THIS PRINT COVERS CALENDAR ITEM NO. : 18

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Approving the Preliminary Official Statement for the issuance of the Series 2013 revenue bonds to provide funds for certain new projects, authorizing the Director of Transportation to make any necessary additions or changes to the Preliminary Official Statement in order to complete the issuance of the revenue bonds, to execute and deliver a certificate of the SFMTA deeming final the Preliminary Official Statement and to execute and deliver a final Official Statement, and authorizing the distribution of the Preliminary Official Statement and the Official Statement.

SUMMARY:

- The SFMTA wishes to finance the costs of certain transportation projects through the issuance of revenue bonds.
- The Charter and Administrative Code authorize the SFMTA to issue revenue bonds, with the concurrence of the Board of Supervisors, without voter approval and in accordance with State law.
- The Board has previously authorized a bond financing for 2013, including execution of the necessary documents, except for a substantially final version of the Preliminary Official Statement and a related certificate of finality, which are now presented for approval, and an Official Statement.
- The $150 million approved for project financing will be split into two sales, approximately $75 million in 2013 and approximately $75 million in late 2014.

ENCLOSURES:
1. SFMTAB Resolution
2. Preliminary Official Statement
3. Certificate as to Finality of Preliminary Official Statement

APPROVALS:		**DATE**
DIRECTOR	_______________________	10/8/13
SECRETARY	R. Boomer	10/8/13

ASSIGNED SFMTAB CALENDAR DATE: October 15, 2013

PURPOSE

This calendar item approves the Preliminary Official Statement for the issuance of the Series 2013 revenue bonds to provide funds for certain new projects, authorizes the Director of Transportation to make any necessary additions or changes to the Preliminary Official Statement in order to complete the issuance of the revenue bonds, to execute and deliver a certificate of the SFMTA deeming final the Preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c2-12 and to execute and deliver a final Official Statement, in substantially such form and with such additions thereto or changes therein as the Director of Transportation, with the advice of the City Attorney's Office, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement, and authorizes the distribution of the Preliminary Official Statement and the Official Statement by the underwriters of the Series 2013 revenue bonds.

GOAL

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

Goal 3: Improve the environment and quality of life in San Francisco
Objective 3.5: Reduce capital and operating structural deficits

DESCRIPTION

Background

The City Charter 8A.102(b)13 states "To the maximum extent permitted by law, with the concurrence of the Board of Supervisors, and notwithstanding the requirements and limitations of Sections 9.107, 9.108, and 9.109, [the Agency will] have authority without further voter approval to incur debt for Agency purposes and to issue or cause to be issued bonds, notes, certificates of indebtedness, commercial paper, financing leases, certificates of participation or any other debt instruments. Upon recommendation from the Board of Directors, the Board of Supervisors may authorize the Agency to incur on behalf of the City such debt or other obligations provided: 1) the Controller first certifies that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments under such obligations as they become due; and 2) any debt obligation, if secured, is secured by revenues or assets under the jurisdiction of the Agency."

The approval of the Preliminary Official Statement for this second issuance of revenue bonds by the SFMTA is the latest development in a series of discussions and actions by the Board. The Board approved the first issuance of revenue bonds of up to $170 million in December 2011 and the finalization of the Preliminary Official Statement and distribution of that document in final form in May 2012. The bond financing in the amount of $63,795,000 closed in July 2012. Subsequent to the original approval in December 2011, the SFMTA decided to adjust the schedule for financing certain of the transportation projects until mid to late 2013 in order to better meet the projects' cash-flow needs.

On September 3, 2013, the Board authorized the issuance of up to $175 million in revenue bonds to provide funds for certain new projects and authorized the Director of Transportation to execute and deliver the documents necessary for this transaction, including, a Bond Purchase Contract, an Indenture of Trust and a Continuing Disclosure Certificate and, with respect to the Preliminary Official Statement, to finalize the Preliminary Official Statement and return to the Board for approval of that document. On that date, the Board also approved a reimbursement resolution that allows the Board to issue bonds for project costs already incurred.

On September 24, 2013, the Board of Supervisors approved the issuance of up to $165 million ($150 million for direct project costs) in revenue bonds for 2013. The $165 million issuance amount was reduced by $10 million from the original request to the Board to reflect increased market certainty as to costs of issuance. The $150 million approved for project financing will be split into two sales, approximately $75 million in 2013 and approximately $75 million in late 2014.

Use of Bond Proceeds

Revenue bond proceeds are anticipated to fund (i) planning, design, construction or improvement of the SFMTA's transportation assets, (ii) a bond reserve account and (iii) the costs of issuance. The final determination as to any specific project shall be the subject of subsequent Board action. The amounts below represent the contributions from these bond proceeds toward the programs indicated, which are generally funded from a variety of sources.

ANTICIPATED APPLICATION OF BOND PROCEEDS FOR SERIES 2013 PROJECTS

Projects	**Bond Proceeds**
Pedestrian Safety/Transit Signal Improvements	$ 5,000,000
Muni Transit System Safety and Spot Improvements	$ 11,000,000
Complete Street Capital Improvements	$ 9,000,000
Facility Improvements	$ 7,000,000
Transit Fixed Guideway Improvements	$ 30,500,000
Muni Light Rail Vehicle Procurement	$ 12,500,000
Total Uses of Funds	**$ 75,000,000**

Pedestrian Safety/Transit Signal Improvements: This bond funded capital program improves the safety and usability of city streets for pedestrians and includes project development and capital costs for: the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals that include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects, such as traffic humps and traffic circles, to slow traffic.

Muni Transit System Safety and Spot Improvements: This bond funded program improves the safety of the Muni transit system and includes project development and capital costs for: the replacement of the SFMTA's communication and dispatching system, new vehicle on-board and fixed route ITS components to provide information for core operational capabilities including

Computer Aided Dispatch and Automatic Vehicle Location (CAD/AVL), vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; training equipment and simulators for Muni Operators; the replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, UPS power supplies, networking system, operator consoles and management servers; transit spot improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Complete Street Capital Improvements: This program supports the development of safe and complete streets through integrated major corridor capital projects and includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing; new bike lanes and paths; bicycle parking facilities; bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and "green wave" traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb-outs.

Facility Improvements: This program delivers critical safety and seismic upgrades to SFMTA parking garages and Muni operations and maintenance facilities. These upgrades will enable improved transit operations and performance while also improving working conditions for staff. SFMTA parking garages are in varying degrees of disrepair and these funds will rehabilitate this important revenue generating asset.

Transit Fixed Guideway Improvements: This bond funded capital program enhances Muni operations and maintenance and increases system reliability. It includes project development and capital costs for: replacement of overhead wires and related poles and traction power systems serving Muni's light rail and trolley coach lines; improvement to the SFMTA's central control facility and systems; replacement of the trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

Muni Light Rail Vehicle Procurement: This program supports the purchase of replacement light rail vehicles for the Muni system, as well as new vehicles to provide for growth in service.

Financing Schedule (subject to change)

October 2013	Receive Ratings Final SFMTA FY 2012-13 Financial Audit Available Print and Mail POS
November 2013	Bond Pricing
December 2013	Bond Closing

Documentation and Next Steps

We request that the Board approve the Preliminary Official Statement for the issuance of the Series 2013 revenue bonds to provide funds for certain new projects. The approval will authorize the Director of Transportation to make any necessary additions or changes to the Preliminary Official Statement in order to complete the issuance of the revenue bonds, to execute and deliver a certificate of the SFMTA deeming final the Preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c2-12 and to execute and deliver a final Official Statement, in substantially such form and with such additions thereto or changes therein as the Director of Transportation, with the advice of the City Attorney's Office, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement. The underwriters of the Series 2013 revenue bonds will be authorized to distribute the Preliminary Official Statement and the Official Statement. The Board will receive an update on any such modifications, changes or additions, as well as the final financing terms, prior to closing.

The City Attorney's Office has reviewed this report.

ALTERNATIVES CONSIDERED

The alternative to approving this bond offering is to defer capital improvements.

FUNDING IMPACT

The proceeds from this bond offering will enable the SFMTA to fund a part of the capital projects described above. The issuance of the bonds will obligate SFMTA funds to the payment of debt service in future years. Estimated annual debt service on the proposed Series 2013 revenue bonds is $6 million. Estimated combined annual debt service on the Series 2012 revenue bonds and Series 2013 revenue bonds is $12 million in fiscal year 2014-15.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

This transaction has received the approval by the Board of Supervisors. The Controller has issued a certification of the SFMTA's financial condition.

RECOMMENDATION

That the SFMTA Board of Directors approve the Preliminary Official Statement for the issuance of the Series 2013 revenue bonds to provide funds for certain new projects, authorize the Director of Transportation to make any necessary additions or changes to the Preliminary Official Statement in order to complete the issuance of the revenue bonds, to execute and deliver a certificate of the SFMTA deeming final the Preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c2-12 and to execute and deliver a final Official Statement, in substantially such form and with such additions thereto or changes therein as the Director of Transportation, with the advice of the City Attorney's Office, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement, and authorize the distribution of the Preliminary Official Statement and the Official Statement by the underwriters of the Series 2013 revenue bonds.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. ______________

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) wishes to finance the costs of certain transportation projects through the issuance of revenue bonds; and

WHEREAS, Pursuant to Section 8A.102(b)(13) of the Charter and Chapter 43 of the Administrative Code of the City and County of San Francisco (City), the SFMTA may issue revenue bonds and other debt instruments, with the concurrence of the Board of Supervisors of the City and without voter approval, such bonds to be issued in accordance with State law or any procedure provided for by ordinance; and

WHEREAS, The Board has previously authorized a bond financing, including execution of the necessary documents, except for the Preliminary Official Statement which is now presented in substantially final form for approval; now therefore be it

RESOLVED, That all of the recitals herein are true and correct; and be it

FURTHER RESOLVED, The SFMTA Board of Directors does hereby approve the Preliminary Official Statement for the issuance of the Series 2013 revenue bonds to provide funds for certain new projects and authorize the Director of Transportation to make any necessary additions or changes to the Preliminary Official Statement in order to complete the issuance of the revenue bonds, to execute and deliver a certificate of the SFMTA deeming final the Preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c2-12 and to execute and deliver a final Official Statement, in substantially such form and with such additions thereto or changes therein as the Director of Transportation, with the advice of the City Attorney's Office, shall approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement; and authorizes and approves the distribution by the underwriters of the revenue bonds of copies of the Official Statement in final form to all actual purchasers of the revenue bonds and the distribution by the underwriters of the revenue bonds of the Preliminary Official Statement to potential purchasers of the revenue bonds.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 15, 2013.

____

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

PRELIMINARY OFFICIAL STATEMENT DATED ___________, 2013

Enclosure 2

Preliminary Official Statement

New Issue—Book-Entry Only

Ratings: Moody's: "[___]"
S&P: "[___]"
(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, San Francisco, Co-Bond Counsel to the SFMTA, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2013 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of the alternative minimum tax imposed on such corporations. In addition, in the opinion of Co-Bond Counsel to the SFMTA, under existing statutes, interest on the Series 2013 Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

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SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
REVENUE BONDS, SERIES 2013

Dated: Date of Delivery **Due: March 1, as shown on the inside cover**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the "Series 2013 Bonds") are being issued by the San Francisco Municipal Transportation Agency (the "SFMTA") pursuant to the Charter of the City and County of San Francisco (the "Charter"), the Indenture of Trust dated as of July 1, 2012 between the SFMTA and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the Second Supplement to Indenture of Trust dated as of October 1, 2013 (collectively, the "Indenture") between the SFMTA and the Trustee. The Series 2013 Bonds are being issued to (i) finance a portion of the costs of various capital projects for the SFMTA as described herein; (ii) make a deposit to the Series 2013 Reserve Account of the Reserve Fund established under the Indenture for the Series

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* Preliminary, subject to change.

2013 Bonds; and (iii) pay a portion of the costs of issuance of the Series 2013 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Interest on the Series 2013 Bonds will be payable on March 1, 2014 and on each September 1 and March 1 thereafter until their respective stated maturity dates. The Series 2013 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), to which payments of principal of and interest on the Series 2013 Bonds will be made. Individual purchases of the Series 2013 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners of the Series 2013 Bonds will not receive physical delivery of bond certificates. Payment of principal of the Series 2013 Bonds at maturity, as shown in the Maturity Schedule set forth on the inside cover, and interest when due will be payable by the Trustee, as paying agent, to DTC. DTC will remit such principal and interest payments to its participants, which will be responsible for remittance to the Beneficial Owners of the Series 2013 Bonds. See Appendix F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2013 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The SFMTA is an enterprise department of the City and County of San Francisco (the “City”) and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2013 Bonds, subject to the flow of funds contained in the Indenture.

THE SERIES 2013 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES (AS DEFINED HEREIN) OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS. THE SERIES 2013 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFMTA OR ANY OF ITS

INCOME OR RECEIPTS, EXCEPT PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

MATURITY SCHEDULE

(See inside cover)

The Series 2013 Bonds are offered when, as, and if issued by the SFMTA and accepted by the purchasers, subject to approval of legality by Hawkins Delafield & Wood LLP, San Francisco, California, and Rosales Law Partners, LLP, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the SFMTA by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Disclosure Counsel to the SFMTA, and the City Attorney of the City and County of San Francisco, and for the Underwriters by their counsel, Kutak Rock LLP. It is expected that the Series 2013 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about __________, 2013.

J.P. Morgan **RBC Capital Markets**

Morgan Stanley **Siebert Brandford Shank & Co., L.L.C.**

Date: ___________, 2013

MATURITY SCHEDULE*

Series 2013 Bonds
(Base CUSIP† Number: ______)

$_______________ Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
	$	%	%	

$______ _.__% Term Bonds Due March 1, 20__ Price – _.__% CUSIP† ___
$______ _.__% Term Bonds Due March 1, 20__ Price – _.__% CUSIP† ___

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* Preliminary, subject to change.
† Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Global Services, managed for the American Bankers Association by Standard & Poor's Financial Services LLC. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the SFMTA nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein has been obtained from the SFMTA, the City and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the SFMTA or the City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information provided herein since the date hereof.

The City maintains a website at http://www.sfgov.org and the SFMTA maintains a website at http://www.sfmta.com. The information contained in such websites is not incorporated by reference herein and should not be relied upon in making an investment in the Series 2013 Bonds.

The issuance and sale of the Series 2013 Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2) for the issuance and sale of municipal securities.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2013 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2013 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE FRONT COVER HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

- This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2013 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE”, “PROJECT”, “ANTICIPATE”, “EXPECT”, “INTEND”, “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS,

EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

BOARD OF DIRECTORS

Tom Nolan, Chairman
Cheryl Brinkman, Vice-Chair
Malcolm Heinicke, Director
Jerry Lee, Director
Joél Ramos, Director
Cristina Rubke, Director

SFMTA STAFF

Edward Reiskin, Director of Transportation
Sonali Bose, Chief Financial Officer
John H. Haley, Director, Transit
Vince Harris, Director, Capital Programs & Construction
Bond Yee, Director, Sustainable Streets

CITY AND COUNTY OF SAN FRANCISCO

MAYOR
Edwin M. Lee

BOARD OF SUPERVISORS

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Mark Farrell, District 2
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John Avalos, District 11

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

CITY CONTROLLER

Benjamin Rosenfield

PROFESSIONAL SERVICES

Co-Bond Counsel

Hawkins Delafield & Wood LLP San Francisco, California	Rosales Law Partners LLP San Francisco, California

Co-Financial Advisors

Backstrom McCarley Berry & Co., LLC San Francisco, California	Public Financial Management, Inc. San Francisco, California

Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

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SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS, SERIES 2013

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the San Francisco Municipal Transportation Agency (the "SFMTA") of $[__________][*] aggregate principal amount of its San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the "Series 2013 Bonds").

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, including the Appendices attached hereto. Unless otherwise defined below, all capitalized terms used in this Official Statement shall have the meanings ascribed thereto in the Indenture (as defined below) as summarized in Appendix D—"SUMMARY OF THE LEGAL DOCUMENTS—DEFINITIONS."

The San Francisco Municipal Transportation Agency

The SFMTA is an enterprise department of the City and County of San Francisco (the "City") and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City (collectively, and as further defined in this Official Statement, the "Transportation System"). The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the "Charter") in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. The voters approved an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility.

The SFMTA promotes the safe and efficient movement of people and goods throughout the City through many programs. It manages the City's public transportation system ("Muni"), including its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 40 public off-street parking facilities owned by the SFMTA, the San Francisco Department of Recreation and Park ("Recreation and Park") and the Parking Authority of the City and County of San Francisco (the "Parking Authority"), a separate legal entity created under the laws of the State of California (the "State"). The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Organization and Purpose."

Authority for Issuance

[*] Preliminary, subject to change.

The Series 2013 Bonds are being issued pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of July 1, 2012 (as amended and supplemented, the “Master Indenture”), between the SFMTA and U.S. Bank National Association (the “Trustee”), as successor in interest to The Bank of New York Mellon Trust Company, N.A., as trustee, a Second Supplement to Indenture of Trust dated as of October 1, 2013 between the SFMTA and the Trustee (the “Second Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), Ordinance No. 57-12 of the Board of Supervisors adopted on April 19, 2012, Resolution No. 13-205 of the Board of Directors of the SFMTA (the “Board”) adopted on September 3, 2013, and Resolution No. [___]-13 of the Board of Supervisors adopted on September 24, 2013. The Series 2013 Bonds together with the SFMTA’s Revenue Bonds, Series 2012A and Series 2012B (the “Series 2012 Bonds”) and any other bonds issued in the future pursuant to the Indenture are referred to collectively in this Official Statement as the “Bonds.”

Purpose

The Series 2013 Bonds are being issued (i) to finance a portion of the costs of various capital projects for the SFMTA, such as the projects described herein; (ii) to make a deposit to the Series 2013 Reserve Account of the Reserve Fund established under the Indenture for the Series 2013 Bonds; and (iii) to pay a portion of the costs of issuance of the Series 2013 Bonds. See “SERIES 2013 PROJECTS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein for a further description of the expected application of proceeds of the Series 2013 Bonds.

Security and Sources of Payment for the Bonds

The Series 2013 Bonds are issued and secured pursuant to the terms of the Indenture. Under the Indenture, the SFMTA has irrevocably pledged the Pledged Revenues (as defined herein) to the punctual payment of principal of and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the Series 2013 Bonds, subject to the flow of funds contained in the Indenture. See “—Other Obligations Secured by Pledged Revenues.” The Series 2013 Bonds are special, limited obligations of the SFMTA payable solely from Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. No funds of the SFMTA other than the Pledged Revenues and such amounts held under the Indenture are pledged to or available for payment of the principal of or interest on the Series 2013 Bonds. Section 8A.105 of the Charter requires the City to transfer certain moneys to the SFMTA to support the SFMTA’s activities. The proceeds of transfers from the City’s General Fund to support such activities do not constitute any portion of Pledged Revenues, and the principal of and interest on the Series 2013 Bonds is not payable from the proceeds of such transfers or from the City’s General Fund. The SFMTA will not apply the proceeds of such transfers to the payment of debt service on the Series 2013 Bonds, and the City has no obligation to transfer any amounts from the City’s General Fund to the SFMTA for the purpose of paying the principal of and interest on the Series 2013 Bonds. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers.”

The SFMTA is not obligated to pay the principal of or interest on the Series 2013 Bonds from any source of funds other than Pledged Revenues and from amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The SFMTA has no taxing power. The General Fund of the City is not liable for the payment of the principal of or interest on the Series 2013 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of or interest on the Series 2013 Bonds. The Series 2013 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof.

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in each Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including but not limited to fares, rates and fees) for the

Transportation System so that Pledged Revenues in each Fiscal Year, and available fund balances held by the SFMTA or the Trustee, will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined herein) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may reasonably be deferred). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture.”

Upon the issuance of the Series 2013 Bonds, the SFMTA will fund the Series 2013 Reserve Account relating to the Series 2013 Bonds in an amount equal to the Series 2013 Reserve Requirement (defined herein). Moneys on deposit in the Series 2013 Reserve Account will be used and withdrawn for the purpose of paying principal of and interest on the Series 2013 Bonds in the event Pledged Revenues deposited with the Trustee is insufficient therefor. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Reserve Account.”

Pursuant to the Indenture, the SFMTA is permitted to issue additional Bonds and to enter into additional obligations secured by Pledged Revenues on a parity with the payment of principal of and interest on the Bonds, provided that certain conditions are satisfied as described herein. The Indenture also permits the SFMTA to incur subordinate obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds and Other Indebtedness” herein.

For more information regarding the security and sources of payment for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY” herein. Audited financial information concerning the SFMTA is set forth in Appendix A attached hereto. See “CERTAIN RISK FACTORS” for a discussion of certain risks related to an investment in the Series 2013 Bonds.

Other Obligations Secured by Pledged Revenues

The Series 2013 Bonds are payable from Pledged Revenues under the Indenture on a parity with the SFMTA’s Revenue Bonds, Series 2012A and Series 2012B, outstanding in the aggregate principal amounts of $34,885,000 and $25,835,000, respectively. On September 10, 2013, the SFMTA obtained an irrevocable, direct pay letter of credit issued by State Street Bank and Trust Company (“State Street”) that will support the SFMTA’s issuance of up to $100 million of subordinate commercial paper notes (the “CP Notes”), the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds (see “—Capital Program—Current Projects—Central Subway Project) and/or to finance state of good repair projects. The CP Notes, and the SFMTA’s obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the CP Notes, are secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. The SFMTA does not anticipate issuing any CP Notes until early 2014. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Commercial Paper Program.”

Continuing Disclosure and Additional Information

The SFMTA will covenant in a Continuing Disclosure Certificate, to be executed and delivered by the SFMTA concurrently with the issuance of the Series 2013 Bonds, to provide certain financial information and operating data relating to the SFMTA and notices of certain enumerated events, in certain cases only if material. Such information and notices will be filed by the SFMTA with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”). For more information concerning the SFMTA’s continuing disclosure commitment and the form of the Continuing Disclosure Certificate, see “CONTINUING DISCLOSURE” herein and “Appendix E—FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate, the SFMTA has no obligation to update the information in this Official Statement. See “CONTINUING DISCLOSURE” herein.

