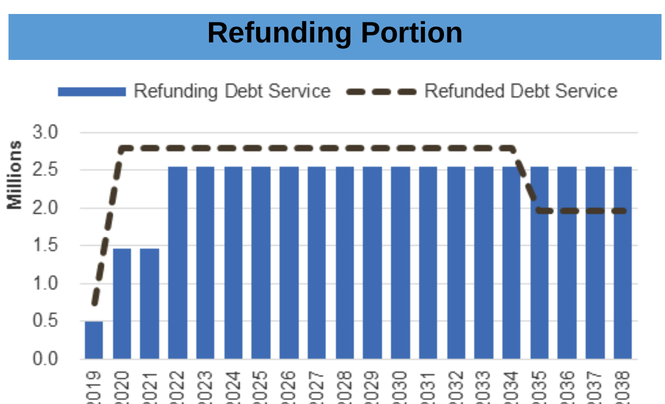
A. 2018 Issuance of Fixed Rate Farebox Revenue Bonds

Refunding: The refunding needs are best met by a public sale of farebox revenue bonds secured by a senior lien pledge of farebox revenues.

New Money: For economy of scale, the fixed rate refunding will be combined with the issuance of new money bonds to finance the real property acquisition.

- Combined Total Par Amount: Estimated $49.8 million par (based on current market rates, market preference for premium coupon bonds and use of a debt service reserve fund surety), maximum of $62 million.
- Security: Senior lien on gross farebox revenues
- Use of Funds: About $34.1 million to refund all existing farebox revenue bonds and $23.0 million to acquire the facilities that are currently being leased.
- Financing Cost and Budget Impact:

a) Refunding Portion: On a standalone basis, the refunding portion of the financing is anticipated to generate annual cash flow savings for JPB, as seen in the chart on the right. At current market rates the estimated net present value savings is about $3.9 million or 11.3% of refunded par.



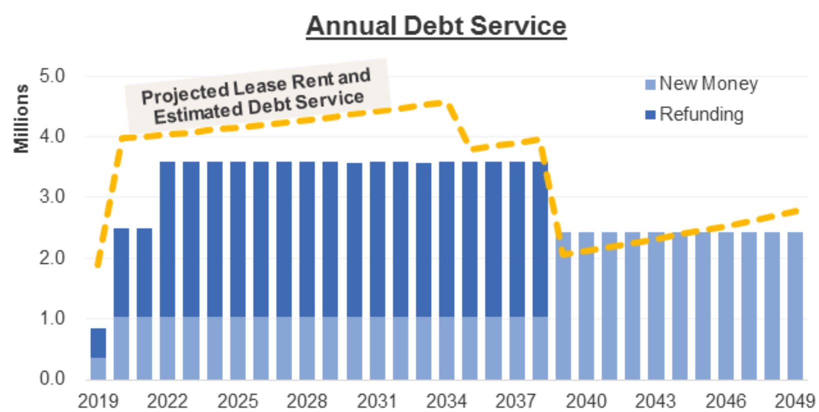
b) New Money Portion: The proceeds from the new money portion are expected to be used to purchase two buildings for operations that are currently being leased by JPB. The lease rent and maintenance costs for the subject properties was $1.14 million in FY2017. These lease payments are expected to increase over time and the proposed financing and associated debt service payments on the new money portion is expected to produce savings.

The 2018 issuance on the whole, including both the refunding portion and the new money portion, is expected to generate budgetary savings as seen in the chart below. The yellow dotted line in the chart below represents estimated future debt service on existing debt (2007 Series A and 2015 Series A) and future lease payments with reasonable escalation. Taking that into consideration, the annual debt service on the proposed issuance is expected to generate net annual cost savings while providing the JPB with ownership of properties it currently leases.