Brief descriptions of the Series 2013 Bonds, the Indenture, the security and sources of payment for the Series 2013 Bonds, the Pledged Revenues, the SFMTA, certain provisions of the Charter and related matters are included in this Official Statement, together with summaries of certain provisions of the Series 2013 Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Series 2013 Bonds and other documents and instruments are qualified in their entirety by reference to such documents or instruments or the forms thereof, copies of which are available for inspection at the office of the SFMTA. The SFMTA regularly prepares a variety of reports, including audits, budgets and related documents, which may be obtained from the SFMTA. Additional information regarding such reports may be obtained from the SFMTA's website at www.sfmta.com. The information contained in such reports or on such website is not incorporated by reference herein. Copies of the Indenture are also available for inspection at the principal corporate trust office of the Trustee. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the SFMTA, or were not prepared, reviewed and approved by the SFMTA with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

TERMS OF THE SERIES 2013 BONDS

General

The Series 2013 Bonds will be executed and delivered only as one fully-registered Series 2013 Bond for each maturity shown on the inside cover hereof. The Series 2013 Bonds will be delivered only in denominations of $5,000 or an integral multiple thereof and interest on the Series 2013 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2014, so long as any Series 2013 Bonds are outstanding (each an "Interest Payment Date"). Interest on the Series 2013 Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2013 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover of this Official Statement. The principal of the Series 2013 Bonds will be payable, subject to redemption, as described below, on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Form and Registration

The Series 2013 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC," together with any successor securities depository, the "Securities Depository"). DTC will act as initial Securities Depository for the Series 2013 Bonds so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Series 2013 Bonds. So long as Cede & Co. is the registered owner of the Series 2013 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the "Beneficial Owners" of the Series 2013 Bonds. In this Official Statement, the term "Beneficial Owner" shall mean the person for whom a Participant (as defined herein) acquires an interest in the Series 2013 Bonds.

So long as Cede & Co. is the registered owner of the Series 2013 Bonds, all payments of principal and interest on the Series 2013 Bonds will be payable by wire transfer of same-day funds by the Trustee to Cede & Co., as nominee of DTC as the sole registered owner of the Series 2013 Bonds. DTC and its Participants are solely responsible for payments to the Beneficial Owners.

In the event the use of the book-entry-only system is discontinued, principal of the Series 2013 Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Series 2013 Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Series 2013 Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date, in accordance with the provisions set forth in the Indenture.

A more detailed description of the Book-Entry Only System is contained in Appendix F—"DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto.

Redemption Provisions*

Optional Redemption. The Series 2013 Bonds maturing on or before March 1, 20[__] are not subject to optional redemption prior to maturity. The Series 2013 Bonds maturing on or after March 1, 20[__] are subject to optional redemption prior to maturity on or after [____] 1, 20[__] at the sole option of the SFMTA, as a whole or in part, on any date (from such maturities as are selected by the SFMTA and by lot within a maturity if less than all of the Series 2013 Bonds of such maturity are selected for redemption), from any source of available funds, at redemption prices equal to the principal amount thereof plus accrued but unpaid interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Series 2013 Bonds. The Series 2013 Bonds maturing on March 1, 20[__] are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on March 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date March 1	Sinking Fund Payment
	$
*	
________	
* Maturity	

The Series 2013 Bonds maturing on March 1, 20[__] are subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereof, on March 1 in each of the years in the following amounts:

Mandatory Sinking Fund Payment Date March 1	Sinking Fund Payment
	$
*	
________	
* Maturity	

Notice of Redemption. The Trustee is required to send a Notice of redemption to the Owners of any Series 2013 Bonds selected for redemption not less than 20 days prior to the date set for redemption by first class mail or electronic mail, as appropriate (i) with respect to each Series 2013 Bond to be redeemed, to the Holder of such Series 2013 Bond at his or her address as it appears on the records maintained by the Registrar, and (ii) to any information services of national recognition which disseminate redemption information with respect to municipal securities, as directed by the SFMTA. However, so long

* Preliminary, subject to change.

as any Series 2013 Bonds of such Series are in book-entry form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2013 Bonds, and not directly to the Owners.

Each notice of redemption will specify: (i) the date of such notice and the date fixed for redemption, (ii) the Principal Amount of Series 2013 Bonds or portions thereof to be redeemed; (iii) the place or places where the redemption will be made, including the name and address of the Trustee; (iv) the redemption price; (v) the CUSIP numbers, if any, assigned to the Series 2013 Bonds to be redeemed; (vi) that payment of the principal amount and premium, if any, shall be made upon presentation and surrender to the Trustee or paying agent, as applicable, of the Series 2013 Bonds to be redeemed; (vii) that interest accrued to the date fixed for redemption shall be paid as specified in such notice; and (viii) that on and after said date interest on the Series 2013 Bonds called for redemption shall cease to accrue.

Neither the failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for such redemption of the Series 2013 Bonds.

Conditional Notice: Cancellation of Optional Redemption. Any notice of optional redemption may be conditional and may be modified or cancelled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2013 Bonds then called for redemption or any other condition to the redemption has not been satisfied, and such modification or cancellation shall not constitute an Event of Default under the Indenture. The notice of redemption shall indicate whether it is conditional and a conditional redemption date may be extended with three (3) business days' notice.

Partial Redemption of Series 2013 Bonds*.* Whenever provision is made in the Indenture for the redemption of the Series 2013 Bonds (other than from the Sinking Fund Installments) and less than all of the Outstanding Series 2013 Bonds of a Series are to be redeemed, the SFMTA will designate the maturity or maturities to be redeemed and specify to the Trustee the principal amount in each maturity to be redeemed. Whenever less than all of the Outstanding Series 2013 Bonds of a Series maturing on any one date are called for redemption, the Trustee will select the portions to be redeemed by lot in a manner the Trustee deems fair and appropriate.

Effect of Notice of Redemption. When a notice of redemption has been duly given as provided in the Indenture and sufficient moneys for the redemption of the Series 2013 Bonds selected for redemption, together with accrued interest to such redemption date are held by the Trustee; then, from and after such redemption date, interest on the Series 2013 Bonds selected for redemption will cease to accrue, and all such Series 2013 Bonds will cease to be entitled to any benefit or security under the Indenture, except for the right of the Owners to receive payment of the redemption price thereof.

Purchase of Series 2013 Bonds. The SFMTA may at any time purchase Series 2013 Bonds and such Series 2013 Bonds shall be deemed cancelled or Outstanding as determined by the SFMTA in a writing of an Authorized SFMTA Representative delivered to the Trustee. Further, the SFMTA may purchase Series 2013 Bonds in lieu of redemption, including sinking fund redemption, and such purchase shall be a credit to any obligation to redeem such Series 2013 Bonds and in the case of Series 2013 Bonds subject to sinking fund installment redemption, the SFMTA may indicate in writing to the Trustee which sinking fund installments are to be credited. The remarketing or resale of any Series 2013 Bonds purchased by or on behalf of the SFMTA shall be conditioned upon delivery of an Opinion of Bond Counsel.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Bonds, and other available amounts, are expected to be applied approximately as set forth below:

Sources	
Bond Principal	$
Net Original Issue Premium (Discount)	________________
Total Sources of Funds	$
Uses	
Deposit to Series 2013 Project Costs Account	$
Deposit to Series 2013 Reserve Account	
Costs of Issuance[(1)]	
Underwriter's Discount	________________
Total Uses of Funds	$

(1) Including amounts for rating agency fees, fees for legal services, fees for financial advisors, Trustee's fees and expenses, printing costs, and other costs relating to the issuance of the Series 2013 Bonds.

DEBT SERVICE SCHEDULE

Set forth below are the annual principal, interest and total debt service requirements for the Series 2012 Bonds and the Series 2013 Bonds:

Fiscal Year Ending June 30	Series 2012 Bonds[1]	Series 2013 Bonds Principal	Series 2013 Bonds Interest	Total Debt Service[1]
2014	$ 6,158,831	$	$	$
2015	6,159,381			
2016	6,162,781			
2017	6,145,031			
2018	5,749,281			
2019	4,874,081			
2020	4,885,581			
2021	2,979,581			
2022	2,976,581			
2023	2,795,831			
2024	2,796,081			
2025	2,798,581			
2026	2,795,881			
2027	2,795,381			
2028	2,796,894			
2029	2,795,131			
2030	2,795,056			
2031	2,796,956			
2032	2,795,125			
2033	2,795,000			
2034	2,799,250			
2035	2,799,000			
2036	2,799,250			
2037	2,799,750			
2038	2,795,250			
2039	2,795,750			
2040	2,795,750			
2041	2,795,000			
2042	2,798,250			
2043	-			
TOTAL[1]	$102,024,296	$	$	$

(1) Totals may not add due to rounding.

SERIES 2013 PROJECTS

The SFMTA expects to apply a portion of the proceeds of the Series 2013 Bonds to finance the planning, design, acquisition, construction, reconstruction, rehabilitation or improvement of certain projects briefly described below (the "Series 2013 Projects"). These descriptions are not intended to and do not constitute a commitment by the SFMTA to finance or complete any particular project. The SFMTA may substitute other projects for some or all of the Series 2013 Projects.

ANTICIPATED APPLICATION OF BOND PROCEEDS FOR SERIES 2013 PROJECTS

Projects	**Bond Proceeds**
Pedestrian Safety and Traffic Signal Improvements	$5,000,000
Transit System Safety and Other Transit Improvements	11,000,000
Street Capital Improvements	9,000,000
Facility Improvements	7,000,000
Transit Fixed Guideway Improvements	30,500,000
Light Rail Vehicle Procurement	12,500,000
Total Uses of Funds	$75,000,000

Pedestrian Safety and Traffic Signal Improvements. The Pedestrian Safety/Transit Improvement program is meant to improve the safety and usability of City streets for pedestrians and includes project development and capital costs for: the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares, sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects, such as traffic humps and traffic circles, to slow traffic.

Transit System Safety and Other Transit Improvements. The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the transit system. It includes project development and capital costs for: (i) the replacement of the communication and dispatching system in order to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components which will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni Operators; (iv) replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles, and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Street Capital Improvements. The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing; new bike lanes and paths; bicycle parking facilities; bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and "green wave" traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb-outs.

Facility Improvements. SFMTA's Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff and to otherwise expand existing facilities.

Transit Fixed Guideway Improvements. Transit Fixed Guideway Improvements is a capital program intended to address certain transit operational issues and maintenance needs, and to increase system reliability. It includes project development and costs relating to: replacement of overhead wires and related poles and traction power systems serving light rail and trolley coach lines; improvement to the transportation central control facility and systems; replacement of the trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

Light Rail Vehicle Procurement. Under this program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

Bond Oversight Committee

The Board has established the SFMTA Bond Oversight Committee to oversee the expenditure of bond proceeds funded by SFMTA revenue bonds and other forms of indebtedness to ensure that bond proceeds are spent on permitted purposes and that prudent internal controls are established. The Bond Oversight Committee consists of seven members: three members recommended by the Chairman of the Board and approved by the Board, two members of the SFMTA's Citizens' Advisory Council, one member appointed by the SFMTA's Director of Transportation and one member appointed by the City Controller (the "Controller").

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special, Limited Obligations

THE SERIES 2013 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE SFMTA SECURED BY AND PAYABLE SOLELY FROM PLEDGED REVENUES OF THE SFMTA AND FROM MONEYS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE. THE SFMTA IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS FROM ANY SOURCE OF FUNDS OTHER THAN PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF. THE SFMTA HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS. THE SERIES 2013 BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFMTA OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT PLEDGED REVENUES AND AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE AND SUBJECT TO THE TERMS THEREOF.

Pledge of Pledged Revenues Under the Indenture

The Indenture provides the Bonds shall be payable as to principal, premium, if any, and interest exclusively from, and shall be secured by a pledge of, first lien on and security interest in Pledged Revenues. Under the Indenture, for the benefit of the Bondholders and the holders of any other Parity Obligations, the SFMTA also grants a first lien on and security interest in, amounts on deposit from time to time in the Funds and Accounts created pursuant to the Indenture, subject to the provisions of the Indenture and any Supplemental Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Indenture.

The term “Pledged Revenues” is defined under the Indenture to mean all revenue of the SFMTA from or with respect to its management, supervision, operation and control of the Transportation System of the City, as determined in accordance with generally accepted accounting principles. Pledged Revenues include but are not limited to: (a) grants or transfers funded pursuant to the Transportation Development Act (codified at Sections 99200 et seq. of the California Public Utilities Code) (the “TDA”) and AB 1107 (codified at Sections 29140 et seq. of the Public Utilities Code) (“AB 1107”), and (b) SFMTA parking meter revenues (but only to the extent Bonds or other Parity Obligations have financed traffic regulation and control functions); and do not include: (a) Special Facility Revenue and any interest income or profit realized from the investment thereof, unless such receipts or a portion thereof are designated as Pledged Revenues by the SFMTA, (b) grants or contributions, which by their terms would be restricted to uses inconsistent with the payment of the Bonds, (c) any State or federal grant (except for grants or transfers funded pursuant to the TDA or AB 1107) unless such grant by its terms may be used to pay debt service and is designated as Pledged Revenues in a Supplemental Indenture or certificate of an Authorized SFMTA Representative, (d) any amounts transferred to the SFMTA from the City’s General Fund and any amounts in the SFMTA General Fund Transfer Account, or (e) the SFMTA parking meter revenues allocable to all or a portion of any Bonds or Parity Obligations that have not financed traffic regulation and control functions. See Table 7 in “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Operating Revenues” for a description of historical receipts which would have constituted Pledged Revenues under the Indenture definition.

Although the Charter requires the City to make significant fund transfers from the City’s General Fund to the SFMTA to support the SFMTA’s activities, the Indenture provides that such funds will be expended on operation and maintenance expenses and other SFMTA purposes, but are not to be used to pay debt service on the Series 2013 Bonds. The City has no obligation to transfer any amounts from the City’s General Fund to the SFMTA for the purpose of repaying the principal of and interest on the Series 2013 Bonds or, except with respect to transfers required by the Charter, for the purpose of paying any additional expenses, including operation and maintenance expenses, of the SFMTA. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers” herein. The SFMTA currently does not derive revenue from any facility classifiable as “Special Facility Revenue” under the Indenture and does not have any “Special Facility Bonds” outstanding. See “—Additional Bonds and Other Indebtedness—Special Facilities and Special Facility Bonds.”

“Transportation System” is defined to mean the transportation system of the City over which the SFMTA has jurisdiction pursuant to the Charter and includes the City’s public transit, paratransit, street and traffic management and improvements, including parking meters and fines, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, including the parking garages owned or overseen by the SFMTA, the regulation of taxis and commercial vehicles within the City and any other revenue producing activities of the SFMTA.

The Series 2013 Bonds will not be secured by either the revenues of, or any moneys held in funds and accounts by, Recreation and Park or the Parking Corporations. See “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Parking and Traffic Functions—Parking Garages.”

Application of Pledged Revenues and Enterprise Account

Section 8A.105 of the Charter establishes the “Municipal Transportation Fund.” The Municipal Transportation Fund receives moneys from: a) the City’s General Fund (pursuant to a formula described under the heading “THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers”); b) the revenues generated by Muni, the operations of the Sustainable Streets Division and the Parking Authority; and c) all other funds received by the City from any source, including State and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation including, without limitation, capital improvements, management, supervision, maintenance, extension and day-to-day operation of the SFMTA, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions.

Enterprise Account. All Pledged Revenues as received shall be set aside and deposited by the SFMTA in the Enterprise Account established, pursuant to the Indenture, within the Municipal Transportation Fund, and any successor to such account (the "Enterprise Account"). Moneys in the Enterprise Account shall be applied by the SFMTA for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority:

(a) Moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the Debt Service Fund in amounts sufficient to pay principal and purchase price of and interest and redemption premium on the Bonds. Moneys in the Enterprise Account or Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations or other Parity Obligations to the extent provided in the Indenture. If and to the extent provided for in any Supplemental Indenture authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of moneys in the Enterprise Account or Debt Service Fund. Moneys shall be transferred from the Enterprise Account to the Trustee for deposit in the Debt Service Fund at the following times and amounts:

> (i) for any Bond payment that is due monthly or more frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund at least five Business Days prior to the Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account;
>
> (ii) for any Bond payment that is due annually, semi-annually, quarterly or less frequently than a monthly basis, the amount due shall be transferred to the Trustee for deposit in the Debt Service Fund in approximately equal monthly installments prior to the Payment Date. The monthly installments for any such Payment Date shall begin the month after the prior related Payment Date and have the final installment at least five Business Days prior to such Payment Date. Reasonable estimates may be made by the SFMTA in the case of Bonds with variable rates of interest and proceeds of refinancing obligations that are expected to refinance Amortized Bonds or other Bonds may be taken into account in lieu of transfers in advance from the Enterprise Account. The SFMTA may choose to transfer the monthly amounts due for Bond payments in advance; and

(b) On or before each Payment Date, moneys in the Enterprise Account shall be transferred to the Trustee for deposit in the appropriate account within the Reserve Fund in the amount that is needed to satisfy any deficiency in the funding of the Reserve Requirement for a Series of Bonds (provided that replenishment of the Reserve Fund (or any account therein) after any draw from the Reserve Fund to pay debt service on Bonds shall be funded in approximately equal monthly installments over eighteen (18) months).

(c) Any amounts remaining after the applications pursuant to paragraph (a) or (b) above shall be used for any lawful purpose of the SFMTA and in accordance with all relevant provisions of the Charter, including but not limited to operation and maintenance expenses and payment of Subordinate Bonds.

Series 2013 Debt Service Account. Moneys held by the Trustee in the Debt Service Fund are to be transferred to the Series 2013 Debt Service Account established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, as follows:

On or before the Business Day prior to each Series 2013 Payment Date, the Trustee is required to transfer from the Debt Service Fund to the Series 2013 Debt Service Account established and maintained by the Trustee within the Debt Service Fund pursuant to the Indenture, the interest and principal amount to become due on such Series 2013 Bonds on such Series 2013 Payment Date;

provided that the SFMTA need not transfer any moneys at such time as the balance in the Series 2013 Debt Service Account is equal to the aggregate amount of interest and principal amount becoming due and payable on the then Outstanding Series 2013 Bonds on such Series 2013 Payment Date. The obligation to make such transfers shall be on a parity with the obligation to fund any interest accounts created in the future under the Indenture with respect to any additional Series of Bonds issued pursuant to the Indenture, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference.

General Fund Transfer Account. All proceeds of transfers from the City's General Fund as received shall be set aside and deposited by the SFMTA in the General Fund Transfer Account established by the Indenture within the Municipal Transportation Fund. Amounts in the General Fund Transfer Account may not be transferred to the Enterprise Account and are not pledged to the payment of principal of, premium, if any and interest on the Bonds. The SFMTA has covenanted in the Indenture to apply amounts on deposit in the General Fund Transfer Account solely to pay operation and maintenance expenses or other costs of the SFMTA. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture."

Bond Reserve Account

The Indenture establishes a Series 2013 Reserve Account within the Reserve Fund for the Series 2013 Bonds.

Series 2013 Reserve Account. Upon delivery of the Series 2013 Bonds, the Series 2013 Reserve Account within the Reserve Fund will be funded in an amount equal to $__________*, which is equal to the initial Series 2013 Reserve Requirement for the Series 2013 Bonds. Moneys in the Series 2013 Reserve Account will be held in trust for the benefit and security of the Holders of the Series 2013 Bonds. As provided in a Supplemental Indenture, the Series 2013 Reserve Account may secure additional Series of Bonds issued in the future to the extent provided in a Supplemental Indenture, and the definition of Series 2013 Reserve Requirement would generally be applicable to such Series of Bonds.

The Series 2013 Reserve Requirement is defined under the Indenture to mean, as of any date of calculation, the least of (i) an amount equal to the Maximum Annual Debt Service with respect to the Series 2013 Bonds, (ii) 125% of the average annual debt service on the Series 2013 Bonds, or (iii) 10% of the total Outstanding Principal Amount of Series 2013 Bonds. A future Series of Bonds may be designated in a Supplemental Indenture to benefit from and participate in the Series 2013 Reserve Account. In such event, the foregoing definition shall be applicable to such Series of Bonds but shall be revised in such Supplemental Indenture to take into account such Series of Bonds and the requirements of the Code. See "SUMMARY OF THE LEGAL DOCUMENTS—DEFINITIONS", "SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Reserve Fund" and "SUMMARY OF THE LEGAL DOCUMENTS—SECOND SUPPLEMENT TO INDENTURE OF TRUST—Series 2013 Reserve Account" in Appendix D herein.

The Series 2013 Reserve Requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank under the terms and conditions set forth in the Indenture. See Appendix D—"SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Reserve Fund" set forth herein. Upon issuance, the Series 2013 Reserve Requirement will be fully funded with a portion of the proceeds of the Series 2013 Bonds.

Series 2012 Reserve Account. In connection with the issuance of the Series 2012 Bonds, the Series 2012 Reserve Account was established within the Reserve Fund and funded in an amount equal to $4,510,774.87, which was equal to the initial Series 2012 Reserve Requirement. Moneys on deposit in

* Preliminary, subject to change.

the Series 2012 Reserve Account are held in trust for the benefit and security of the Holders of the Series 2012 Bonds, provided that such Series 2012 Reserve Account may secure additional Series of Bonds in the future in accordance with the Indenture. Amounts in the Series 2012 Reserve Account do not secure and are not available to pay principal of or interest on the Series 2013 Bonds, and amounts in the Series 2013 Reserve Account do not secure nor are they available to pay principal of or interest on Series 2012 Bonds.

Permitted Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture shall be invested upon receipt in Permitted Investments as directed by the SFMTA. For a summary of the definition of Permitted Investments and information regarding the investment of moneys held in the various funds and accounts relating to the Bonds, see Appendix D—"SUMMARY OF THE LEGAL DOCUMENTS—THE MASTER INDENTURE—Funds—Investment of Moneys" attached hereto. For information regarding the investment of moneys held in the various funds and accounts of the SFMTA, see "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Investment of SFMTA Funds" herein.

Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues

Under the Indenture, the SFMTA covenants that it will adopt for each Fiscal Year or every two Fiscal Years a budget that is balanced in accordance with Section 8A.106 of the Charter and that provides for payment of Annual Debt Service in each Fiscal Year. The SFMTA has further covenanted to manage its operations and set charges (including but not limited to fares, rates and fees) for the Transportation System so that Pledged Revenues in each Fiscal Year, and available fund balances held by the SFMTA or the Trustee, will be at least equal to Annual Debt Service, payments due on Subordinate Bonds (as defined below) and payment of all costs reasonably necessary to operate the Transportation System in such Fiscal Year (but not including costs that have been funded from other sources not constituting Pledged Revenues or that may be reasonably deferred).

The SFMTA further covenants in the Indenture that if it is unable to comply with the covenant described in the previous paragraph, the SFMTA will review its operations and its schedule of fares, rates, fees and charges and prepare a plan with reasonable measures to comply with such covenant. The SFMTA shall take such plan into account for future budgets and management.

See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Financial Operations—Budget Process" for more information about the SFMTA's budget procedures and see generally "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY" for further information about the SFMTA's revenues and expenditures. See also "CERTAIN RISK FACTORS" for a discussion of certain risk factors that could adversely affect the ability of the SFMTA to maintain Pledged Revenues as required by the Indenture.

Other Obligations Secured by Pledged Revenues

The Series 2013 Bonds are payable from Pledged Revenues under the Indenture on a parity with the SFMTA's Revenue Bonds, Series 2012A and Series 2012B, outstanding in the aggregate principal amounts of $34,885,000 and $25,835,000, respectively. The SFMTA expects to issue approximately $150 million of additional Bonds during 2016-2017. On September 10, 2013, the SFMTA obtained an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of up to $100 million of subordinate CP Notes. Such CP Notes, and the SFMTA's obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. The SFMTA does not anticipate issuing any CP Notes until early 2014. See "THE SAN

FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Outstanding Debt," "—Commercial Paper Program," and "—Future Debt Issuance."

Additional Bonds and Other Indebtedness

Pursuant to the Indenture, the SFMTA is permitted to issue additional Bonds pursuant to a Supplemental Indenture and to enter into additional obligations secured by Pledged Revenues on parity with the payment of principal of and interest on the Bonds, provided that the conditions described below are satisfied. In addition to the Bonds, the SFMTA anticipates incurring both future debt payable from Pledged Revenues on parity with the payment of principal of and interest on the Series 2013 Bonds and debt payable from Pledged Revenues on a basis subordinate to the payment of principal of and interest on the Bonds. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Future Debt Issuance."

Additional Bonds. The SFMTA may not issue any additional Series of Bonds or other Parity Obligations (other than refunding Bonds as described below) unless the Trustee has been provided with, among other things, a report of the SFMTA demonstrating that either:

(i) for the most recently ended Fiscal Year prior to the issuance of such additional Series of Bonds or other Parity Obligations, the SFMTA: (A) complied with the covenant described under the heading "—Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues," and (B) Pledged Revenues in such prior Fiscal Year were at least equal to 300% of Maximum Annual Debt Service, calculated assuming such additional Series of Bonds or other Parity Obligations were Outstanding during such prior Fiscal Year; or

(ii) based on projections for the period from and including the first full Fiscal Year following the issuance of such Bonds or other Parity Obligations through and including the later of (A) the fifth full Fiscal Year following the issuance of such Bonds or other Parity Obligations or (B) the third full Fiscal Year during which no interest on such Bonds or other Parity Obligations is expected to be paid from the proceeds thereof, projected Pledged Revenues in each such Fiscal Year will be at least equal to 300% of Maximum Annual Debt Service and be sufficient to allow the SFMTA to be able to comply with the covenant described under the heading "—Covenant to Adopt a Balanced Budget and Maintain Adequate Pledged Revenues."

In determining projected Pledged Revenues for purposes of the report of the SFMTA described in the paragraph above, the SFMTA may take into account any reasonably anticipated changes in Pledged Revenues over such period, which assumed changes and the basis therefor shall be described in the calculations provided by the SFMTA. In determining Annual Debt Service for such purposes, (i) Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (ii) Variable Rate Bonds and variable rate Interest Rate Swaps shall generally be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the lower of one hundred twenty-five percent of the average Index Rate (i.e., generally defined under the Indenture as the SIFMA Municipal Swap Index) during the twelve calendar months immediately preceding the date on which such calculation is made or the maximum rate of interest payable under such Variable Rate Bonds, Amortized Bonds or Interest Rate Swaps.

The SFMTA may also issue Bonds for the purpose of refunding any Bonds or other Parity Obligations on or prior to maturity.

Repayment Obligations as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement between the SFMTA and a Credit Provider, a Repayment Obligation (other than a Repayment Obligation with respect to a Credit Facility credited to the Reserve Fund) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such Repayment Obligation under the Indenture. The foregoing rights of a Credit Provider are in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Indenture. Currently, there are no Repayment Obligations outstanding.

Interest Rate Swaps as Bonds. If so provided in the applicable Supplemental Indenture and in the written agreement establishing an Interest Rate Swap between the SFMTA and a Swap Counter Party, Swap Payments under an Interest Rate Swap (including a termination payment) may be accorded the status of an obligation payable on a parity from Pledged Revenues with the Bonds for purposes of securing such obligation to make Swap Payments under the Indenture. As of the date of this Official Statement, the SFMTA had not entered into any Interest Rate Swaps.

Special Facilities and Special Facility Bonds. The SFMTA from time to time, subject to the terms and conditions of the Indenture and all applicable laws, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is under its jurisdiction, as a "Special Facility," (b) provide that revenues earned by the SFMTA from or with respect to such Special Facility shall constitute "Special Facility Revenue" and shall not be included as Pledged Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenue with respect thereto, and not from or by Pledged Revenues. The SFMTA from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds may be issued by the SFMTA unless there shall have been filed with the Trustee (i) a certificate of the SFMTA to the effect that no Event of Default then exists under the Indenture, (ii) an opinion of Bond Counsel to the effect that such Special Facility Bonds may lawfully be issued in accordance with the Charter and all other applicable laws and (iii) a report of the SFMTA providing the following projections:

(a) the estimated Special Facility Revenue with respect to the proposed Special Facility are at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility to be paid by the SFMTA, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same will become due; and,

(b) the estimated Pledged Revenues calculated without including the Special Facility Revenue and without including any operation and maintenance expenses of the Special Facility will be sufficient so that the SFMTA is able to be in compliance with its covenants under the Indenture (see "—Covenant to Maintain Pledged Revenues" above) during each of the five full Fiscal Years immediately following the issuance of such Special Facility Bonds.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged and no longer outstanding, the Special Facility Revenue with respect to such Special Facility shall be included as Pledged Revenues. As of the date of this Official Statement, the SFMTA has not designated any facility as a Special Facility, nor has it issued Special Facility Bonds.

Subordinate Bonds. Under the Indenture, the SFMTA may issue at any time Subordinate Bonds with a pledge of, lien on, and security interest in Pledged Revenues which are junior and subordinate to those of the Bonds and other Parity Obligations. The principal and purchase price of and interest, redemption premium and reserve requirements on such Subordinate Bonds are payable from time to time out of Pledged Revenues only if all amounts then required to have been paid or deposited under the Indenture from Pledged Revenues with respect to principal, purchase price, redemption premium, interest and reserve requirements on the Bonds then Outstanding shall have been paid or deposited as required in the Indenture. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Commercial Paper Program."

Charter Requirements Concerning Additional Indebtedness. The Charter also requires that, prior to the SFMTA's issuance of any additional Bonds or other indebtedness, the Board of Supervisors authorize such issuance and the Controller provide a certificate stating that sufficient unencumbered balances are expected to be available in the proper fund to meet all payments due on such Bonds or other indebtedness and that any such obligation, if secured, is secured by revenues or assets under the jurisdiction of the SFMTA.

THE CITY AND COUNTY OF SAN FRANCISCO

[Update in late October if new information available.] The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's most recently completed and adopted Comprehensive Annual Financial Report (the "CAFR") for its fiscal year 2011-12 estimated the City's fiscal year 2011-12 population at 820,466.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2011, approximately 16.35 million people visited the City and spent an estimated $8.46 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2011-12 was $74,040. The San Francisco Unified School District operates 71 elementary and K-8 school sites, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), and 36 State-funded preschool sites, and sponsors 9 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University-San Francisco, University of California-San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2011-12, SFO serviced approximately 43.1 million passengers and handled 385,113 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART") (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the SFMTA service area. Muni, operated by the SFMTA, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's fiscal year 2012-13 adopted budget includes $7.35 billion of expenditures and reserves, of which $3.49 billion was allocated to the General Fund of the City and $3.86 billion was allocated to all other funds, including enterprise fund departments, such as SFO, the SFMTA and the San Francisco Public Utilities Commission (the "SFPUC"). The City's CAFR estimates that the City employed approximately 28,073 full-time-equivalent employees at the end of fiscal year 2011-12. According to the Controller, fiscal year 2012-13 total net assessed valuation of taxable property in the City is approximately $165.04 billion.

[To be updated in October.] In January 2013, the Mayor established a Transportation Task Force (the "Task Force") charged with prioritizing San Francisco's transportation system needs and identifying funding sources to realize them. The Task Force, which is currently in an information gathering stage, convened its third session on April 30, 2013. The Task Force has established an October 2013 deadline for providing recommendations regarding the needs of the Transportation System and other regional carriers, and potential revenues and sources of funding to meet such needs, to the Mayor.

Certain information about the City may be found in APPENDIX B: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." The material in Appendix B was prepared by the City and updated as of [_______].

THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT THEREOF.

THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

Organization and Purpose

The SFMTA is an enterprise department of the City and County of San Francisco and a multi-modal transportation agency responsible for planning, designing, constructing, managing, operating and maintaining public transit, paratransit, street and traffic management and improvements, bicycle and pedestrian safety and enhancement programs, on and off-street parking improvements and programs, and the regulation of taxis and commercial vehicles within the City (collectively referred to in this Official Statement as the "Transportation System"). The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. Among City departments, the SFMTA was given exceptional authority to control its operations, purchasing, contracting, and labor relations, as well as a guaranteed share of City General Fund resources. The voters approved additional Charter amendments in 2007 (Proposition A) and 2010 (Proposition G) that further increased the autonomy of and revenues to the SFMTA and increased management flexibility, respectively.

The Charter states that the SFMTA is to adhere to a "Transit First Policy" in its management of the City's Transportation System and that the SFMTA's goal is to "manage San Francisco's transportation system – which includes automobile, freight, transit, bicycle, and pedestrian networks" to help the City achieve "an effective, efficient and safe transportation system…" to support "its goals for quality of life, environmental sustainability, public health, social justice, and economic growth." This "Transit First Policy," further requires that "public transit, [and travel] by bicycle and on foot must be an attractive alternative to travel by private automobile."

The SFMTA promotes the safe and efficient movement of people and goods throughout the City through many programs. It manages Muni, which is the seventh largest provider of public transit service in the United States and carries over 700,000 passengers a day on its motor buses, trolley buses, light rail vehicles, historic streetcars, and cable cars. The SFMTA also oversees the management and operation of 40 public off-street parking facilities owned by the SFMTA, Recreation and Park and the Parking Authority, a separate legal entity created under the laws of the State. Members of the Board serve *ex officio* as members of the governing body for the Parking Authority. The SFMTA also manages traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. Finally, the SFMTA regulates the taxi industry within the City.

Across its various functions and missions, the SFMTA's overarching mission is to work together to plan, build, operate, regulate and maintain the transportation network, with its partners, to connect communities. In furtherance of this mission, the SFMTA has developed a strategic plan which identifies four key goals through its Fiscal Year 2018-19: 1. Create a safer transportation experience for everyone; 2. Make transit, walking, bicycling, taxi, ridesharing and carsharing preferred means of travel; 3. Improve the environment and quality of life in San Francisco; and 4. Create a workplace that delivers outstanding service.

SFMTA Organizational Structure. The SFMTA organizational structure includes the following primary divisions along with other functional areas which report directly to the Director of Transportation:

<u>Transit Division</u>. The Transit Division is responsible for delivering multi-modal public transit service within the City, including Muni operations. The Division's more than 3,800 staff operate motor coaches, light rail vehicles, electric trolleys, historic trolley vehicles and cable cars; maintain vehicles, transit facilities and infrastructure (e.g. rail track and signals, rail stations, garages and maintenance shops); and are responsible for short-term and long-term service planning.

<u>Sustainable Streets Division</u>. The Sustainable Streets Division manages non-transit modes of transportation, including bicycles, pedestrians, and vehicles other than taxis. The Division's mission is to provide multi-modal transportation planning, engineering and operational improvements to the City's transportation system to support sustainable community and economic development. The Division is responsible for the City's traffic signs, pavement markings, pedestrian, traffic calming, bicycle and school area safety programs, and management of the parking garages, planning, and Traffic Engineering. The Division is also responsible for overseeing the enforcement of San Francisco's parking regulations, Proof of Payment program, deploying San Francisco Police Department ("SFPD") personnel dedicated to security and investigations relating to crime prevention on Muni, and managing certain services provided by the SFPD Traffic Division.

<u>Capital Programs and Construction Division</u>. The Capital Programs and Construction Division is responsible for the planning, design and construction of SFMTA transit capital projects, and for monitoring and assessing the condition of the SFMTA infrastructure and vehicle fleet.

<u>Finance and Information Technology Division</u>. The Finance and Information Technology Division is responsible for budgets, grants, revenue collection and sales, financial services, revenue contracts, real estate, accounting, parking pricing and related policy, information technology and performance, contracts and procurement, and administrative proceedings.

<u>Other Functional Areas</u>. Human Resources, Taxi, Safety, Governmental Affairs, Communications and other related organizational structures each report separately to the Director of Transportation.

Board of Directors

The SFMTA is governed by a seven-member Board of Directors (the "Board"), which is appointed by the City's Mayor and confirmed by the City's Board of Supervisors. The Board has the authority to appoint the Director of Transportation, approve the budget and set SFMTA policy. The directors serve staggered four-year terms. No person may serve more than three terms as a director. At least four of the directors must be regular riders of Muni, and must continue to be regular riders during their terms. The directors must possess significant knowledge of, or professional experience in, one or more of the fields of government, finance or labor relations. At least two of the directors must possess significant knowledge of, or professional experience in, the field of public transportation. As of September 21, 2013, there was one vacant seat on the Board.

The current members of the Board and their appointment and expiration dates of their terms are:

Name and Title:	Originally Appointed	Term Expires
Tom Nolan, Chairman	May 10, 2006	March 1, 2017
Cheryl Brinkman, Vice Chair	September 1, 2010	February 28, 2014
Malcolm Heinicke	February 22, 2008	March 1, 2016
Jerry Lee	February 15, 2008	February 29, 2016
Joél Ramos	May 23, 2011	February 28, 2015
Cristina Rubke	June 5, 2012	March 1, 2016

Management

The SFMTA's management team is led by the Director of Transportation. The Director of Transportation is appointed by the Board and serves at the pleasure of the Board. Brief biographies of the Director of Transportation and the principal members of the SFMTA senior management team are set forth below.

Edward Reiskin. Ed Reiskin is Director of Transportation of the SFMTA. Mr. Reiskin was appointed by the Board on August 2, 2011, and began work on August 15, 2011. Mr. Reiskin has more than 20 years of experience in the private, academic, nonprofit and public sectors. Most recently, he led the City's Department of Public Works, managing more than 1,100 employees, whose responsibilities range from engineering, construction management and project delivery to graffiti removal, street cleaning and public engagement programs and an annual $165 million operating budget and a $2 billion capital budget. Previously, Mr. Reiskin served as the first Director of the City's 311 Customer Service Center. Prior to joining the City, he served as the Interim City Administrator and as Deputy Mayor for the Government of the District of Columbia. Prior to joining the District government, Mr. Reiskin worked for three years for the City of Oakland, California as an assistant to the city manager. Mr. Reiskin has also performed business and community environmental work for a nonprofit research and consulting organization, conducted academic research on sustainable development at a business school and worked as an engineer and manager in the private sector. Mr. Reiskin holds a Master of Public Administration degree from Harvard University's Kennedy School of Government, a Master of Business Administration degree from New York University's Stern School of Business and a Bachelor of Science degree from the Massachusetts Institute of Technology.

Sonali Bose. Sonali Bose is Chief Financial Officer. Ms. Bose has held senior level finance positions in the public and private sectors over the last 25 years. The public sector positions include Chief Financial Officer for the Metro Gold Rail Line in Los Angeles, Chief Financial Officer for the Port of Oakland, Director of Finance for the City of Berkeley and Treasurer for the City of Oakland. Her private sector positions include Chief Financial Officer/Administrative Officer for a third party administrator for pension, health and welfare funds, Managing Director and Finance Manager for international consulting firms focusing on infrastructure projects and Vice President of Finance for a merchant bank. Ms. Bose has business administration and public policy graduate degrees from Harvard University and the University of California, Berkeley. Her undergraduate degree is from the University of California, Berkeley.

Vince Harris. Vince Harris is Director of Capital Programs and Construction. Prior to joining the SFMTA, Mr. Harris was the Executive Director of the Stanislaus Council of Governments, the Metropolitan Planning Organization for the Stanislaus Region, responsible for developing and delivering the Regional Transportation Plan, including a diverse mix of transit highway and local street and road projects to be delivered in Stanislaus County over the next 23 years. In this capacity he was responsible for all agency functions including regional transportation planning, program administration, financial management and budget control. He is also the former Executive Director of the Alameda County Transportation Authority, in which capacity he managed a $1.0 billion Transportation Improvement Program with the delivery of over $100 million of completed capital projects in 10 years. Mr. Harris' career spans 30 years, with transportation assignments in both the public and private sector in California, Texas, Utah and Washington, D.C. He holds a Bachelor of Science Degree in Civil Engineering Technology from the University of Pittsburgh and a Masters in Public Administration from California State University in Hayward.

John Haley. John Haley is Director of Transit. Mr. Haley is a nationally recognized leader in the transportation industry with over 30 years of public and private sector experience. He joined the SFMTA from the Metropolitan Transit Authority of Harris County ("METRO") in Houston, where he was the Vice-President of Infrastructure and Service Development. At METRO, Mr. Haley implemented new bus rapid transit and commuter rail services, which significantly contributed to improved service reliability and ridership gains. He also directed internal accountability initiatives to improve operational efficiency and advanced Authority-wide plans to improve system safety. Prior to his work in Houston, Mr. Haley served as Deputy Executive Director of the Port Authority of New York and New Jersey, General Manager of the Massachusetts Bay Transportation Authority (MBTA), Deputy General Manager of the San Francisco BART and as a strategic advisor to major transportation agencies nationwide. He has a Master of Public Administration from Syracuse University and a Bachelor of Science in Government from Northeastern University.

Bond Yee. Bond Yee is the Director of Sustainable Streets. Mr. Yee has worked for the City since 1982, starting with the Department of Public Works' Traffic Engineering Bureau, and then joining the Department of Parking and Traffic ("DPT") at its inception in 1990. Mr. Yee served as Director of DPT until it was formally merged into the SFMTA in July 2002 under Proposition E. Mr. Yee has been practicing professionally for 37 years, initially working in the private sector as a transportation engineer with the firm of Parsons, Brinckerhoff, Quade and Douglas (PBQ&D), where he worked on various transportation and transit projects such as BART, Metropolitan Atlanta Rapid Transit Authority, Portland's starter light rail line, Kansas City Transit Master Plan and Fullerton's Multimodal Transportation Center facility. Mr. Yee earned his Bachelor of Science Degree in Civil Engineering from the University of California at Berkeley and a Master's Degree in Transportation from the University of California at Berkeley's Institute of Transportation Studies. He holds licenses in civil and traffic engineering from the State of California and is a Professional Traffic Operations Engineer licensed by the Transportation Professional Certification Board. He also is a Fellow of the Institute of Transportation Engineers.

Transit

Background and History*.* The San Francisco Municipal Railway (the "Municipal Railway") began service in 1912 as one of the first publicly owned and operated transit systems in the United States, competing with privately operated systems, and initiating service to areas of the City not served by those systems. In 1944, the Municipal Railway absorbed the much larger, privately owned Market Street Railway Company, creating a combined system that was about three times as large as the prior Municipal Railway system. The City's acquisition of the California Street Railroad in 1952 conveyed to public control all transit services within San Francisco. From 1932 until 1994, the SFPUC governed the Municipal Railway. In 1993, the City's voters passed Proposition M, which created the Public Transportation Commission and the Public Transportation Department, and removed the Municipal

Railway from the authority of the SFPUC. Governance of Muni changed again in 1999 with the passage of Proposition E, which created the SFMTA and consolidated the management of Muni with the parking and traffic related functions performed by the previous Department of Parking and Traffic (the "DPT").

Transit Operations. The SFMTA operates Muni, which is the City's public transportation system. Muni operates 365 days a year, and connects with regional transportation services, such as those provided by the BART, the Peninsula Corridor Joint Powers Board ("PCJPB"), the San Mateo County Transit District ("SamTrans"), and the Alameda-Contra Costa Transit District ("AC Transit"). Based on ridership, Muni is the seventh largest system in the United States and the Bay Area's largest and most heavily used public transit system, transporting approximately 43 percent of all transit passengers in the region and carrying more than 700,000 trips every weekday (about 214 million trips per year). By way of comparison, BART carries approximately 350,000 daily passengers, AC Transit carries approximately 240,000 daily passengers and SamTrans carries approximately 70,000 daily passengers.

Muni's fixed route network consists of 50 motor coach lines, 14 electric trolley bus lines (i.e. rubber-tired vehicles that operate on electricity provided from overhead wires), six light rail lines that operate above ground and in the City's Market Street subway tunnel, three cable car lines and a historic streetcar line. Muni also provides paratransit service for passengers who are unable to use fixed route service through a service contract. The table below summarizes the composition of Muni's transit revenue vehicle fleet.

TABLE 1

SUMMARY OF MUNI'S REVENUE VEHICLE FLEET
AS OF SEPTEMBER 30, 2013

Motor Buses	525 vehicles[1]
Trolley Buses	301 vehicles
Light Rail Vehicles	149 vehicles
Historic Streetcars	40 vehicles
Cable Cars	40 vehicles

(1) The SFMTA is in the process of acquiring 62 new buses during 2013, including 41 that will replace motor buses currently operating in the SFMTA's fleet. In-service numbers will vary slightly as certain motor buses are retired and others are added to service. Following completion of these acquisitions and replacements, the SFMTA expects to have 525 motor buses operating in its fleet.

Source: SFMTA

Of Muni's four fixed route modes of service, motorbuses serve the highest number of passengers, followed by trolley buses, light rail and cable car. During the five-year period from Fiscal Year 2008-09 through Fiscal Year 2012-13, annual Muni ridership varied between approximately [213] million and [226] million boardings.