Summary of 2018 Issuance

Source and Uses

Par	$49.8 million
Premium	$9.0 million
Total Sources	**$58.8 million**
Project Fund	$23.0 million
Refunding	$34.1 million
Cost of Issuance	$1.7 million
Total Uses	**$58.8 million**



B. Upsize Existing Credit Facility:

The JPB received the award for the TIRCP Grant in April 2018 in the amount of $164.5 million, which will be utilized for the TIRCP Projects, including procurement of additional EMUs. In order to receive these TIRCP Grant funds, JPB must contribute $39.1 million in local matching funds. It is proposed that J.P. Morgan upsize the Existing Credit Facility by $20 million, increasing the amount which may be outstanding at any one time from $150 million to $170 million, to enable the JPB to provide a portion of the local matching funds and address cash flow mismatch. It is further proposed that receipts of the TIRCP Grant be added to the pledge supporting the Existing Credit Facility.

- Credit Requested: Additional $20 million.
- Security: Grant fund receipts and a subordinate lien on farebox revenues. Essentially the same pledge as secures the Existing Credit Facility.
- Use of Funds: JPB match for TIRCP Grants and cash flow mismatch.
- Financing Cost and Budget Impact Expected additional interest cost and commitment fees owing to an upsized credit facility as well as revised terms reflecting a general increase in market rates for short-term borrowings as shown in the table below.

C. Implement a New Credit Facility:

The implementation of positive train control systems has been complicated industry wide. The JPB has had to address several challenges along the way and the PTC project is on track now. The revised project budget has been established, a new contractor has been hired and a new timeline has been laid out. Although the JPB has just been awarded a federal grant in the amount of $18.7 million and other additional funding sources are still being explored, an interim financing facility is needed to support the PTC project by providing the additional funding required and addressing cashflow mismatch; this facility will also provide working capital availability for Caltrain system needs. The staff has requested J.P. Morgan to provide the New

Credit Facility in an amount not to exceed $30 million outstanding at any one time to provide interim financing for PTC project costs as described above and to provide general working capital.

- Credit Requested: $30 million.
- Security: A subordinate lien on farebox revenues and receipts of certain grants.
- Use of Funds: PTC project implementation and working capital needs.
- Financing Cost and Budget Impact: Expected additional interest cost, to the extent the New Credit Facility is utilized, and commitment fees on the New Credit Facility are expected to be similar to the expected terms for the Existing Credit Facility as shown in the table below.

Summary of Interest Cost for Revolving Credit Facilities				
Cost Components	**% Cost**	**$ Cost**		
		$20 million Existing Facility	**$30 million New Facility**	**Total**
Loan Commitment Fee[1]	0.6% on unused capacity	$120,000	$180,000	$300,000
Loan Interest[1]	4.26% on amounts drawn (1M LIBOR + 2.20% spread)	$852,960	$1,279,440	$2,132,400
Est. Annual Interest Cost[2]	**4.26%**	**$852,960**	**$1,279,440**	**$2,132,400**