TABLE 2

HISTORIC FIXED ROUTE RIDERSHIP BY MODE
(ANNUAL BOARDINGS IN THOUSANDS)
(FISCAL YEARS ENDED JUNE 30)

	2009	**2010**	**2011**	**2012**	**2013**
Mode					
Motor Bus	95,190	91,609	89,451	95,625	97,181
Trolley Bus	72,142	66,968	66,233	67,545	65,248
Light Rail[1]	50,745	49,397	51,022	43,608	45,359
Street Rail[1]	N/A	N/A	N/A	8,078	8,390
Cable Car	7,913	8,008	7,042	7,270	6,813
Total Ridership	225,990	215,982	213,748	222,126	222,991

(1) Effective Fiscal Year 2011-12, the National Transit Database reports Street Rail data separately from Light Rail data.

Source: SFMTA

The SFMTA's transit fleet is one of the most diverse in the nation and includes a variety of vehicles which incorporate technologies designed to provide operational and environmental benefits, such as: reductions in tailpipe emissions and other forms of pollution, decreased energy consumption, and increased vehicle in-service time. The SFMTA has set a sustainability goal for itself of achieving zero fleet emissions by 2020. More than 50 percent of the SFMTA's fleet of buses and rail vehicles are already powered by City-owned zero emission hydroelectric power, and as a whole the SFMTA's fleet of buses and rail vehicles produces low per-passenger emissions. The SFMTA's fleet also includes a large number of biodiesel vehicles powered by advanced hybrid-electric motors fueled with the City's recycled restaurant oils. This "liquid solar" biodiesel is made from restaurant grease collected and produced locally as part of the City's "fryer to fuel tank" energy sustainability program, saving the SFMTA millions of dollars per year in fuel costs while avoiding emissions from "upstream" fuel transportation. In Fiscal Year 2011-12, the SFMTA purchased approximately 6.1 million gallons of fuel for its motor fleet and approximately 104.7 million kWh of electricity for its electric vehicles. In Fiscal Year 2012-13, the SFMTA purchased approximately 5.4 million gallons of fuel for its motor fleet and approximately 103.2 million kWh of electricity for its electric vehicles. See "—Operating and Maintenance Expenses—Fuel, Lubricants and Electricity Costs."

As part of its efforts to improve transit system service reliability, the SFMTA is focused on improving vehicle performance. The majority of system delays are caused by vehicle issues. In Fiscal Year 2012-13, contracts were awarded to rehabilitate more than 80 SFMTA motor coaches. In addition to the motor coach rehabilitation, the SFMTA is also undertaking light rail vehicle rehabilitation, with rehabilitation complete on approximately one-third of the light rail fleet as of June 1, 2013. In mid-2013, SFMTA began replacing 41 motor buses operating past their useful life. SFMTA expects such replacements to be complete [by the end of October 2013]. SFMTA further intends to begin replacing 60 articulated trolley coaches in late 2013.

Beginning July 1, 2012 SFMTA began to offer all door boarding on all buses and trains system-wide, installing fare card readers at the rear doors of every vehicle. Initial results of this initiative show that half of customers are now boarding through the rear doors at high usage transit stops and that dwell times are down four seconds per stop on average. The SFMTA is engaged in a full evaluation of this initiative which will be completed in 2014.

Transit Facilities. The SFMTA owns and maintains several operations, maintenance and administrative facilities, as well as an extensive network of stations, tracks, overhead power supply lines, and power distribution facilities.

TABLE 3

SUMMARY OF SFMTA'S TRANSIT FACILITIES
AS OF MAY 31, 2013

Miles of Light Rail track for revenue service	71.1 miles
Miles of Subway track	13.4 miles
Miles of Cable Car track for revenue service	10.2 miles
Miles of overhead power supply wires for light rail and trolley bus revenue service operations	209.5 miles
Number of Light Rail Stations	9 Subway and 23 Surface Stations
Number of Light Rail Boarding Platforms	168
Number of substations for electrical power distribution	26
Operations, Maintenance and Administrative Facilities	22
Signalized intersections	1,196
Biking facilities	217 miles

Source: SFMTA

The SFMTA Facilities Program develops, manages and maintains space for operating, maintenance, administrative and storage needs in support of the SFMTA's transit activities. The majority of the SFMTA's operation and maintenance facilities are dedicated to the storage, maintenance and dispatch of Muni's fleet of vehicles. Three facilities house motor coaches: Woods Division, Flynn Divisions and Kirkland Divisions. Two house trolley coaches: Potrero Division and Presidio Division. Four facilities support Muni's rail operations: Green Division (including temporary facilities at 6th and King), the Geneva Yard, the Cable Car Barn and the Duboce Yard. And seven other facilities, including the Central Control Center, Scott Division, Marin Street and the Burke Avenue Facility, provide support to all transit modes. Finally, the SFMTA's administrative offices are distributed among six different sites in the City.

The current condition of the SFMTA's transit facilities varies broadly. Certain transit facilities are new, while others have no serious defects noted, and still others require significant renovation or seismic improvement, are outmoded or are inadequately sized for the current operational requirements of the SFMTA. See "—State of Good Repair Analysis."

The SFMTA has completed a real estate study to determine the SFMTA's long-term facility needs, including potential transit-oriented development projects. The results of the study are in the process of being transferred into an implementation plan and incorporated into the Agency's Capital Improvement Plan. See "—Capital Program."

Regulatory Issues. The SFMTA is regulated by various federal, State and local agencies, including the Federal Transit Administration and the California Public Utilities Commission ("CPUC"). The SFMTA meets with the Federal Transit Administration and the CPUC on a regular basis to ensure that both agencies are aware of the SFMTA's transit operations. In addition, the Federal Transit Administration performs a triennial review, as well as fiscal, procurement and other periodic audits, to determine whether the SFMTA is administering its Federal-Transit-Administration-funded programs in accordance with statutory and Federal Transit Administration requirements and is meeting program objectives. The CPUC conducts a triennial audit for rail operations. A determination that the SFMTA is not in compliance with regulatory requirements could lead to a loss of funding, and changes in regulatory requirements could impact the SFMTA's operations or increase operating costs or capital requirements. See "CERTAIN RISK FACTORS—Statutory and Regulatory Compliance."

Parking and Traffic Functions

The SFMTA currently manages 19 public garages and 21 surface parking lots in the City, which account for nearly 15,000 parking spaces; manages on-street parking through the use of approximately 25,000 single space parking meters and 447 multi space pay stations covering approximately 3,000 spaces, color curbs, various permits; and sells parking meter cards. The SFMTA's traffic responsibilities include managing nearly 200,000 traffic signs, 1,184 signalized traffic intersections, approximately 900 miles of striped streets, pavement messages, and special curb zones throughout the City. In addition, the SFMTA also enforces parking regulations through its Enforcement Division through the issuance of parking citations by the SFMTA parking control officers, San Francisco Police, and other agencies.

Parking Garages. The 19 parking garages that the SFMTA currently manages include parking facilities owned by the SFMTA, the Parking Authority and Recreation and Park.

The following table lists the public parking garages managed by the SFMTA as of June 1, 2013:

TABLE 4

SFMTA-MANAGED PARKING GARAGES
AS OF JUNE 1, 2013

Facility Name	Number of Spaces	Year Opened
16th & Hoff	98	1996
Civic Center[1]	843	1958
Ellis O'Farrell	950	1964
Fifth & Mission	2,585	1957
Golden Gateway	1,095	1965
Japan Center	920	1965

Facility Name	Number of Spaces	Year Opened
Lombard Street	205	1988
Mission-Bartlett	350	1983
Moscone Center	732	1984
North Beach	203	2002
Performing Arts	598	1983
Pierce Street	116	[Not Available]
Polk-Bush	129	1993
Portsmouth Square[1]	504	1960
St. Mary's Square[2]	414	1952
SF General Hospital	1,657	1996
Sutter Stockton	1,865	1959
Union Square[1]	985	1941
Vallejo Street	163	1969
Total	14,412	

(1) Owned by Recreation and Park.
(2) Recreation and Park and SFMTA each own 50%.
Source: SFMTA

The age of the garages ranges from 10 years to 71 years. Other than with respect to the Recreation and Park Garages (defined below), all revenues from the operations of each parking facility operated by the SFMTA, less amounts applied to pay for operating costs (including routine maintenance), are used to fund public transit pursuant to the City Charter. While routine repairs, including repairs of concrete failures, drainage issues, lighting, out-of-service elevator, revenue control equipment and signage, are regularly funded and completed, significant repair and rehabilitation projects have been deferred. As a result, substantial maintenance and repair backlogs exist with respect to such repairs and rehabilitation projects at certain facilities and the condition of most garages has declined over the years. These facilities require extensive rehabilitation and equipment upgrades to bring them in line with current standards and to make them more environmentally friendly. Significant repairs currently include projects related to compliance with ADA regulations as well as addressing planning, building and fire code issues.

Certain of the garages owned by the SFMTA and Recreation and Park were historically leased (the "Prior Leases") by non-profit parking corporations (collectively, the "Parking Corporations"), which managed the operations of such garages and transmitted revenues of the garages in excess of certain operating and administrative expenses to the SFMTA. Except for the leases relating to the Japan Center Garage and the Sutter Stockton Garage, the Parking Corporations terminated the Prior Leases and returned direct control of the applicable garage to the SFMTA in 2012. The Japan Center Garage Corporation and the City of San Francisco Uptown Parking Corporation have entered into new leases with the SFMTA, each commencing on February 26, 2013 and expiring in 2023, which provide for daily operational oversight of the Japan Center Garage and the Sutter Stockton Garage, respectively. These new leases require that the Parking Corporations contract with a professional parking company to operate the facility in accordance with the lease and the SFMTA Parking Facility Operation and Management Regulations ("OMR"). All gross revenues and parking taxes collected or received by a Parking Corporation operating a parking garage are deposited in a revenue account on the next banking day following receipt. Periodically, but at least once each month, the SFMTA authorizes the withdrawal and transfer of funds from the revenue account for the purpose of paying operating expenses and purpose of paying the corporate employee salaries and payroll expense. Each corporation is required to transfer all net income to the SFMTA by the twentieth day of each month or at such other more frequent periodic intervals as specified by the SFMTA. During the first three years of the initial term of these new leases, 100% of net income will be transferred to the SFMTA on a monthly basis. Upon commencement of the fourth year of the initial term, and on a monthly basis thereafter, the SFMTA will authorize the withdrawal and transfer of funds from the revenue account to the related capital account for the purpose of performing capital improvements to the respective garages.

The SFMTA contracts directly with professional parking management vendors, selected through an RFP process, to manage the day-to-day operations of all other garages, excluding oversight of retail lease space, in accordance with a Management Agreement that outlines the vendor responsibilities and incorporates city contracting requirements. The vendor is also responsible for operating the garage in accordance with the OMR and provides all parking management services necessary to operate and maintain the parking facility. The garage operator is responsible for collection of all garage revenue and making deposits on the next business day into an SFMTA or Recreation and Park held revenue account. The operator is responsible for staffing and daily maintenance/operations of the facility in accordance with SFMTA annually approved operating budgets. Expenses incurred by the operator are submitted for reimbursement to the SFMTA twice per month for review and approval.

The SFMTA oversees parking operations at the following garages owned by Recreation and Park: Civic Center, Portsmouth Square and Union Square, and at St. Mary's Square Garage, half of which is owned by SFMTA and half of which is owned by Recreation and Park (collectively, including the half of St. Mary's Square Garage owned by Recreation and Park, the "Recreation and Park Garages"). From revenues of the Recreation and Park Garages, Recreation and Park is obligated to pay to the SFMTA an administrative fee that includes all costs of operating the Recreation and Park Garages and a proportional share of debt service on bonds and other obligations the proceeds of which funded capital improvements at the Recreation and Park Garages. Such administrative fees include a portion of the debt service on the Series 2012 Bonds and, upon their issuance, the Series 2013 Bonds, equal to the ratio of proceeds of such Series of Bonds applied to finance or refinance capital improvements at the Recreation and Park Garages to net proceeds of such Series of Bonds after paying costs of issuance. The SFMTA expects to withhold a portion of gross revenues from operation of the Recreation and Park Garages equal to such fee and transfer all remaining monies to Recreation and Park.

Surface Parking Lots, Parking Meters and Parking Enforcement. The SFMTA also manages 21 surface, metered lots. The following table lists the metered surface lots owned by the City and managed by the SFMTA:

TABLE 5

SFMTA-MANAGED METERED SURFACE LOTS
AS OF JUNE 1, 2013

Facility Name	Number of Spaces
Pierce-Lombard	116
Cal-Steiner	48
Castro & 18th	20
18th & Collingwood	20
8th & Clement	26
9th & Clement	21
18th & Geary	34
Geary & 21st	21
7th & Irving	36
9th & Irving	41
20th & Irving	24
Ocean & Junipero Serra	20
19th & Ocean	20
Ulloa & Claremont	23
West Portal & 14th	19

24th & Noe	16
Lilac & 24th	18
Norton & Mission	28
Felton & San Bruno	10
Phelan Loop & Ocean	21
7th & Harrison	101
Total	683

Source: SFMTA

All revenues from the operations of each metered surface lot, less amounts applied to pay for operating costs (including routine maintenance), are used to fund public transit pursuant to the City Charter.

The SFMTA currently has approximately 24,730 single space parking meters and 470 multi space pay stations covering approximately 3,240 spaces (a total of approximately 28,000 total on-street metered and off-street surface lot spaces) in four rate areas throughout the City. Rate areas are legislated in the City's Transportation Code as follows: Downtown (Rate Area 1), Downtown Periphery (Rate Area 2), Fisherman's Wharf (Rate Area 4) and Neighborhood-All other Areas (Rate Area 3). Rate Area 5 consists of SF*park* pilot areas and overlaps portions of Rate Areas 1-4 (see "—SF*park*"). Prior to the implementation of SF*park*, parking rates ranged from $2.00 to $3.50/hr depending on location. Following ten rounds of demand-based rate changes, rates in SF*park* pilot areas now range from $0.25 to $6.00/hr depending on location, day of week, and time of day. Meters in Rate Areas 1-3 are generally in operation from 7 a.m. or 9 a.m. to 6 p.m. Monday through Saturday, except for three meter holidays (Thanksgiving Day, Christmas Day, and New Year's Day). Effective January 1, 2013, these meters began to operate on Sundays. In Fisherman's Wharf (Rate Area 4), meters are in operation from 7 a.m. to 7 p.m. seven days per week. Beginning in April 2013, SFMTA implemented special event pricing during events at AT&T Park that range from $5.00 to $7.00 per hour.

All SFMTA meters accept coins and prepaid SFMTA parking cards as payment. Payment by credit card is now available at approximately 7,000 meters and payment by phone for metered parking has been implemented. The SFMTA receives revenue from citations issued to vehicles on any City street or surface metered parking lot. The Port has jurisdiction over approximately 1,100 additional metered spaces in the City. The revenues generated by the Port's meters are completely separate from SFMTA's meter revenues and go directly to the Port. However, the SFMTA enforces the Port meters and receives revenue from citations issued to vehicles on any City street or surface metered parking lot, including meters within the Port's jurisdiction.

SF*park*. As part of a new approach to parking management, the SFMTA has established a pilot demonstration of a series of planned improvements to the SFMTA's management of paid parking. The goal of the SF*park* approach is to apply a transparent, data-driven methodology to parking management in order to manage parking demand towards certain availability goals. As a result, the SFMTA believes drivers will find parking more quickly and easily, thus reducing the level of costly negative externalities associated with traffic in the City (*e.g.*, double parking or circling). The SFMTA expects not only to improve driver convenience, but also to accomplish a host of other goals, such as improving the speed and reliability of Muni service on surface streets, reducing traffic congestion, reduce accidents, improve economic vitality and reducing transportation-related greenhouse gas emissions.

While several cities have implemented programs with elements similar to SF*park*, the SFMTA is the first to put in place a full package of smart parking management technology and policies throughout such an extensive area. Funding for SF*park* project comes from a $19.8 million grant from the U.S. Department of Transportation's Urban Partnership Program and a $22 million loan from the Metropolitan Transportation Commission ("MTC") under its Congestion Mitigation and Air Quality Improvement Program. Evaluation of the SF*park* pilot demonstration is expected to be completed by late 2014.

Other Programs. In December of 2008, the Board of Supervisors transferred the functions, powers and duties of the Taxi Commission to the SFMTA. On March 1, 2009, the SFMTA assumed responsibility for regulating the San Francisco taxi industry. More than 8,000 taxi drivers operate nearly 1,800 taxis in the City, including 100 wheelchair accessible vehicles. By the end of 2014, there are expected to be over 2,000 vehicles in the taxicab fleet. Taxi vehicles average 95,000 miles per year, up to ten times as much as a private vehicle, thus pushing the need to green this highly used fleet. Over 95 percent of the vehicles in the taxicab fleet are hybrid or compressed natural gas (CNG) vehicles. This number does not include the 100 Ramp Taxi vehicles in the fleet, for which there are no alternative fuel options. Some drivers holding taxi medallions are independent operators, while others work for the 29 taxi companies that operate medallions. The SFMTA is currently engaged in a comprehensive study of taxi industry best practices.

The SFMTA currently derives a limited amount of Pledged Revenues from a recently enacted program providing for transfer and lease of taxi medallions to individual and color scheme (taxi company) permittees. See "Table 10—OTHER OPERATING REVENUE." Taxi drivers who favor the previous approach of distributing taxi medallions on a first come, first served basis challenged this recently enacted program in San Francisco Superior Court. The challengers seek declaratory relief, an injunction preventing continuation of the transfer and lease program, and an order compelling the SFMTA to issue medallions under the previous system. The City Attorney's Office is defending the new medallion program and, as of [October 1, 2013], the SFMTA has not made any changes to the program as a result of the litigation. The SFMTA cannot at this time predict what impact, if any, such lawsuit will have on revenues derived from the program.

In addition, the SFMTA is responsible for designing, directing and managing all traffic engineering functions within San Francisco, including placement of signs, signals, traffic striping and curb markings to promote the safe and efficient movement of people and goods throughout the City and to assist Muni's efficient operation.

The SFMTA also administers the San Francisco Bicycle Program, dedicated to improving and enhancing bicycling safety and viability as a transportation option through planning, engineering and implementing bicycle facilities and educating the community and relevant agencies about bicycle transportation. Since 2008, the SFMTA has installed 20 miles of bicycle lanes and designated 41 miles of shared use paths, for a citywide network comprising 215 total miles. The SFMTA has also installed 1400 additional bicycle racks on sidewalks and in bicycle corrals, for a total of nearly 8,800 racks Citywide.

The SFMTA is also participating in the Bay Area Bike Share system. The first phase of this pilot project will launch with 700 bicycles at 70 kiosk stations deployed in the cities of San Francisco, Redwood City, Palo Alto, Mountain View and San Jose for a 12 to 24 month pilot period. The Bay Area Air Quality Management District is securing additional funding to increase the system fleet size by an additional 300 bicycles and 30 stations during the first quarter of 2014.

San Francisco's bicycle mode share has increased by two-thirds over the previous decade to 3.4 percent of all trips. The SFMTA Strategic Plan sets a mode share goal of 50 percent auto and 50 percent non-auto (transit, bicycling, walking and taxi) for all trips by 2018. The SFMTA Bicycle Strategy estimates that half of the necessary increase in existing non-auto modes necessary in order to achieve this share goal can be accommodated by the bicycle mode within the specified time frame. Such an increase would result in a Citywide bicycle mode share of 8 to 10 percent by 2018 – 2020, or more than a doubling of today's bicycle mode share of 3.4 percent.

Financial Operations

General. The SFMTA is an enterprise department of the City. As a result, its financial operations are included in the Comprehensive Annual Financial Report of the City and shown as an enterprise fund. The SFMTA also has independent financial statements included as Appendix A.

Municipal Transportation Fund. The Charter establishes the "Municipal Transportation Fund." The Municipal Transportation Fund receives moneys from: a) the City's General Fund (pursuant to a formula described under the heading "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—City General Fund Transfers"); b) the revenues generated by Muni and the SFMTA's Parking and Traffic functions; and c) all other funds received by the City from any source, including State and federal sources, for the support of the SFMTA. The Municipal Transportation Fund is maintained separate and apart from all other City funds. Moneys therein are appropriated, expended, or used by the SFMTA solely and exclusively for the operation including, without limitation, capital improvements, management, supervision, maintenance, extension and day-to-day operation of the SFMTA, including any division subsequently created or incorporated into the SFMTA and performing transportation-related functions. The Enterprise Account established pursuant to the Indenture is an account within the Municipal Transportation Fund.

Basis of Accounting. The accounts of the SFMTA are organized on the basis of a proprietary fund, specifically an enterprise fund. The financial activities of the SFMTA are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the net statement of assets; revenues are recorded when earned and expenses are recorded when the liabilities are incurred. The SFMTA applies all applicable GASB pronouncements, as well as statements and interpretations of FASB, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issues before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Establishment of Rates, Charges, Fares, Fines and Penalties. Under Section 8A.102(b)(6) of the Charter, the Board has exclusive authority to set Muni fares, rates for off-street and on-street parking, and all other rates, fees, fines, penalties and charges for services provided for functions performed by the SFMTA (collectively referred to herein as "Managed Revenues"). In addition, charges that are not otherwise governed by law will be increased on a periodic basis based upon a preset formula as part of SFMTA's two-year operating budget process pursuant to the Board's "Automatic Indexing Implementation Plan." See "—Operating Revenues—Automatic Indexing Policy Applicable to Fares, Fees and Charges." Muni fare increases, including increases pursuant to the Automatic Indexing Implementation Plan, must be submitted to the Board of Supervisors for consideration in accordance with the Charter as part of the SFMTA budget process or in a budget amendment. Any budget or budget amendment that includes rate increases may be rejected in its entirety, but not modified, by the Board of Supervisors by a seven-elevenths vote. See "—Budget Process."

Budget Process. The SFMTA develops a two-year operating budget. In accordance with the Charter, the SFMTA's two-year budget must be presented to the SFMTA Citizen's Advisory Council and the public for review and comment. No later than May 1st of each even-numbered year, the proposed budget for each of the next two years must be submitted to the Mayor and the Board of Supervisors. To the extent that the proposed budget does not seek additional General Fund financial support beyond that required by the Charter, and does not request additional General Fund resources or support, the Board of Supervisors may allow the SFMTA's budget to take effect without any action on its part, or it may reject the budget in its entirety by a seven-elevenths vote. If the Board of Supervisors rejects the SFMTA budget, it must make appropriations to sustain the SFMTA operations at the previously approved level until a budget is approved.

The SFMTA may move funds within its budget and direct the hiring of personnel, so long as the SFMTA remains within its budget as deemed by the City Controller. In determining whether the SFMTA remains within budget, the Controller must confirm that anticipated work orders and revenues are balanced and may, if any revenues are deemed to be contingent, place a reserve on certain expenditures or impose other appropriate controls in his discretion to keep the SFMTA within budget. The SFMTA may also adjust its budget at any time pursuant to a budget amendment process in order to reflect updated budget projections and changes in anticipated or realized revenues and expenditures. Budget amendments are submitted to the Mayor and the Board of Supervisors and, with the exception of the deadline for submission, are subject to the same procedural requirements as described in the prior paragraph with respect to the SFMTA's budget.

Operating Revenues

The SFMTA's financial operations are supported from each of the following sources: 1) passenger fares, 2) City General Fund Transfer No. 1 and City General Fund Transfer No. 2 (each defined below), 3) federal, State and regional grants, and 4) local parking revenues. This diversity of sources gives the SFMTA a relatively stable base of operating revenues.

TABLE 6
SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES (FISCAL YEARS ENDING JUNE 30)

	2009	2010	2011	2012	2013
Operating Revenues					
Passenger Fares (fixed route & paratransit)	$153,011,068	$187,628,510	$191,626,285	$202,272,010	$212,126,994
Fines, Fees, & Permits	110,445,114	106,626,573	123,326,527	120,313,199	123,557,357
Parking Meters	32,468,579	38,868,351	40,530,598	47,138,412	49,945,567
Parking Garage	30,534,468	32,079,597	46,025,396	44,024,673	54,299,209
General Fund Transfer No. 2[(1)]	51,774,048	53,190,000	58,190,000	61,320,000	65,300,000
Other (includes rent, advertising & interest)	22,479,687	22,565,222	25,897,807	25,760,923	26,540,674
Operating Grants:					
Regional Grants (AB 1107, TDA, Bridge Tolls)	$ 66,735,979	$ 60,102,028	$ 64,854,252	$66,512,285	$79,608,421
State Transit Assistance (STA)	16,297,571	381,640	37,448,494	31,958,535	47,749,724
Gas Tax Adjustment	6,704,668	3,353,616	3,173,568	2,979,709	3,055,028
Restricted Paratransit Grants (5307, Prop K)	17,822,716	13,647,100	8,874,896	9,745,458	9,835,063
Subtotal Operating Grants	$107,560,934	$ 77,484,384	$114,351,210	$111,195,987	$140,248,236
General Fund Transfer No. 1[(1)]	177,880,000	183,730,000	196,700,000	212,640,000	218,539,000
Appropriated Fund Balance	30,220,854	41,840,121	-	-	-
TOTAL OPERATING REVENUES	**$716,374,752**	**$744,012,758**	**$796,647,823**	**$824,665,204**	**$890,562,037**
Operating Expenses					
Salaries	$368,007,109	$366,686,250	$360,199,083	$365,402,874	$367,955,701
Less: Overhead/Recoveries	(23,503,227)	(39,603,384)	(31,895,364)	(28,420,233)	(31,216,766)
Net Salaries	$344,503,882	$327,082,866	$328,303,719	$336,982,641	$336,738,935
Fringe Benefits:					
Pension	$ 28,723,827	$ 42,161,528	$ 50,572,435	$63,557,023	$65,627,360
Medical	63,348,746	67,871,784	72,150,750	82,321,832	85,429,332

	2009	2010	2011	2012	2013
Less: Overhead/ Recoveries	(7,020,445)	(11,829,582)	(9,527,187)	(8,489,160)	(9,324,488)
Net Pension & Medical	$ 85,052,128	$ 98,203,730	$113,195,998	$137,389,695	$141,732,204
All Other Fringe Benefits	$ 34,881,466	$ 31,441,484	$ 29,342,159	$33,063,255	28,782,621
Fuel & Lubricants	15,851,837	13,015,737	16,109,183	19,486,160	19,474,408
All Other Materials and Supplies	49,888,338	47,602,192	48,887,647	51,796,213	55,265,880
Paratransit Service Contract	20,083,243	18,580,657	16,993,086	18,140,982	17,893,750
All Other Professional Services	22,338,671	21,659,345	31,530,326	31,547,683	47,761,971
Service of Other City Departments(2)	49,773,810	49,317,582	45,287,150	52,662,798	55,278,596
Rent and Buildings	13,587,328	14,683,304	16,449,535	14,386,146	15,435,334
Insurance and Claims	39,922,731	43,299,618	39,006,208	44,121,393	32,729,884
Payments to Other Governmental Entities	20,344,022	17,945,920	19,206,675	22,261,080	24,710,321
Debt Service	7,465,181	3,741,819	2,690,890	2,685,035	5,886,249
Subtotal Operating Expenses	$703,692,637	$686,574,254	$707,002,576	$764,523,081	$781,690,153
Transfers:					
Transfers to Current Capital Projects	149,037	22,769,830	17,742,000	4,104,076	945,444
Transfers to Future Capital Projects	9,778,398	32,331,800	29,261,264	30,765,000	51,068,895
Transfers to Reserves	-	-	20,000,000	8,000,000	17,000,000
TOTAL OPERATING EXPENSES	**$713,620,072**	**$741,675,884**	**$774,005,840**	**$807,392,157**	**$850,704,492**

(1) General Fund Transfer No. 1 is reported in the SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 2 is reported in the SFMTA's audited financial statements as "General Fund - in lieu of Parking Tax."

(2) Service of Other City Departments includes amounts paid to the SFPUC for electricity. See "—Operating and Maintenance Expenses—Fuel, Lubricants and Electricity Costs."

Source: SFMTA

The amounts in Table 7 (extracted from Table 6) represent the SFMTA revenues that constituted "Pledged Revenues" in Fiscal Year 2012-13 and SFMTA revenues that would have constituted "Pledged Revenues" under the Indenture in earlier Fiscal Years had the Indenture been in effect at such time. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pledge of Pledged Revenues Under the Indenture." Revenues shown in Table 6 but not in Table 7 would not have constituted "Pledged Revenues" under the Indenture.

TABLE 7

PLEDGED REVENUES
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

REVENUE SOURCE	FY2009	FY2010	FY2011	FY2012	FY2013
Passenger Fares (fixed route & paratransit)(1)	$153,011	$187,629	$191,626	$202,272	$212,127
Fines, Fees & Permits(1)	110,445	106,627	123,327	120,313	123,557
Parking Meters(1), (2)	32,469	38,868	40,531	47,138	49,946
Parking Garages(1), (3)	30,534	32,080	46,025	44,025	54,299
Other (includes rent, advertising & interest)	22,480	22,565	25,898	25,761	26,541
AB 1107	30,767	27,767	30,145	32,501	34,812
TDA	33,282	29,647	32,021	31,324	42,108
Total Pledged Revenues(4):	$412,988	$445,183	$489,573	$503,334	$543,390

(1) Managed Revenues over which the SFMTA has rate-setting authority. See "—Financial Operations—Establishment of Rates, Charges, Fares, Fines and Penalties" and "—Budget Process."
(2) [Note regarding extent to which bonds or other parity obligations have financed traffic regulation and control functions.]
(3) Net of operating and maintenance expenses.
(4) Totals may not add due to rounding.
Source: SFMTA

Automatic Indexing Policy Applicable to Fares, Fees and Charges. In April 2009, the Board adopted an "Automatic Indexing Implementation Plan" applicable to Muni fares, SFMTA parking citations and SFMTA garage parking rates, among other charges. Under this plan, which took effect in Fiscal Year 2010-11, charges that are not otherwise governed by law will be increased on a periodic basis based upon a preset formula as part of SFMTA's two-year operating budget process. The formula increases (or decreases) such charges by a rate equal to one-half of any change in the Bay Area Consumer Price Index, as determined by the California Department of Finance's Bay Area CPI-U forecast, plus one-half of the annual percentage increase or decrease in the SFMTA's labor costs included in the SFMTA's two-year operating budget. Any resulting increase in fares or fees will be rounded up to the nearest $0.25, $0.50 or $1.00, depending upon the base charge, so long as the rounding impact does not result in more than a 10 percent increase in the applicable charge. The Board may act to increase (or decrease) fares by more or less than the amount determined in accordance with the formula. Such increases (or decreases) would be determined as part of the budget process or in a budget amendment as described in the section "—Financial Operations—Establishment of Rates, Charges, Fares, Fines and Penalties." The budget, when it includes any rate increases, remains subject to rejection by the Board of Supervisors on a seven-elevenths vote. See "—Financial Operations—Budget Process" and "—Establishment of Rates, Charges, Fares, Fines and Penalties."

Passenger Fares. Muni's passenger fare revenues include fares paid by transit riders and paratransit users, as well as proof of payment citations. The basic adult cash fare is $2.00 for regular service, which includes fixed route service on motorbuses, trolley buses, light rail and historic streetcars, but excludes cable cars. Transfers are issued for each cash fare paid for regular Muni service, and are valid for 90 minutes in any direction. Frequent riders may purchase a monthly pass, which is good for unlimited rides on all regular service and cable cars. Since September 2011, Muni monthly passes have only been available on the Clipper Card fare instrument, a contactless smart card (the "Clipper Card"), which is also accepted on many other transit systems in the Bay Area.

Senior citizens over age 65, persons with disabilities, and youth between the ages of 5 and 17 qualify for discounted cash and pass fares. A discounted Lifeline Monthly Pass is available for adults who meet income eligibility requirements, and is administered by the City's Human Services Agency. On March 1, 2013, SFMTA launched a 16-month pilot program to provide free, unlimited rides on Muni to youths between the ages of 5 and 17 who live in households with a gross annual family income at or below the Bay Area median. SFMTA anticipates that revenue losses and incremental costs of this program to the SFMTA will total approximately $9.4 million during its 16-month term, approximately half of which is expected to be offset by funds for the program to be provided by MTC, the San Francisco County Transportation Authority (the "County Transportation Authority"), and the San Francisco Unified School District.

The following table presents Muni's basic adult cash fares and adult monthly passes in force since Fiscal Year 2002-03:

TABLE 8

BASIC ADULT FARES

Effective Date	Adult Cash Fare	Adult Monthly Pass
July 1, 2013	$2.00	$76(A) or $66(M)*
July 1, 2012	$2.00	$74(A) or $64(M)*
July 1, 2011	$2.00	$72(A) or $62(M)*
January 1, 2010	$2.00	$70(A) or $60(M)*
July 1, 2009	$2.00	$55
September 1, 2005	$1.50	$45
September 1, 2003	$1.25	$45

* Beginning in 2010, the adult "A" monthly pass allows pass holders to ride Muni, as well as BART within the City of San Francisco (between BART's Embarcadero and Balboa Park stations), while the adult "M" monthly pass covers only travel on Muni. Prior to 2010, all adult monthly passes entitled the holder to the use of BART within San Francisco.

Source: SFMTA

Since Fiscal Year 2002-03, Muni's adult cash fare, the cost of an adult monthly pass and Muni's average fare per passenger have increased, but annual ridership has remained relatively stable.

TABLE 9

FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER

Fiscal Year	Total Fare Revenue (In Thousands)	Total Annual Boardings (In Thousands)	Percentage Change in Boardings	Average Fare Per Passenger[1]	Percentage Change in Average Fare[2]
2013	$212,127	222,991	0.4%	$0.95	4.5%
2012	202,272	222,126	3.9	0.91	1.6
2011	191,626	213,748	-1.0	0.90	3.2
2010	187,629	215,982	-4.4	0.87	28.3
2009	153,011	225,990	2.7	0.68	-1.6
2008	151,455	220,046	6.6	0.69	-0.7
2007	143,078	206,459	-2.1	0.69	7.2
2006	136,329	210,848	-2.8	0.65	16.8
2005	120,072	216,918	0.6	0.55	3.4
2004	115,467	215,744	0.1	0.54	18.6
2003	97,291	215,594	N/A	0.45	N/A

(1) Rounded to the nearest $0.01. Average fare per passenger is equal to boardings divided by revenue and reflects the impact of transfers, discounted fares and monthly passes.
(2) Percentages based on non-rounded fare totals.

Source: SFMTA

Parking and Citation Revenues. In accordance with the Charter, the SFMTA receives dedicated revenues from 19 parking garages and 21 surface parking lots other than those under the jurisdiction of Recreation and Park. Additionally, the SFMTA receives revenues from all on-street parking meters in the City except for meters on Recreation and Park and Port of San Francisco properties. Finally, the SFMTA receives revenue from residential parking permits, special traffic permits, boot removal fees, automobile towing, and fees for violations captured by the City's red light photo enforcement program.

Other Operating Revenues. The SFMTA receives a portion of its advertising revenue from (i) a Transit Shelter Advertising Agreement, which runs through December 2022 with an option to extend, at the City's discretion, for an additional five years, and (ii) an Agreement for Advertising on the SFMTA Vehicles and Other Property, which expires on June 30, 2014. The SFMTA derives another portion of its advertising revenues from an agreement with BART. The SFMTA receives interest earnings on cash balances it maintains on deposit in the City Treasurer's pooled funds. The SFMTA also receives certain rents, including rental revenues from properties, space rentals for antenna installation and rentals from kiosks, equipment and facilities.

TABLE 10

OTHER OPERATING REVENUE
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2009	2010	2011	2012	2013
Rents and Concessions	$3.6	$2.9	$3.1	$3.4	$3.2
Advertising	13.0	13.5	14.9	15.1	16.3
Charges for Services & Other	2.5	4.4	5.6	5.4	5.8
Taxi Revenues (medallions, permits)[1]	-	2.1	13.8	13.2	6.7

[1] The SFMTA assumed responsibility for regulating the San Francisco taxi industry on March 1, 2009. Increase in Fiscal Year 2010-11 is due to the implementation of a medallion sales pilot program. See "—Parking and Traffic Functions—Other Programs."

Source: SFMTA

Interest Income

The SFMTA invests operating cash balances in the City Treasurer's pooled funds and earned $3.4 million, $1.8 million, $2.3 million, $1.9 million, and $1.2 million in fiscal years 2008-09 through 2012-13, respectively. The City Treasurer's pooled funds are permitted investments for amounts held by the Trustee under the Indenture. See "—Investment of SFMTA Funds."

Federal, State, Regional and Local Grants

The SFMTA receives grants and funding to support its operations from a variety of federal, State, regional and local sources. The operating grants the SFMTA receives from AB 1107 and the TDA grants (as each described below) will constitute Pledged Revenues. Remaining grants will be applied to other lawful purposes of the SFMTA, including as restricted by the terms of any such grant. The SFMTA may, but is not required to, designate as Pledged Revenues other federal, State, regional or local grants that by their terms may be used to pay debt service. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS—Pledge of Pledged Revenues Under the Indenture."

Federal Grants. The Federal Transit Administration's Urbanized Area Formula Funding program (49 U.S.C. 5307) ("Section 5307") makes federal grant funds available to urbanized areas for transit capital and operating assistance and for transportation related planning. In the Bay Area, MTC, a public agency created in 1970 by the State Legislature to provide regional transportation planning and organization in the Bay Area, allocates Section 5307 funds to transit agencies. Although this funding source is primarily used for capital purposes, it also may be used to fund preventive maintenance costs, which are operating expenses. The SFMTA and other transit agencies throughout the country have made significant use of Section 5307 to fund preventive maintenance expenses in recent years. A small portion of the Section 5307 grants are applied to flexible capital needs and paratransit operating expenses.

State, Regional and Local Grants. AB 1107, passed in 1977, made permanent a previously temporary half-cent sales tax imposed to provide funding for BART. Pursuant to AB 1107, the half-cent sales tax is imposed within Alameda County, Contra Costa County and the City. MTC allocates proceeds of the sales tax to BART, AC Transit and the SFMTA. The allocation to the SFMTA is based on MTC estimates of AB 1107 sales tax receipts within the three counties.

Pursuant to the State Transportation Development Act of 1971 ("TDA"), a portion of certain sales taxes (1/4 of 1 percent of the total 8.5 percent Sales Tax imposed within the City) are allocated to provide funding for SFMTA operations. Sales tax revenues are apportioned to the City on the basis of the amount of sales tax revenues collected by the State Board of Equalization within the City (the "LTF Funds"). LTF Funds are apportioned, allocated and paid by designated regional transportation planning agencies to individual transportation service entities. MTC is the agency responsible for approving allocations of LTF Funds from the City's Transportation Fund.

There is a three-step process for obtaining LTF Funds: (1) apportionment, (2) allocation, and (3) payment. The designated regional transportation planning agencies determine each area's share of the anticipated LTF Funds annually. Generally, revenues from the county's LTF Funds must be apportioned, by population, to areas within the county. Once funds are apportioned to a given area, they are typically available only for allocation by the designated regional transportation planning agencies to claimants in that area for a specific purpose. The SFMTA receives LTF Funds by submitting an annual claim form and supporting documents to MTC. MTC may specify payment in a lump sum, in installments, or as funds become available. The SFMTA has received an average of approximately $33.7 million in LTF funds each year since Fiscal Year 2008-09. See "—Operating Revenues."

The SFMTA also receives grants made by the County Transportation Authority from proceeds of a half-cent sales tax imposed in the City pursuant to Proposition K, approved in the City in 2003 ("Proposition K"). The proceeds of the Proposition K sales tax are reserved primarily for funding capital projects (the SFMTA expects to receive a total of approximately $261 million of such funds for capital projects in Fiscal Years 2012-13 through 2016-17), but $9.6 million is allocated annually to support Muni's paratransit operations and Muni receives funds up to that amount to the extent it incurs expenses for such operations in a particular year.

In addition, the SFMTA receives State Transit Assistance ("STA") funds from the State for operations associated with local mass transportation programs. These funds are derived from proceeds of a Statewide sales tax on diesel fuel. The amount of funds available through the STA program has varied significantly in recent years, from a record allocation of approximately $624 million in the State's 2006-07 fiscal year to $0 in the State's 2009-10 fiscal year, due to the suspension of the program in the State Legislature's fiscal year 2009-10 budget. Following the suspension of the STA program by the State Legislature, then Governor Schwarzenegger proposed eliminating the transit-related sources of funding altogether in his fiscal year 2010-11; however, the former Governor's proposal to eliminate transit-related STA funding was never enacted. Instead, the State Legislature, in its Eighth Extraordinary Session in 2010, passed Assembly Bill 6 ("AB 6") and Assembly Bill 9 ("AB 9") which restructure the sources for transit-related STA funds. Among other changes, these Bills allocated approximately $400 million in funding to the STA program for the State's fiscal years 2009-10 and AB 9 provided that approximately 75% of the proceeds of the State's sales tax on diesel fuel would be allocated to STA funding. AB 6 also increased the sales tax on diesel fuel as of July 1, 2011. Though on an ongoing basis such STA funding remains subject to annual appropriation by the State Legislature, the approximately 75% of the revenues from the diesel fuel sales tax directed toward STA funding by the Bills has been estimated to equal approximately $350 million annually. The SFMTA also believes that Proposition 22, adopted by State voters on November 2, 2010, would likely impose restrictions on the State's ability to delay the transfer of approved STA grant funds to the SFMTA in the future should it attempt to do so. [Confirm no updates in October.]

In March 2004, voters in the Bay Area region passed Regional Measure 2 (RM2), which raised the toll by $1.00 on seven State-owned toll bridges in the Bay Area. Proceeds of this additional toll fund are allocated to various transportation projects within the Bay Area that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in State Senate Bill 916, enacted in 2004 ("SB 916"). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding, including operating assistance that the SFMTA receives annually for its Third Street Rail line operations and for the Owl Bus Service on the BART corridor.

Grants designated for specific operating purposes or for capital projects, such as local sales tax revenues received pursuant to Proposition K, STA grant proceeds and RM2 grants, are not included in Pledged Revenues.

Other Operating Grants. This category includes: 1) BART reimbursement to the SFMTA for Paratransit services that the SFMTA provides in the BART corridor. As determined under the American with Disabilities Act ("ADA"), BART's reimbursement to the SFMTA is calculated at 7.9% of actual Paratransit contract expenditures less Paratransit fare revenues and State funding; and 2) Federal funds for Paratransit services under Federal Transit Act ("FTA") Section 5307.

TABLE 11

OPERATING GRANTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2009	**2010**	**2011**	**2012**	**2013**
AB 1107	$ 30.8	$27.8	$ 30.1	$ 32.5	$34.8
County Transportation Authority - Proposition K	12.7	8.5	7.8	8.4	8.7
State Transit Assistance (STA)	16.3	0.4	37.5	32.0	47.7
Transportation Development Act (TDA)	33.3	29.6	32.0	31.3	42.1
MTC Bridge Tolls	2.7	2.7	2.7	2.7	2.7
Transit Operating Assistance	3.8	4.0	0.0	0.0	0.0
Gas Tax Adjustment/Revenue	6.7	3.3	3.2	3.0	3.1
Other Operating Grants	1.3	1.2	1.1	1.3	1.1
Total Operating Grants	$107.6	$77.5	$114.4	$111.2	$140.2

Source: SFMTA

Capital Grants and Other Restricted Grants. The SFMTA receives a variety of capital grants and other restricted grants. Capital grants are an essential source of funds for the maintenance and improvement of the Transportation System. See "—Capital Program—Current Projects—Central Subway Project" and "—Capital Program—Financing of Capital Improvements."

City General Fund Transfers

Annual General Fund Transfer No. 1. In accordance with Section 8A.105(b) of the Charter, the SFMTA receives annual non-discretionary transfers ("General Fund Transfer No. 1") from the City's General Fund to the Municipal Transportation Fund according to a formula established when the SFMTA was created in 1999. The required "Base Amount" was determined by the Controller based on the amount of General Fund discretionary revenue appropriated to Muni and to other City departments that provided services to Muni in Fiscal Year 1999-2000 (the "Base Year"). When the former DPT was incorporated into the SFMTA as of July 1, 2002, the Base Amount was increased by the Controller to reflect the General Fund revenue that had been appropriated to the DPT, as well as other City departments which provided services to the DPT as of Fiscal Year 2001-02. The Base Amount was similarly adjusted to reflect incorporation into the SFMTA of responsibility for the work of the Parking Authority and the former Taxi Commission. The Base Amount is adjusted for each fiscal year by the Controller by the percentage increase or decrease in aggregate City discretionary revenues that can be appropriated by the Mayor and Board of Supervisors for any lawful purpose. As part of the City's existing budget process, the Controller may make further mid-year refinements to adjustments in the Base Amount by increasing or decreasing such adjustments to reflect updated budget projections and any additional information available to the Controller at such time. See "—Financial Operations—Budget Process." Adjustments are also made for any increases in General Fund appropriations to the SFMTA in subsequent years to provide ongoing services that were not provided in the Base Year.