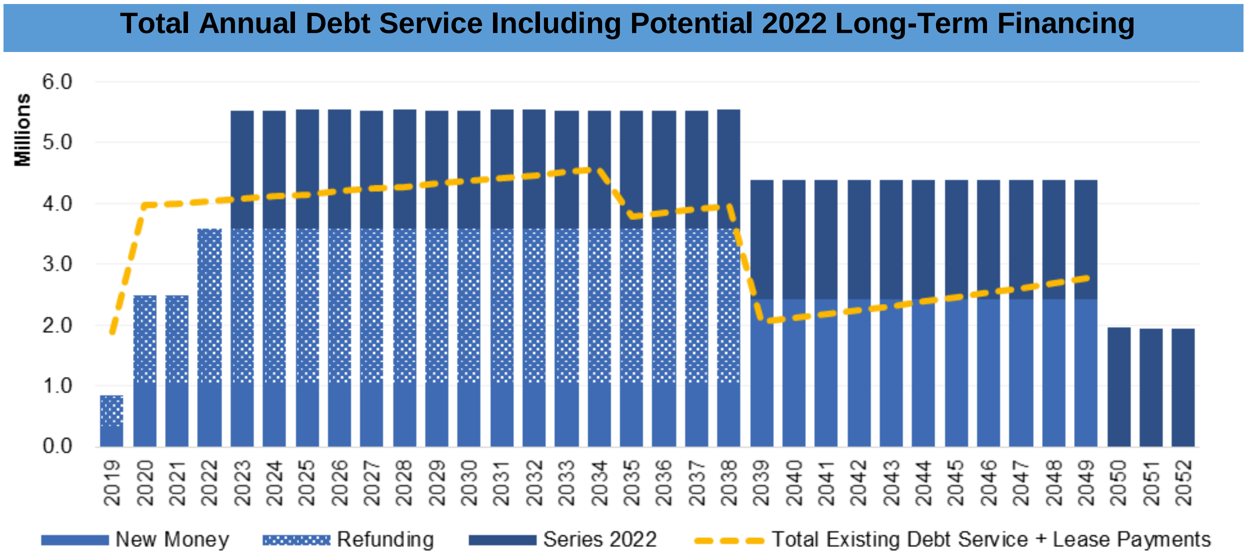
(1) Expected commitment fee and spread on LIBOR based on 'A1/A+' ratings; LIBOR dated 8/24/2018; A commitment fee is payable on unused capacity of the facilities while the interest rate is applicable to the amounts drawn and outstanding
(2) Estimated annual cost on a fully drawn facility assuming current market rates; Cost may go up if LIBOR increases

III. Risk Analysis:

The issuance of the Bonds is projected to generate cash flow savings in the form of debt service savings with respect to bonds being refunded and lease savings. The JPB expects to save on average approximately $450,000 annually over the next 30 years.

The additional total $50 million short-term borrowing for interim funding needs may require the eventual issuance of long-term bonds to the extent grants funds do not materialize. The $18.7 million grant discussed above is expected to reduce the amount of short-term borrowing needed, leaving a balance of about $30 million. JPB staff will be working to re-program existing grants to further reduce its exposure and to secure additional grant funding.

However, if the JPB needed to issue long-term bonds to finance the $30 million balance, the resulting incremental annual debt service would be approximately $2 million per year (dark blue bars in the chart below) starting in FY2023, which would be about 1.5% of the FY2017 budget. A portion of this amount will be offset by annual savings from the proposed 2018 financing and the remaining portion is manageable and can be addressed without the need for additional member agency contributions. Importantly, the short-term borrowing enables JPB to receive the $164.5 million TIRCP Grant, which will enable the JPB to increase train sets from 6 cars to 8 cars, which in turn allow for increased service and potentially higher revenues.



IV. Next Steps:

The JPB staff and the financing team have developed a schedule for the financing plan discussed above. A public sale of the bonds is targeted in November 2018, before the holiday season. Bond counsel has been engaged to develop the necessary documentation. By end of October we expect to have documents in the near final form and we also anticipate having new ratings by then.

In terms of immediate next steps, we propose the following schedule to attain all the necessary member agency approvals and conduct the public hearings before bringing the proposed financing to the JPB Board at the targeted November 1st meeting for final approval. Under California law, each of the member agencies must approve the financing plan after public hearing before the JPB Board can approve the financing and the associated financing documents.

Date	Activity
August	Distribute draft briefing memos for VTA and CCSF
Sept. 18	Introduce resolution to SF Board of Supervisors
Sept. 20	VTA Administration and Finance Committee
Oct. 3	SamTrans Board Meeting – Public Hearing/Approval
Oct. 4	VTA Board Meeting - Public Hearing/Approval
Oct. 4	CCSF Budget & Finance Meeting - Public Hearing/Approval
Oct. 16	CCSF Board of Supervisors Meeting
Oct. 26	Mayor signs Board of Supervisors resolution
Nov. 1	JPB Board Meeting – adoption of authorizing resolution
Nov. 2	Post POS
Nov. 13	Pricing
Nov. 28	Closing

We appreciate your consideration on the matter. If you have any questions please reach out to the JPB team.