Annual General Fund Transfer No. 2. The City imposes a tax on the occupancy of all commercial off-street parking spaces throughout the City. The overall tax rate is 25 percent of total parking charges. Pursuant to Section 8A.105(f) of the Charter, the SFMTA receives an additional guaranteed annual deposit into the Transportation Fund from the City's General Fund equivalent to 80 per cent of the revenues from the City's tax on the occupancy of commercial off-street parking spaces ("General Fund Transfer No. 2").

TABLE 12

GENERAL FUND TRANSFERS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2009	2010	2011	2012	2013
General Fund Transfer No. 1(1)	$177.9	$183.7	$196.7	$212.6	$218.5
General Fund Transfer No. 2(1)	51.8	53.2	58.2	61.3	65.3

(1) General Fund Transfer No. 1 is reported in the SFMTA's audited financial statements as "General Fund Baseline Transfer (by City Charter)." General Fund Transfer No. 2 is reported in the SFMTA's audited financial statements as "General Fund - in lieu of Parking Tax."

Source: SFMTA

Appropriated Prior Year Fund Balance

This category accounts for revenue derived from funds available at the end of prior Fiscal Years. Historically the SFMTA has used unspent funds remaining from prior appropriations to roll over into subsequent years for use.

Contingency Reserve Policy

In 2007, the Board approved a Contingency Reserve Policy, which directed the establishment of an operating reserve with the goal of setting aside a total of 10% of operating expenditures over a ten-year period by adding 1% to the reserve in each Fiscal Year. Based on Fiscal Year 2012-13, the current target amount is $81 million. The funds in the reserve are to be used to cover risks or losses related to torts, destruction of assets, natural disasters and other one-time emergencies. Amounts in the reserve are not pledged to secure payment of the Bonds. Each year, during its annual budget process, the Board reviews the adequacy of the reserves. [Update in October] As of June 30, 2012, the SFMTA held $45.4 million on deposit in the contingency reserve fund. The SFMTA had a contingency reserve fund balance of approximately $86 million at the end of Fiscal Year 2012-2013 which meets the Board required target. The Fiscal Year 2012-2013 and Fiscal Year 2013-2014 budget includes an additional $10 million in cash in each Fiscal Year to build up the reserve.

Operating and Maintenance Expenses

General. The SFMTA's operating and maintenance expenses are comprised of: personnel expenses (salaries and fringe benefits), contracted services, financial contributions to the PCJPB to subsidize the operation of CalTrain commuter rail service between the City and San Jose, materials and supplies, equipment and maintenance expenses, insurance and claims costs, and the cost of services provided by other City Departments. Any repair or maintenance activity that does not extend the useful life and/or expand the productive capacity of a capital asset is accounted for as an operating expense, and is included in the Operating and Maintenance Expenses described herein. See "SFMTA Capital Improvement Program" for a description of the SFMTA's capital plan and major capital projects. A summary of the SFMTA's historical operating and maintenance expenses is presented in Table 6. Between Fiscal Year 2008-09 and Fiscal Year 2012-13, the SFMTA's total operating and maintenance expenses increased by $97.4 million or 13.6 percent, from approximately $713.6 million to approximately $811.0 million. Such increase was due primarily to increased benefit costs, including pension and health care benefits.

Wages, Salaries and Benefits. A significant portion of the SFMTA's operating costs consist of wages and salaries for employees. See "—Labor Relations." Salaries have remained relatively flat in recent years, although the cost of benefits has increased. SFMTA employees, as part of the City workforce, are eligible for benefits negotiated by the City and therefore subject to increases or decreases negotiated by the City or approved by voters.

TABLE 13

HISTORICAL PERSONNEL COSTS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

Fiscal Year	Total Operating Expense (In Thousands)	Number of Employees	Total Personnel Costs[1] (in Thousands)	Percentage Change in Operating Expenses	Percentage Change in Personnel Costs (Salaries & Fringes)
2013	$850,704	[____]	$547,795	5.36%	0.63%
2012	807,392	[____]	544,345	4.31	6.26
2011	774,006	4,852	512,264	4.36	0.81
2010	741,676	4,794	508,161	3.93	2.67
2009	713,620	5,003	494,961	4.52	3.23

(1) Includes gross salaries and fringe benefits.

Source: SFMTA

Recent ballot measures passed by the voters have also provided some opportunities for controlling personnel costs for both the City and the SFMTA, including Proposition B, passed in 2008 ("Proposition B"), Proposition D, passed in June 2010 ("Proposition D"), Proposition G, passed in November 2010 ("Proposition G"), and Proposition C, passed in November 2011 ("Proposition C"). Proposition B reduces health benefits and requires employer and employee prefunding contributions for new hires to a health care trust fund (the "RHCTF") established to pay for future costs relating to retiree health care; however, it also increases maximum pension benefits for employees retiring at and after age 60 and enhances cost of living increases. More than 10% of the City's payroll is now covered by this lower cost RHCTF alternative. A proposed Charter amendment on the November 2013 ballot would prohibit withdrawals from the City's sub-trust account within the RHCTF, which covers SFMTA employees, except during such times as the City's actuary has determined that amounts held in such sub-trust exceed the City's actuarial accrued liability and for certain other purposes including certain permitted cost-smoothing and payment of certain administrative expenses. [Current actuarial modeling estimates that amounts held in the City's sub-trust account will exceed the City's actuarial accrued liability in approximately 30 years.]

Proposition D increases the required pension system contributions for certain employees, directs excess City pension contributions resulting from significant investment earnings in any year to a health care trust fund for employees and changed the method for calculating an employee's final compensation for purposes of determining pension benefits. Proposition G eliminates the floor for transit operator wages which had previously been established by City voters at the average of the two highest wage scales in effect in comparable jurisdictions. Proposition C is expected to reduce future pension and health care costs by (i) increasing certain employees contributions to the pension system in years when the City's contribution to the pension system exceeds 12% of covered payroll, (ii) requiring elected officials to contribute at the same rate as City employees, (iii) increasing the retirement age and length of service requirements for employees hired after January 7, 2012 and (iv) requiring elected officials and employees, starting on or before January 1, 2009, to contribute up to 1% of their compensation toward their retiree health care, with a matching contribution by the City. Employee pension contribution rates will decrease, though, under Proposition C during any years in which the City's pension contributions represent less than 11% of covered payroll.

As an enterprise department of the City, the SFMTA is excluded from the provisions of California Public Employees' Pension Reform Act of 2013 ("PEPRA"). As of January 1, 2013, PEPRA applies to all state and local public retirement systems and their participating employers, except for those charter cities and counties whose retirement systems are not governed by State statute. The only county or city and county not subject to AB 340 and AB 197 is the City.

Charter Amendment Affecting Transit Operator Wages and Benefits. In November 2010, the voters of San Francisco adopted Proposition G, a Charter Amendment that changed how the SFMTA and its transit operators (i.e., the employees who operate the SFMTA's motor buses, trolley buses, light rail vehicles and cable cars) negotiate wages and benefits. Prior to the adoption of Proposition G, the Charter required that transit operators receive an hourly pay rate no lower than the average of the two highest paid comparable transit agencies in the United States. Proposition G eliminated references to wages and subjects transit operator collective bargaining to the same impasse resolution procedure – binding arbitration – applicable to most other City employees.

Fuel, Lubricants and Electricity Costs. The two primary sources of energy for Muni's operations are diesel fuel (containing 5% to 20% biodiesel) and electricity. Approximately 62% of Muni's buses operate on diesel, while the remaining 38% of Muni's buses are electric. All of Muni's light rail vehicles and cable cars operate on electricity. See "—Transit—Transit Operations." The table below sets forth the SFMTA's expenses for fuels and lubricants, primarily comprised of expenses relating to the purchase of diesel fuel, and its expenses for electricity over the most recent five Fiscal Years.

TABLE 14

FUEL, LUBRICANTS AND ELECTRICITY COSTS
(IN MILLIONS)
(FISCAL YEARS ENDING JUNE 30)

	2009	2010	2011	2012	2013
Fuels & Lubricants[1]	$15.9	$13.0	$16.1	$19.5	$19.5
Electricity[2]	4.9	4.9	4.7	4.7	5.1

(1) Includes purchases of natural gas. In Fiscal Year 2012-13, such purchases amounted to approximately $305,000.
(2) Electricity purchased from SFPUC is included in the "Service of Other City Departments" line item in the SFMTA's historical operating results.

Source: SFMTA

During Fiscal Years 2008-09 through 2012-13, the SFMTA purchased all of its electricity from the SFPUC. Power sold by the SFPUC consists primarily of hydroelectric power generated by dams the SFPUC operates (including O'Shaughnessy Dam) as part of its Hetch Hetchy Project, supplemented by certain solar and other generation resources owned by the SFPUC and purchased power. Power purchased by the SFMTA, is delivered through a municipal distribution system within the City owned and operated by Pacific Gas & Electric Company.

The SFPUC prices power supplied to the SFMTA and certain other departments of the City at a rate that is lower than the SFPUC's average cost and significantly lower than prevailing PG&E commercial power rates in the Bay Area. As of June 1, 2013, the SFMTA paid approximately $0.0425/kWh for power purchased from the SFPUC as compared to PG&E's rate of $0.16977/kWh. In 2012, the SFPUC notified the SFMTA that it will increase the electricity rates it charges its municipal customers, including the SFMTA, by $0.005/kWh each year for four years. The first two rate increases became effective June 1, 2012 and [June 1, 2013], respectively.

The SFMTA purchases fuel through a City-wide contract administered by the Office of Contract Administration ("OCA"). The OCA awarded this contract to several vendors at rates based on the diesel wholesale rack rates published by Oil Pricing Information Service rates (the "OPIS Rate"). The OPIS Rate represents an average daily price for ultra low sulfur distillate diesel fuel based on wholesale terminal price data gathered from numerous sources, and thus fluctuates with the market but generally remains below retail rates.

Peninsula Corridor Joint Power Board. The City is a participant in the PCJPB, along with Santa Clara Valley Transportation Authority and SamTrans. The PCJPB is governed by a separate board composed of nine members, three from each participant. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992. Prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expired in 2001, since which it has continued on a year-to-year basis. Withdrawal by any participant would require one year notice. The SFMTA contributes to the net operating costs and administrative expenses of the PCJPB. The SFMTA contributed $7.6 million for operating needs in Fiscal Year 2012-13, $4.9 million in Fiscal Year 2011-12, and $6.5 million in Fiscal Year 2010-11. The PCJPB' s annual financial statements are publicly available, however, they are not incorporated by reference into this Official Statement.

Payment for Services of Other City Departments. City Departments contract with one another for services in much the same way that City Departments contract with private vendors. The SFMTA reimburses the City for services provided to the SFMTA by other City Departments, which include, but are not limited to, the provision of electric power by the SFPUC, police services, legal services provided by the City Attorney, telecommunications and information technology services provided by the Department of Technology and various services provided by the City's General Services Agency. The cost to the SFMTA of work orders have increased from approximately $30 million in Fiscal Year 2002-03 to $55.3 million in Fiscal Year 2012-13. These payments include non-service items such as utilities, technology and rent.

All Other Materials, Supplies and Professional Services. In the normal course of its operations, the SFMTA purchases a variety of supplies other than fuel and lubricants and services other than paratransit services and services of other City departments. Such purchases include office supplies, maintenance supplies and services, auditing services, financial services and waste collection.

Fiscal Year 2012-13 and Fiscal Year 2013-14 Budget

In May 2012, the Board approved its Fiscal Year 2012-13 and Fiscal Year 2013-14 budget (the "2014 Budget") and submitted it to the Mayor and Board of Supervisors prior to April 30, 2012. See "—Financial Operations—Budget Process." The Fiscal Year 2012-13 and Fiscal Year 2013-14 capital budgets total $582.3 million and $477.8 million, respectively. The Fiscal Year 2012-13 and Fiscal Year 2013-14 operating budgets total $828.2 million and $851.1 million respectively.

The Fiscal Year 2012-2013 and Fiscal Year 2013-2014 operating budget increases by $22.8 million over the two years. It includes additional revenues derived mainly from increases in transfers from the City's General Fund, parking citations and taxis[, and reflects increased expenditures primarily resulting from increased benefit costs, including pension and health care benefits]. In addition to managing expenditures, including projected concessions from labor contracts and reductions in overtime and management staffing, the 2014 Budget includes several operational changes and revenue initiatives to address projected operating shortfalls. These operational changes and revenue initiatives include extending the hours and days during which metering is in force, increasing parking citation fees to recover certain State-imposed surcharges and implementing all-door boarding on buses to decrease loading, unloading and overall trip times. The 2014 Budget is intended to begin to address previously deferred maintenance and allocates funds to several maintenance projects, including the Transit Effectiveness Project ("TEP"), designed to increase Transportation System reliability and efficiency. See "–Capital Program—Current Projects—Transit Effectiveness Project."

The SFMTA is projected to end the 2012-13 Fiscal Year with a net operating surplus of approximately $39.8 million, resulting in a projected year-end fund balance of approximately $85.2 million. The projected revenue surplus is due to increases across all revenue areas particularly operating grants from the State based on gas and sales taxes.

Labor Relations

Employee Relations. [Update in October.] As of September 27, 2013, the SFMTA employed 5,050 Full-Time Equivalent employees. 5,020 of these employees are represented by one of 19 employee bargaining units. The SFMTA is authorized by the Charter to negotiate directly with employee bargaining units for positions the SFMTA designates as "Service Critical." The Charter prohibits SFMTA and other City employees from striking.

As described in the Charter, "service critical" functions are: (1) operating a transit vehicle, whether or not in revenue service; (2) controlling dispatch of, or movement of, or access to, a transit vehicle; (3) maintaining a transit vehicle or equipment used in transit service, including both preventative maintenance and overhaul of equipment and systems, including system-related infrastructure; (4) regularly providing information services to the public or handling complaints; and (5) supervising or managing employees performing functions enumerated above. The following table summarizes the number of employees covered by the Service Critical collective bargaining agreements and the expiration date of such agreements as of September 27, 2013.`

TABLE 15

SUMMARY OF SFMTA SERVICE CRITICAL LABOR AGREEMENTS

Employee Bargaining Unit	Full-Time Equivalent Employment(1)	Agreement Expiration Date(2)
International Association of Machinists, Local 1414,	230	June 30, 2014
International Brotherhood of Electrical Workers, Local 6	434	June 30, 2014
Transport Workers Union, Local 200	245	June 30, 2014
Transport Workers Union, Local 250-A, Automotive Service Workers	78	June 30, 2015
Transport Workers Union, Local 250-A, Transit Fare Inspectors	53	June 30, 2014
Transport Workers Union, Local 250-A,	2200	June 30, 2014

Employee Bargaining Unit	Full-Time Equivalent Employment(1)	Agreement Expiration Date(2)
Transit Operators		
Service Employees International Union, Local 1021,	563	June 30, 2014
MEA, Municipal Executives Association	96	June 30, 2014
Total Critical Service Employee Count	3899	

(1) As of September 27, 2013. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.

(2) As of September 27, 2013.

Source: SFMTA

The following table summarizes the number of City employees allocated to the SFMTA under the City's collective bargaining agreements as of September 27, 2013, and the expiration date of such collective bargaining agreements as of September 27, 2013.

TABLE 16

SUMMARY OF FULL-TIME EQUIVALENT CITY EMPLOYEES ASSIGNED TO THE SFMTA

Employee Bargaining Unit	Full-Time Equivalent Employment(1)	Agreement Expiration Date(2)
Carpenters, Local 22	13	June 30, 2014
Glaziers, Local 718	3	June 30, 2014
International Federation of Professional And Technical Engineers, Local 21	504	June 30, 2014
Laborers, Local 261	59	June 30, 2014
Operating Engineers, Local 3	3	June 30, 2014
Painters, Local 1176	38	June 30, 2014
Plumbers, Local 38	2	June 30, 2014
Service Employees International Union, Local 1021,	432	June 30, 2014
Sheet Metal Workers, Local 104	3	June 30, 2014
Stationary Engineers, Local 39	35	June 30, 2014
Teamsters, Local 853	8	June 30, 2014
Teamsters, Local 856	21	June 30, 2014
Unrepresented Employees (Misc)	30	N/A
Total Employee Count	1151	

(1) As of September 27, 2013. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFMTA for a variety of reasons, including certain requirements in the respective collective bargaining agreements.

(2) As of September 27, 2013.

Source: SFMTA

Employee Benefit Plans. The SFMTA employees are covered by benefit plans offered through the City. See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND

FINANCES—Employment Costs; Post-Retirement Obligations." SFMTA's obligations with respect to the costs of such plans generally reflect the aggregate Pensionable Salary (as such term is defined in Appendix B) of SFMTA employees as a percentage of the aggregate Pensionable Salary of all plan beneficiaries.

Retirement System Plan Description. The SFMTA participates in the City's single-employer defined benefit retirement plan (the "Plan"), which is administered by the San Francisco City and County Employees' Retirement System (the "Retirement System"). The Plan covers substantially all full-time employees of the SFMTA along with all other employees of the City. The Plan provides basic service retirement, disability and death benefits based on specific percentages of final average salary and also provides cost of living adjustments after retirement. The Plan also provides pension continuation benefits for qualified survivors. The Charter and the Administrative Code of the City are the authority that established and amended the benefit provisions and employer obligations of the Plan. See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—San Francisco Employees' Retirement System." The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA, 94102, or by calling (415) 487-7020. Such report is not incorporated by reference herein.

Retirement System Funding Policy. Contributions are made to the plan by both the SFMTA and its participating employees. Employee contributions are mandatory with the exception of transit operators, for whom the SFMTA pays all or part of the employee contribution portion. Employee contribution rates for Fiscal Year 2012-13 varied from 7.5% to 8% as a percentage of Pensionable Salary. For Fiscal Year 2012-13, the actuarially determined rate as a percentage of Pensionable Salary was 20.71% and for Fiscal Year 2013-14 the actuarially determined rate as a percentage of Pensionable Salary is 24.82%. The SFMTA's required contribution was approximately $41.7 million in Fiscal Year 2010-11, $56.4 million in Fiscal Year 2011-12 and $58.8 million in Fiscal Year 2012-13. SFMTA's budgeted contribution in Fiscal Year 2013-14 is $72.2 million. For more information about the plan, including certain unfunded liabilities, see Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—San Francisco Employees' Retirement System."

Health Care Benefits. Health care benefits for the employees of the SFMTA, retired employees and their surviving spouses are financed by beneficiaries and by the City through the City and County of San Francisco Health Services System (the "Health Service System"). See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations—Medical Benefits." The SFMTA's annual contribution, which amounted to $85.9 million in Fiscal Year 2012-13, is determined by a Charter provision based on similar contributions made by the ten most populous counties in the State. The SFMTA's budgeted annual contribution for Fiscal Year 2013-14 is $79.3 million.

Included in these amounts is $26.0 million for Fiscal Year 2012-13 to provide post-retirement benefits for retired employees on a pay-as-you-go basis. [No additional City allocations were made to the SFMTA's contribution allocation for payments made by the Health Service System for post-retirement health benefits in Fiscal Year 2012-13.]

The City has determined a City-wide Annual Required Contribution ("ARC"), interest on net Other Post-Employment Benefits ("OPEB") obligation, ARC adjustment and OPEB cost based on an actuarial valuation performed in accordance with GASB 45, by the City's actuaries. The City's allocation of OPEB costs to the SFMTA for the year ended June 30, 2013 based on a percentage of Citywide Pensionable Salary is presented below. See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations." The following table shows the components of the City's annual OPEB allocations for the SFMTA for the Fiscal Years ended June 30, 2012 and June 30, 2013, the amounts contributed to the plan and changes in the net OPEB obligations.

TABLE 17

SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS
(IN THOUSANDS)
(FISCAL YEARS ENDING JUNE 30)

	2011[1]	2012[2]	2013
Annual Required Contribution	$ 50,338	$ 51,232	$ 52,025
Interest on net OPEB Obligation	4,747	6,017	7,297
Adjustment to ARC	(3,721)	(4,987)	(6,050)
Annual Net OPEB Cost	51,364	52,262	53,272
Contribution Made	(24,898)	(25,352)	(25,984)
Increase in net OPEB Obligation	26,466	26,910	27,288
Net OPEB Obligation at beginning of Fiscal Year	99,993	126,459	153,369
Net OPEB Obligation at end of Fiscal Year	126,459	153,369	180,657

(1) In Fiscal Year 2010-11, the City had 27,994 funded positions and the SFMTA had 4,528 funded positions [for both operations and capital project support]. See “Appendix B—“CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(2) In Fiscal Year 2011-12, the City had 28,073 funded positions and the SFMTA had 4,539 funded positions [for both operations and capital project support]. See “Appendix B—“CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

(3) In Fiscal Year 2012-13, the City had [_____] funded positions and the SFMTA had [____] funded positions. See “Appendix B—“CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—Employment Costs; Post-Retirement Obligations.” The total number of active employees during any Fiscal Year may vary from the number of authorized funded positions.

Source: SFMTA

Capital Program

Capital Planning Process. As part of its capital planning process, the SFMTA develops several different planning documents that cover different time periods and use different assumptions regarding funding. Each such document is updated and adopted by the Board on a biannual basis. The SFMTA’s 5-year Capital Improvement Plan (“CIP”) presents prioritized capital needs that are constrained by projected capital funds. The SFMTA also develops 20-year and 10-year Capital Plans that represent the prioritized list of “unconstrained needs,” i.e., that represents projected capital needs over the time period without regard to how much capital funding or other resources might be available to meet those needs. Finally, the SFMTA develops a 2-year Capital Budget, which is constrained by “known and available funding at the time.”

Every two years, the 2-year Capital Budget is approved by the Board consistent with the CIP. The 2-year Capital Budget lays out the expected expenditures for projects to rehabilitate, replace, enhance or expand SFMTA capital assets for the next two Fiscal Years, and covers all the SFMTA modes, including public transit, paratransit/taxis, streets, bicycles and pedestrian projects, as well as all phases of capital project development, including planning, design, construction and procurement efforts for fleet, facilities, infrastructure and equipment. The objectives of the SFMTA’s capital planning process are to develop a detailed program of projects for the 2-year Capital Budget that is realistic and achievable, to fund project phases completely so that projects remain within scope and on schedule, and to prevent funding accessibility from being a barrier to project delivery. See "—Financing of Capital Improvements."

Five-Year CIP. The five-year CIP includes those capital projects that can reasonably be assumed to be funded and worked on in the next five years and identifies the funding that the SFMTA expects to receive within the five-year timeframe. While not a guarantee of funding, the five-year CIP conveys specific commitments from various funding agencies to support the SFMTA's highest priority capital improvements. The most recently approved Five-Year CIP, covering the period from Fiscal Year 2012-13 to Fiscal Year 2016-17, was adopted by the Board on April 17, 2012. The two-year capital budget described above further refines the five-year CIP to account for the timing of budget allocations, individual capital grants and the availability of capital project implementation resources. It is presented to the Board for approval on a two-year cycle, concurrent with the SFMTA's operating budget. See "—Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Program."

Capital resources in place as of January 2012 totaled approximately $591 million. New capital revenues projected for the five-year CIP beginning in Fiscal Year 2012-13 are estimated at $2.47 billion, resulting in estimated total expenditures over the five-year period of $3.06 billion. Of that amount, approximately $1.06 billion is expected to be expended on the Central Subway Project (as defined below), approximately $627 million on other transit expansion/enhancement projects and approximately $1.37 billion on State of Good Repair projects. See "—Current Projects—Central Subway" and "—State of Good Repair Analysis." The current revenue projection for the five-year CIP includes current and anticipated competitive grants, federal formula funds, local sales taxes and debt. The funding estimates represent the SFMTA's best current assessment of available capital resources.

TABLE 18

ESTIMATED SFMTA 5-YEAR CAPITAL FUNDING BY FUNDING SOURCE
(FOR THE FISCAL YEARS 2012-13 THROUGH 2016-17)
(IN MILLIONS)

Source	Projected Funding Amount
Federal Funding Sources	
FTA Section 5307, Urbanized Area Formula Program	$294
FTA Section 5309, Fixed Guideway Modernization Program	209
FTA Section 5309 New Starts Program[(1)]	835
Other Federal Funds[(2)]	90
State Funding Sources	
State Infrastructure Bond Funds (Proposition 1B)	316
Other State Grant Funds	16
Local Funding Sources	
Proposition K Sales Tax Proceeds	261
AB 664-Bridge Tolls	16
Other MTC Funding	50
Transfer from Operating Revenues	8
Prop AA Vehicle Registration Fee	13
Other Local Capital Funds	20
Debt Financing Proceeds	
SFMTA Debt	154
2011 San Francisco Streets Bonds[(3)]	30
San Francisco General Obligation Bond[(4)]	150

[(1)] Annual grant reimbursements are expected to be capped at $150 million per year from Fiscal Year 2012-13 through Fiscal Year 2015-16.

[(2)] Includes FTA Section 5309 Bus/Alternative Fuels, Section 5303 Planning, Congestion Mitigation and Air Quality Improvement Program, Federal Transportation Enhancement Activities, Federal Transit Administration Small Starts/Very Small Starts programs, State of Good Repair Grant Program.

[(3)] $248 million Street Repair Bond was approved in November 2011 and included $20 million in Transit Street Signal Infrastructure and an estimated $10 million for bicycle and pedestrian projects. In late 2012, total funding from the Street Repair Bond was increased to $38 million and a technical adjustment was made by the Director of Transportation to the five-year CIP to reflect such funding amounts.

[(4)] Subject to voter approval in a future election. The Mayor's Transportation Task Force which is expected to complete its recommendations on ballot measure funding sources by late 2013 is considering several revenue measures for transportation, including general obligation bonds, vehicle license fees, sales taxes, and ticket event surcharges.

Source: SFMTA Capital Budget adopted May 2012.

To ensure that projects expected to be funded through the CIP and Capital Budget proceed, the SFMTA has implemented capital plan and program policies which include cost controls designed to facilitate the completion of projects on schedule and on budget. All projects over a five-year CIP period are funded to phase and only if 90% of the funding for the proposed scope of work is identified. The SFMTA is also building a capital fund reserve through the CIP process in order to mitigate any unanticipated cost increases during the course of project delivery. In addition, a Transportation Capital Committee, comprised of members form the SFMTA's different divisions, provides project oversight and controls on project scope, schedules and budgets.

On September 10, 2013, the SFMTA also obtained an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of up to $100 million of subordinate CP Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or finance state of good repair projects. The SFMTA does not anticipate issuing any CP Notes until early 2014. See "—Capital Program—Current Projects—Central Subway Project" and "—Commercial Paper Program." For a list of the types of state of good repair projects the SFMTA may potentially undertake and finance, in part, from proceeds of additional Bonds and the CP Notes, see "—State of Good Repair Analysis."

Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Improvement Budget: State of Good Repair and Enhancement/Expansion Projects. In May 2012, the Board adopted the 2-year Capital Program, covering the period from Fiscal Year 2012-13 to Fiscal Year 2013-14. The Fiscal Year 2012-13 to Fiscal Year 2013-14 Capital Budget included $582.3 million for Fiscal Year 2012-13 and $477.8 million for Fiscal Year 2013-14. The table below breaks down the annual capital expenditure limits between spending on State of Good Repair projects and Enhancement/Expansion projects.

TABLE 19

TWO-YEAR CAPITAL BUDGET, FISCAL YEAR 2012-13 TO FISCAL YEAR 2013-14 BREAKDOWN OF CAPITAL BUDGET BETWEEN STATE OF GOOD REPAIR AND ENHANCEMENT/EXPANSION (IN MILLIONS) (FISCAL YEARS ENDING JUNE 30)

	2013 (Budgeted)	2014 (Budgeted)
State of Good Repair Projects	$275.7	$158.5
Enhancement/Expansion Projects	306.6	319.3
Total	$582.3	$477.8

2013 and 2014 Budgeted.

Source: SFMTA. Capital Budget adopted May 2012.

State of Good Repair Analysis. In accordance with Federal Transit Administration guidance, a "State of Good Repair" analysis evaluates the level of investment required to maintain a transit system in a state of good repair. Begun in 2006 as part of a regional effort, the SFMTA completed the first phase of an analysis of its State of Good Repair needs in August 2010 and produced its State of Good Repair Report (the "SOGR Report"). The SOGR Report was the SFMTA's first comprehensive inventory of its capital assets, and included revenue and non-revenue vehicles, infrastructure such as track, overhead electrical wires and signals, communications and fare collection systems, and operating facilities (e.g., maintenance yards) and passenger facilities (e.g., rail stations). From this inventory, the SFMTA has analyzed asset lifecycles and costs, and has produced a preliminary assessment of its state of good repair needs. The SFMTA's current asset replacement value is approximately $13.4 billion (in 2010 dollars). The table below summarizes the breakdown of the SFMTA's current asset replacement costs by asset category.

TABLE 20

$13.4 BILLION TOTAL CAPITAL ASSET REPLACEMENT VALUE BY ASSET CATEGORY

Overhead Wires	30%
Stations	15%
Facilities	12%
Parking and Traffic	9%
Light Rail Vehicles	8%
Other Systems and Vehicles	6%
Track	6%
Train Control and Communications	5%
Motor Coach Vehicles	5%
Trolley Coach Vehicles	4%

Source: SFMTA

The SFMTA has developed a strategic approach to asset management with the goal to prioritize replacement of mission critical assets with a commitment that there should not be an impact to service delivery. The SOGR Report was based on a calculated asset replacement or scheduled replacement date, which is the date that the asset should be replaced based on its estimated useful accounting life.

However, not all assets are equal; some assets degrade based on operational uses sooner than the end of their useful lives, and other assets are able to continue to provide service well beyond the end of their estimated useful lives.

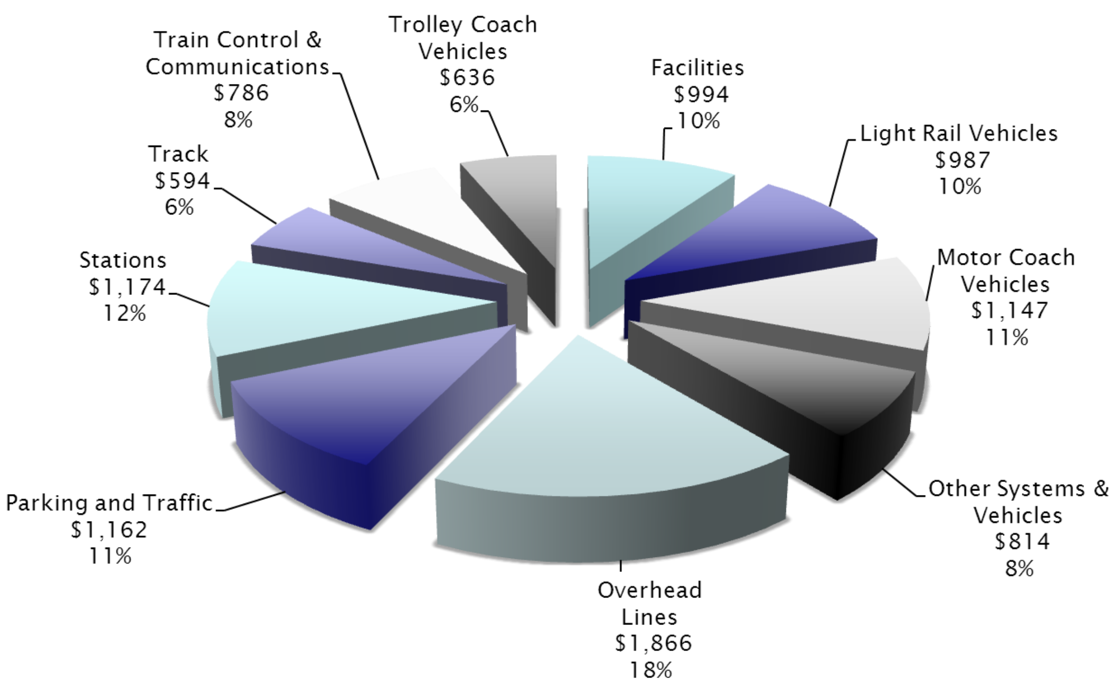
The SOGR Report indicated a backlog of asset replacement of approximately $2.2 billion as of August 2010 based on accounting asset life. Maintaining the backlog at this level will require annual capital expenditures of approximately $366 million per year. The SOGR Report also highlighted that over a 20-year horizon state of good repair needs total approximately $10.2 billion. It is projected that the SFMTA will be able to invest approximately $250 million toward SOGR Report projects annually, which would result in a total backlog of non-service critical assets of approximately $4.5 billion at the end of 20 years.

The SOGR Report analysis includes the needs created by expansion projects, such as the Central Subway Project, once the asset has reached its scheduled replacement date. Since the Central Subway (as defined below) is not expected to enter revenue service the end of 2018, the end of the eighth year of the 20-year outlook, very few of the Central Subway assets will have exhausted their accounting life.

During Fiscal Years 2008-09 through 2011-12, the SFMTA expended an average of $[___._] million per year on state of good repair projects. The breakdown of the 20-year estimated state of good repair needs by asset category is shown in the following table.

TABLE 21

20 YEAR ESTIMATE OF CAPITAL EXPENDITURES NECESSARY TO MAINTAIN AN IDEAL STATE OF GOOD REPAIR BY ASSET CATEGORY (IN MILLIONS)



Source: SFMTA, 2010 State of Good Repair Report (August 2010)

Asset Category	In Millions	Percentage
Parking and Traffic	$1,162	11%
Stations	$1,174	12%
Track	$594	6%
Train Control & Communications	$786	8%
Trolley Coach Vehicles	$636	6%
Facilities	$994	10%
Light Rail Vehicles	$987	10%
Motor Coach Vehicles	$1,147	11%
Other Systems & Vehicles	$814	8%
Overhead Lines	$1,866	18%

The SFMTA is pursuing numerous options to address state of good repair needs, including implementing best practices and new revenue sources. To the extent that the SFMTA is unable to effect asset replacement in a manner consistent with the strategic approaches described above, it is likely that more of the SFMTA's asset base will age beyond its design life. As with all transit systems, this could impair the SFMTA's ability to operate and maintain some portion of its vehicle fleets, infrastructure and facilities, possibly resulting in limitations on the SFMTA's ability to deliver service, an increase in the SFMTA's operating and maintenance expenses, and/or a reduction in the SFMTA's operating revenues below the levels that otherwise would have been realized. See "CERTAIN RISK FACTORS—Physical Condition of the SFMTA Assets."

Current Projects

Central Subway Project. [To be updated in October.] The Central Subway is an extension and second phase of the Third Street light rail transit ("LRT") line from its current terminus at Fourth and King Streets. From a portal south of Market Street, the alignment will descend below grade and extend northward under Fourth Street and Stockton Street into Chinatown near the City's central business district. One surface station and three underground stations are being constructed. Four light rail vehicles are expected to be purchased to augment the existing light rail fleet. When completed, the combined Third Street LRT / Central Subway is expected to provide a continuous, seven-mile route connecting the south-eastern portion of the City with Chinatown in the north.

The project to construct the Central Subway (the "Central Subway Project") is a major capital project requiring tunneling under downtown San Francisco. A construction approach called "deep tunneling" is being used to construct the Central Subway. Deep tunneling allows most of the work to be done below ground, reducing disruption on the surface. The tunneling is being performed by tunnel boring machines, a technology that has been used extensively throughout the world. Deep tunneling has great potential for controlling project costs by minimizing surface construction staging, reducing utility relocations and shortening construction time.

The project's current cost to complete estimate is approximately $1.578 billion in year of expenditure dollars. All of the funding for the project is committed and the respective sources are set forth in Table 22.

TABLE 22

CENTRAL SUBWAY PROJECT: COMMITTED PRINCIPAL FUNDING SOURCES (IN MILLIONS)

Source	Projected Funding Amount
FTA Section 5309 New Starts Program	$ 942.2
Federal - Congestion Mitigation and Air Quality Program	41.0
State RTIP Grant[(1)]	88.0
State TCRP Grant[(2)]	14.0
State - Proposition 1B, PTMISEA[(3)]	307.8
State – Proposition 1A, High-Speed Rail Funds	61.3
San Francisco - Proposition K Sales Tax	124.0
Total:	$1,578.3

(1) Regional Transportation Improvement Program.
(2) Traffic Congestion Relief Program.
(3) Public Transportation Modernization, Improvement and Service Enhancement Account.

Source: SFMTA

Federal Funding. The most significant committed funding source for the Central Subway Project is Section 5309 New Starts Program (the "New Starts Program") grants from the Federal Transit Administration. The New Starts Program is the largest federal program dedicated to public transit infrastructure investment based on matching funds from local project sponsors. The Federal Transit Administration has established a ratings scale for candidate New Starts and Small Starts projects: High, Medium-High, Medium, Medium-Low, and Low. Only those projects rated Medium or higher may be advanced through the New Starts and Small Starts project development process. Projects that continue to be rated Medium or higher during their development will be eligible for consideration for multi-year funding recommendations embodied in a Full Funding Grant Agreement ("FFGA") in the President's budget. FFGAs are preceded by an extensive series of reviews and audits of the proposed project scope, cost estimate, and budget to confirm the estimates and plans are reliable and based on industry standards, as well as to verify local funding commitments. In the Federal Transit Administration's rating process for projects that are competing for the Federal Transit Administration "New Starts" discretionary funding, the Central Subway Project received a "Medium-High" project rating from the Federal Transit Administration, a "Medium-High" rating for project justification, and a "Medium" rating for "local financial commitment."

With completion and approval of the Final Supplemental Environmental Impact Statement relating to the Central Subway Project in September 2008, the Federal Transit Administration issued the Record of Decision for the project in November 2008, and approved commencement of its final design in January 2010. The Central Subway Project is now fully in the construction phase. In April 2011, the Board, after working with local stakeholders, approved a funding plan of committed and non-committed sources. An FFGA between the SFMTA and the Federal Transit Administration, which received federal approval and was executed in October 2012 (the "SFMTA FFGA"), established a multi-year commitment of $942.2 million in Federal Transit Administration New Starts Program funds. [To date, $177.4] million in Federal Transit Administration funds has been awarded through Federal Fiscal Year 2012. For Federal Fiscal Year 2013, $141,766,415 New Starts appropriation for Central Subway was awarded.

Funding of FFGA programs are subject to Congressional appropriation and satisfaction of certain grant conditions, as discussed below. The SFMTA FFGA commits to a maximum level of New Starts financial assistance (subject to appropriation), establishes the terms and conditions of federal financial participation in the Central Subway Project and will help SFMTA and Federal Transit Administration manage the Central Subway Project in accordance with applicable federal law. The SFMTA FFGA also defines the Revenue Service Date for the Central Subway Project as on or before December 31, 2018. Federal Transit Administration utilizes its Project Management Oversight Program to obtain independent feedback on project status and progress, including the establishment of scope, budget, and schedule, as well as to provide guidance on management, construction, and quality assurance practices. See "—Central Subway Project Status" and "—Central Subway Risk Management."

The SFMTA FFGA is expected to provide SFMTA with predictable federal financial support for the Central Subway Project; however, annual payouts remain subject to Congressional appropriations. The SFMTA FFGA also places limitations on the amount and timing of its support which would not necessarily take into account cost increases, if any, relating to the Central Subway Project. See "—Additional Financing." As is the case with other FTA grants, the SFMTA FFGA does require that SFMTA follow the terms of the Federal Transit Administration Master Agreement containing the standard terms and conditions governing the administration of projects that Federal Transit Administration has financed with federal assistance awarded through an underlying agreement with SFMTA. The SFMTA FFGA also outlines project cost eligibility. In the event that it is determined by Federal Transit Administration that the SFMTA FFGA requirements have not been met or project costs incurred are ineligible, the SFMTA is responsible for paying [or reimbursing] such costs. See "—Central Subway Project Status," "—Central Subway Risk Management" and "CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers."

State, Regional and Local Funding. The State has formally committed to provide approximately $307 million of Public Transportation, Modernization, Improvement, and Service Enhancement Account ("PTMISEA") funds from proceeds of the sale of State Proposition 1B (voter-approved) infrastructure bonds. The SFMTA is authorized to direct the application of such funds to projects that meet State eligibility guidelines:

- Capital projects
- Final Design, construction and right of way
- Transit-based

PTMISEA funds are appropriated by the California State Legislature to the State Controller's Office for allocation to project sponsors, such as the SFMTA, pursuant to State statute. As a project sponsor, the SFMTA submits allocation requests to Caltrans. Caltrans ensures the requests meet the required criteria. The approved allocation request also serves as the agreement verifying the SFMTA's commitment to the project's scope of work, schedule and budget. The SFMTA is required to submit semi-annual financial and outcome progress reports on all projects. Any change in scope of work, schedule, or budget requires the submittal of an amendment plan that identifies the original commitment and the revised information, including an explanation of the change. The SFMTA is also required to submit an annual TDA audit that has been expanded to include PTMISEA activities. These reports provide program and project status based on the financial activities of the SFMTA. The annual TDA audit of the SFMTA includes the PTMISEA funds and includes verification of receipt and appropriate expenditure of bond funds.

In April 2011, the Board allocated to the Central Subway Project $225 million of PTMISEA funds available to the SFMTA, with the remaining approximately $82 million of its PTMISEA funds dedicated to transit rehabilitation projects. Additionally, approximately $82.5 million of PTMISEA funds are also being directed to the SFMTA by the MTC as part of its "urban core" transit expansion program. Finally, the County Transportation Authority has awarded approximately $124 million in Proposition K local sales tax revenues to the SFMTA to finance the Central Subway Project. See "CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers."

Central Subway Project Status. Preliminary utilities relocation projects for the Central Subway Project, totaling approximately $32.8 million, have been completed on time and within budget. The SFMTA awarded the tunneling contract for the Central Subway Project, totaling approximately $233.6 million, in June 2011. Substantial completion of the tunneling project is currently projected for May 2015, and the project currently is within 25 days of the target schedule and within budget.

A contract for the construction of the Chinatown Station, the Union Square/Market Street Station with concourse connection to the existing Powell Street Muni/BART Station, the Yerba Buena/Moscone Station, the 4th and Brannan Station, tracks, switches, control systems and related items for the Central Subway Project, totaling approximately $840 million, was awarded by the SFMTA in May 2013.

Following the award of such contracts and commencement of work on the Central Subway Project, the SFMTA's current cost estimate for the program remains unchanged at approximately $1.578 billion. Costs to date have totaled approximately $339.4 million with total committed funding of approximately $643.6 million. Total cost contingency for the Central Subway Project is currently at approximately $67.2 million. The low bid for the contract awarded was higher than the SFMTA's estimates. Such contingency amount is below the target standard of $160 million established by the Federal Transit Administration for the Central Subway Project at this stage. Cost contingency recovery efforts are being evaluated and developed for review and approval by Federal Transit Administration. The currently scheduled commencement of revenue service in December 2018 is unchanged. Schedule contingency, however, is at 4.7 months, a level below the minimum of 10 months established by the Federal Transit Administration for the Central Subway Project at this stage. Schedule contingency recovery efforts are also being evaluated and developed for review and approval by Federal Transit Administration. See "--Additional Regional and Local Support" and "—Additional Financing."

The timing of project funding amounts received to date has enabled the SFMTA to maintain a positive cash flow for the first three years of construction, with a cash balance of more than $85 million currently available for future project expenditures. The anticipated timelines for receipt of committed funds and disbursements for project expenditures, and the amounts thereof, result in a projected positive project cash flow through at least [July 2014].

During the initial three years of construction of the Central Subway Project, the most significant causes of delay relating to work on the alignment have been the discovery of Native American artifacts during utility relocation and a request by citizens in the North Beach neighborhood to relocate the temporary shaft that will be used to recover the tunnel boring machinery for reuse when the tunnel is completed in 2015. Prior to 2008, the preferred site, based on community review, was on Columbus Avenue in the middle of the street, isolated from businesses and residents. Based on the results of an active public outreach program, the planned location of the temporary shaft was moved away from the street to the site of the abandoned Pagoda Theater.

The relocation effort will involve the prior demolition of the Pagoda Theater, an unutilized building about which neighborhood residents have independently expressed concerns. Thus, the relocation plan has the potential to resolve two community concerns simultaneously and to facilitate new development at the Pagoda Theater site after nearly 20 years of disuse. To expedite and control the special tasks to demolish the Pagoda Theater, a project-separate account was established by the SFMTA [and is funded separately from the Central Subway project budget]. This overall project management, community engagement and agreed alternative site for the temporary 2015 tunnel equipment retrieval work has received support from a number of stakeholders that includes community groups, business owners, residents, elected officials, City agencies and the SFMTA's funding partners. Accordingly, the project is moving forward with this change.

Central Subway Risk Management. The Federal Transit Administration's rigorous criteria for transit project construction readiness must be fulfilled to qualify for the SFMTA FFGA that commits funds for final construction through completion. A key fulfillment of the criteria is completing an extensive, yearlong risk assessment. During the transition from preliminary engineering to final design, the Central Subway Project finalized an industry standard Risk Management and Mitigation program. The Project

Risk Assessment Committee, meeting monthly, focuses on managing and mitigating outstanding risks as well as mitigating new risks that may arise during implementation of the Central Subway Project.

As is the case for every large transit and infrastructure project, there are circumstances which could cause delay or cost increases for the Central Subway Project. Given the magnitude of the Central Subway project and the complexity of its construction, in addition to the ordinary risks for large capital projects including, but not limited to, project or funding delays, litigation, unanticipated soil or other project site conditions and other natural hazards or seismic events during construction, unanticipated environmental or archaeological issues and adverse conditions in the credit and capital markets that increase the SFMTA's borrowing costs, there remains a risk that the final cost of the project will exceed the current estimate, and therefore could exceed current estimates of available funding. In addition, to the extent that the Federal Transit Administration is unable to fulfill, or for any reason disclaims its obligations to fulfill, its funding obligations under the full funding grant agreement, the project could face significant funding shortfalls or delays. See "CERTAIN RISK FACTORS."

Among other risks considered and identified for mitigation, the SFMTA's risk assessment includes the possibility that the Federal Transit Administration, for any reason, may not fulfill its funding obligations under the SFMTA FFGA. While, in the course of managing a discretionary federal grant program of substantial size for more than 25 years and through more than 1,000 projects, the Federal Transit Administration has never failed to finally honor its commitments to fund a project under an FFGA, funding delays or temporarily reduced funding due to delays in congressional approvals have occurred for some projects in recent years. Were significant delays or temporary reductions in fund allocations to occur with respect to the SFMTA FFGA, the SFMTA might need to adjust the program scope and budget, or identify alternative sources of funding, which could include the issuance of additional Bonds. A potential consequence of providing for such alternative funding could be reduced funding for SFMTA's other long-term capital improvement plan and service plans. See "CERTAIN RISK FACTORS."

To further manage risks, the SFMTA has also created a Configuration Management Board ("CMB") to focus on certain risks and mitigations from challenges and opportunities arising during construction of the Central Subway Project. The CMB is a project-level, decision-making body that reviews and approves, or recommends approval to the SFMTA's upper management of, all change requests to the Central Subway Project's baseline documents prior to implementation of such changes. The CMB includes project staff and a representative from the County Transportation Authority Project Management Office.

Additional Regional and Local Support. MTC, the County Transportation Authority and the Controller have each indicated their respective intent to help mitigate the financial impact of delays or cost increases associated with the Central Subway Project. MTC has indicated that it would work with the State and the SFMTA to mitigate the financial impact of delays, if any, in the receipt by the SFMTA from the State of Proposition 1B funds for the Central Subway Project. The County Transportation Authority has committed up to $150 million dollars of additional funds for the Central Subway Project, subject to certain conditions, in order to mitigate the impact of increases in costs, if any, above the approximately $1.578 billion in expected future year of expenditure dollars.

The City Controller has indicated that he would work with the SFMTA to address any timing discrepancies with respect to payment of approved grants by the federal government should such discrepancies threaten the timing of the delivery of Central Subway Project, though potential solutions might require approval of the Board of Supervisors.

Additional Financing. Finally, the SFMTA may issue additional Bonds or CP Notes to provide interim financing of project costs pending the receipt of grant proceeds. See "—Future Debt Issuance" and "—Commercial Paper Notes."

In the event that the project exceeds both its budget and the $150 million in additional Regional Improvement Funds committed to the project by the County Transportation Authority, non-federal funding programmed to other SFMTA projects would have to be moved or new funding would have to be identified to cover those costs because the SFMTA FFGA caps the federal contribution to the project. Potential sources might include SFMTA operating funds, additional Bonds, new sales tax revenues, the proceeds of future general obligation bonds, if any, issued by the City for such purpose, or new the proceeds of future bonds, if any, issued by the State for such purpose. See “CERTAIN RISK FACTORS.”

Transit Effectiveness Project. The TEP is the first comprehensive effort in over 25 years to review Muni and recommend ways to transform it into a faster, more reliable and more efficient public transit system for the City. The TEP data collection phase included an unprecedented level of ridership data collection and best practice research from other transit systems. Extensive public outreach to community stakeholders, policy makers and SFMTA employees helped shape the recommendations for improvements in key routes and identified needed investments to ensure cost-effective customer service.

Informed by these efforts, the SFMTA developed a set of proposals designed to improve reliability, reduce transit travel delays and update routes to better meet current and projected travel patterns throughout the City. The TEP proposals include service improvements and complementary capital investments (such as overhead wire projects) that will support these service changes. The TEP also identifies a number of capital projects along corridors on the most highly used routes designed to reduce transit travel time and prioritize transit in these corridors. In combination, the service changes and capital improvements would improve service reliability, reduce travel time and support customer safety and comfort.

The environmental review process for the TEP is in progress. The SFMTA released its Draft Environmental Impact Report for the TEP on July 11, 2013 (the “Draft EIR”). The Draft EIR will be open for public comment until August 26, 2013. The SFMTA anticipates releasing its Final Environmental Impact Report (the “EIR”) in early 2014, with Planning Commission certification to follow thereafter. In anticipation of EIR certification, the SFMTA has begun the conceptual engineering of the highest priority projects. These travel time projects are expected to be implemented over an approximately three year period and have an anticipated cost of approximately $120 million. The remaining capital projects are outside of the current five-year CIP and are anticipated to cost approximately $178 million, for a total TEP capital cost of $298 million. The route restructuring is expected to be implemented as resources become available beginning with the Fiscal Year 2014-15 and Fiscal Year 2015-16 two year budget. Collectively, these changes are designed to improve Muni service by directing resources where they are most needed, reducing travel times, improving reliability and making the service more cost effective.

Transportation Management Center. The Transportation Management Center project is part of the SFMTA’s larger program to upgrade its central control and communications capabilities. Currently, the SFMTA’s real-time command and control functions reside in various sites located throughout the City in facilities that are undersized and which include outmoded systems. The Transportation Management Center project will integrate and consolidate multi-modal, real-time command and control functions into one secure location in downtown San Francisco incorporating updated systems. The $11.6 million project, which is funded primarily from Proposition K local sales tax funds allocated by the County Transportation Authority, will provide the SFMTA with a service delivery-focused operations center for command, control of, and communications among, all of the SFMTA’s diverse functions, including transit operations, traffic signaling monitoring and control, parking enforcement dispatch, taxi medallion management, bicyclists, pedestrians and off-street parking. The Transportation Management Center will be housed in leased space. The necessary tenant improvements are underway and are expected to be completed by the end of 2013. Existing command and control functions are expected to move into the Transportation Management Center once construction is complete.

Van Ness Avenue Bus Rapid Transit. The SFMTA and the County Transportation Authority are collaborating on the proposed Van Ness Avenue Bus Rapid Transit project, which covers approximately 2 miles, from Mission St. to Lombard St. on Van Ness Avenue. The project includes improvements that would provide for rapid, reliable transit, including dedicated bus lanes separated from regular traffic to improve transit performance, transit signal priority recognizing an approaching bus rapid transit (“BRT”) vehicle and extending the green light when it is safe to do so, proof of payment and all-door boarding to allow buses to pick up and drop off passengers more quickly, high-quality stations, pedestrian safety enhancements including reduced crossing distances on streets where BRT stations are located and large platforms for waiting passengers. The project is expected to improve transit speeds by up to 30 percent on these corridors, significantly improve reliability, improve rider and pedestrian comfort, amenities and safety and fill a key gap in San Francisco's Rapid Transit Network. The project is estimated to cost approximately $125 million (in 2014 dollars).

The County Transportation Authority adopted a Project Feasibility Study in 2006. The Environmental Impact Report/Statement was made available for public review and comment in November 2011. After reviewing the public comments and holding public hearings, the Board and the Board of Commissioners of the County Transportation Authority have approved a locally preferred alternative. The Final Environmental Impact Report/Statement was released in July 2013 and approved by the Board of Commissioners of the County Transportation Authority on September 10, 2013 and the Board on September 17, 2013. [The Federal Record of Decision is expected to be issued in September 2013. Upon issuance of such Federal Record of Decision, SFMTA will assume project lead from the County Transportation Authority.] [Update in October.] Final design would be completed in 2015, with construction expected to occur from 2015-2017, and revenue service beginning in 2018.

<u>Rail Replacement Program</u>. The Rail Replacement Program is an on-going program of phased replacement of sections of rail on the light rail or cable car systems which will enhance system reliability and productivity and help to reduce operational problems. The program allows for a systematic replacement cycle of, on average, approximately 35 years for most segments of the Muni rail system. Sections of rail to be replaced are prioritized based on their potential for failure and derailments, the amount of noise and vibration experienced at surrounding structures, and their relationship with complementary projects of other city departments. Rail replacement projects are organized in two ways: 1) a corridor wide replacement; or 2) the selected replacement of particularly vulnerable sections of track, including curved rail and other special work such as track switches, which tend to wear out much faster than straight track. Corridor wide projects replace 1-2 miles of straight track and any special work in that area and are normally coordinated with the work of other City departments and utilities to upgrade the entire infrastructure along the corridor.

<u>Muni Metro Turnback Rail Replacement Program</u>. The Muni Metro Turnback Rail Replacement project will replace 4,660 linear feet of running and guard rail between the Embarcadero Station and the Folsom portal and some associated fire suppression deluge work. The Sunset Tunnel Trackway improvements project will replace 9,340 track feet of rail, ballast and ties, the corresponding overhead contact wire system and feeder cables; the curve signaling system; and seismically upgrade the East and West Portal walls. The Twin Peaks Tunnel Rail Replacement will replace 20,600 track feet of rail, ballast and ties; replace two existing turnouts; seismically upgrade the Eureka Station; make improvements to the fire suppression system; and reconfigure the West Portal interlocking, installing new VPI logic, installation of new track circuits, and replacement of switch machines.

Financing of Capital Improvements. The SFMTA's capital program is financed from a variety of funding sources. In addition to the SFMTA's outstanding debt, and the debt to be issued in this financing, the SFMTA relies primarily on capital grant funds from federal, State and local sources to finance its capital improvements. During the 20-year period from Fiscal Year 2009-10 to Fiscal Year 2029-30, the SFMTA projects that it could undertake approximately $13 billion in capital improvement projects.

Grant Recovery and Relinquishment. Grants the SFMTA receives generally provide for monitoring of compliance with various restrictions, and termination or suspension of payments or recovery of disbursed funds in the event of a serious violation of grant terms or misapplication of grant funds. Except for the occasional release of cost savings back to funding agencies, the SFMTA has never relinquished grant funding. With respect to the recovery of grant funds, the SFMTA is not subject to any unique rules, requirements or auditing procedures as compared with other recipients. The compliance conditions which the Federal Transit Administration, the California Department of Transportation, MTC, the County Transportation Authority and other agencies apply to recipients of grants are uniform for all recipients. For example, in connection with Federal Transit Authority grants, recipients, including the

SFMTA, agree to comply with all applicable federal statutes and regulations in carrying out any project supported by such grants, along with the terms and conditions of the Federal Transit Authority grant agreements which include restrictions relating to, among other issues, lobbying, procurement compliance, acquisition of rolling stock and bus testing, drug and alcohol use and the payment of interest and other financing costs. As another example, State law requires, subject to certain possible exceptions and exemptions, that the SFMTA maintain a ratio of fare revenues to operating costs of 31.2% or a ratio of farebox plus local support to operating costs of 64.5% in order to preserve its eligibility for STA and LTF funding. In Fiscal Year 2012-13, the SFMTA's ratio of fare revenues to operating costs was [___]% and its ratio of farebox plus local support to operating costs was [___]%. See "—Current Projects—Central Subway Project," "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—State and Federal Grants—Operating Grants" and "CERTAIN RISK FACTORS—Reliance Upon Grants and City General Fund Transfers."

The County Transportation Authority grants sales tax funds to support certain programs which include an identified number of projects authorized by the voters in the County. The SFMTA has occasionally released grant funds back to the County Transportation Authority when the SFMTA has completed, under budget, a project funded by County Transportation Authority grants. The applicable project savings are then returned to the County Transportation Authority to provide additional funding for other projects within the same grouping. The availability of the SFMTA project savings to the SFMTA is determined by the number of eligible sponsors within each respective grouping. In many cases, however, the SFMTA is the only eligible project sponsor within such grouping.

Outstanding Debt

The SFMTA's outstanding long-term debt obligations consist of the Series 2012 Bonds, with a final scheduled maturity date of March 1, 2042. See "DEBT SERVICE SCHEDULE."

Commercial Paper Program

On June 4, 2013, the Board approved the issuance of and sale by the SFMTA of subordinate CP Notes in an aggregate principal amount not to exceed $100 million. On September 10, 2013, the SFMTA obtained an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of such CP Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds (see "—Capital Program—Current Projects—Central Subway Project) and/or to finance state of good repair projects. Such CP Notes, and the SFMTA's obligation to reimburse State Street for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The letter of credit issued by State Street is scheduled to expire on September 10, 2018, subject to prior termination pursuant to its terms and as provided for in the related reimbursement agreement. The SFMTA does not anticipate issuing any CP Notes until early 2014.

Future Debt Issuance

In addition to the outstanding Series 2012 Bonds and the Series 2013 Bonds, the SFMTA presently expects to issue approximately $75 million in additional Bonds during 2014, and approximately $150 million in additional Bonds during 2016-2017 in order to finance future state of good repair projects and other projects. Also, on September 10, 2013, the SFMTA obtained an irrevocable, direct pay letter of credit issued by State Street that will support the SFMTA's issuance of up to $100 million in subordinate CP Notes. See "—Commercial Paper Program" and "—Capital Program—Current Projects—Central Subway Project). For a list of the types of state of good repair projects the SFMTA may potentially undertake and finance, in part, from proceeds of additional Bonds and CP Notes, see "—Capital Program—State of Good Repair Analysis."

Lease/Leaseback Transactions

[To be updated in October.] In April 2002 and September 2003, following approval by the Federal Transit Administration, the City, with approval from the Board of Supervisors, entered into a leveraged lease-leaseback transaction in two tranches (collectively, the “Lease Transactions”), the first for 118 Breda light rail vehicles (the “Tranche 1 Equipment”), and the second for an additional 21 Breda light rail vehicles (the “Tranche 2 Equipment” and, together with the Tranche 1 Equipment, the “Equipment”). Tranche 1 consisted of six sub-tranches and involved four equity investors; Tranche 2 consisted of one tranche and one equity investor.

The Lease Transactions were structured as a head lease of the Equipment to a separate special purpose trust and a sublease of the Equipment back from the trust. During the term of the subleases, the SFMTA maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

As a result of the Lease Transactions, the SFMTA recorded deferred revenue in Fiscal Year 2001-02 of $35.5 million and $4.4 million in Fiscal Year 2002-03. The deferred revenue amount is being amortized over the term of the subleases.

Under the respective subleases, the SFMTA is required to make periodic rental payments to the special purpose trusts. In addition, the SFMTA has an option to purchase the Tranche 1 Equipment on specified dates between November 2026 and January 2030, and the Tranche 2 Equipment in January 2030, following the scheduled expiration of the subleases. The funding for the periodic rental payments derives from payments made by a payment undertaker whose obligations are guaranteed by Assured Guaranty Municipal Corporation (“AGM”), as successor to Financial Security Assurance, Inc., a bond insurance company. The funding for the purchase options, if exercised, derives from U.S. Agency securities purchased at the outset of each Lease Transaction (the “Equity Securities”). In addition, early termination payments, if any, under the subleases are guaranteed by surety policies issued by AGM.

The SFMTA is required to replace the payment undertaker if the rating of its guarantor, AGM, falls below “BBB+” or “Baa1” by Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”), and Moody’s Investor Service, Inc. (“Moody’s”), respectively. The ratings of AGM currently satisfy these threshold rating requirements.

The SFMTA is also required to replace AGM, as surety provider if AGM’s rating falls below “AA-“ or “Aa3” by S&P and Moody’s, respectively. On January 23, 2013, Moody’s downgraded AGM to A2, a rating level which triggers the SFMTA’s obligation to replace AGM as surety provider upon 30 days’ notice from an equity investor with respect to its sub-tranche. The SFMTA’s failure to replace AGM within 30 days could result in the termination of the Lease Transactions, requiring the SFMTA to make a payment equal to the scheduled termination value (less the market value of the Equity Securities) on the termination date. As of August 31, 2013, the scheduled termination value for the Lease Transactions (less the market value of the Equity Securities) was approximately $95 million. As of August 31, 2013, the SFMTA has not received a demand from any equity investor to replace AGM.

The Board of Supervisors has authorized the SFMTA to enter into consensual terminations of the Lease Transactions provided that, among other conditions, such terminations do not involve a cost to the SFMTA. The SFMTA has not terminated any of its Lease Transactions to date and cannot predict whether any of the equity investors in the Lease Transactions will agree to a consensual termination on terms consistent with the Board of Supervisors’ resolution.

Risk Management and Insurance

The SFMTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The SFMTA’s risk management program includes both self-insured and insured coverage. With certain exceptions, the

City and the SFMTA's general policy is to first evaluate self-insurance for the risk of loss to which it is exposed. Based on this analysis, the SFMTA has determined that in certain areas of risk, mitigating risk through a wholly or partially self-insured program is more economical as it manages risks internally, and administers, adjusts, settles defends and pays claims from annually-budgeted resources. When it is economically more advantageous, or when required by financial covenants, the SFMTA obtains commercial insurance for the risks of specific loss, not including earthquake.

[In addition to funding an approximate $20 million reserve in the annual operating budget, the SFMTA self-insures for general liability in part by annually funding an ongoing insurance reserve fund in an amount equal to $2 million. The reserve at the end of FY 2013 is at $10 million.] Additionally, the SFMTA participates in the City master property program for fixed asset protection, including scheduled Breda light rail vehicles. The SFMTA also maintains insurance on the SFMTA-controlled parking garages.

The following is a summary of the SFMTA's coverage approach to risk:

TABLE 23

RISK MANAGEMENT AND INSURANCE

	Coverage Approach
Primary Risk	
General Liability	Self-insure
Property (including Breda light rail vehicles and parking garages)	Insure (with certain minor exceptions)
Workers' Compensation	Self-insure
Public Official Liability	Purchase insurance

Source: SFMTA

The SFMTA does not maintain insurance policies covering earthquake, flood, environmental pollution or other, similar risks.

The SFMTA does require contractors to maintain insurance for all construction activities. Requirements with respect to policy limits, covered losses and other terms of the insurance vary depending upon the type of activity undertaken and are usually determined in collaboration with the City's Risk Manager.

Investment of SFMTA Funds

Pursuant to the Charter, the SFMTA maintains its deposits and investments and a portion of its restricted asset deposits as part of the City's pool of investments and deposits. The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designed; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public.

The current City and County of San Francisco Office of the Treasurer Investment Policy is attached hereto as Appendix C. The City's Comprehensive Annual Financial Report categorizes the level of common deposits and investment risks associated with the City's pooled deposits and investments. As of May 31, 2013, the SFMTA's unrestricted deposits and investments held by the City Treasurer were $674,810,664.

CERTAIN RISK FACTORS

The following section discusses certain risk factors that should be considered by potential investors, along with all other information presented in this Official Statement, in evaluating the risks inherent in the purchase of the Series 2013 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2013 Bonds. Any one or more of the risk factors discussed below, among others, could adversely affect the ability of the SFMTA to pay principal of or interest on the Series 2013 Bonds or lead to a decrease in the market value and/or in the liquidity of the Series 2013 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. There can be no assurance that other risk factors not discussed herein will not become material in the future, and the SFMTA has not undertaken to update investors about the emergence of other risk factors in the future.

Series 2013 Bonds Limited Obligations

The Series 2013 Bonds are special, limited obligations of the SFMTA secured by and payable solely from Pledged Revenues of the SFMTA and from moneys held in certain funds and accounts established pursuant to the Indenture. The SFMTA is not obligated to pay the principal of or interest on the Series 2013 Bonds from any source of funds other than Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. The General Fund of the City is not liable for the payment of the principal of or interest on the Series 2013 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of or interest on the Series 2013 Bonds. The Series 2013 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFMTA or any of its income or receipts, except Pledged Revenues and amounts on deposit in certain funds and accounts held under the Indenture and subject to the terms thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The SFMTA has no taxing power. In case of default by the SFMTA in the payment of principal of and interest on the Bonds, the remedies of the Bondholders may be limited.

Limitation on Remedies

The Indenture provides only limited remedies to Bondholders in the event of a default by the SFMTA. The enforceability of the rights and remedies of the owners of the Bonds and the Trustee under the Indenture in the event of a default by the SFMTA may be subject to the following: limitations on legal remedies available against public agencies in the State; the federal bankruptcy code and other bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; and the delay and uncertainty inherent in legal proceedings. The enforceability opinion of Co-Bond Counsel will be made subject to such limitations on remedies. See Appendix G—"PROPOSED FORM OF LEGAL OPINION OF CO-BOND COUNSEL" herein.

Reliance Upon Grants and City General Fund Transfers

Operating Grants and City General Fund Transfers. The SFMTA relies on operating grants and transfers from the City's General Fund to cover operating expenses and other amounts payable from the Municipal Transportation Fund. The City General Fund transfers to the SFMTA are made in accordance with certain provisions on the City Charter. See "THE SAN FRANCISCO MUNICIPAL

TRANSPORTATION AGENCY—City General Fund Transfers" and "—State and Federal Grants." There can be no assurances that such Charter provisions will not be amended. See "— Change in Law; Local Initiatives."

Grants To Address Capital Needs. The SFMTA relies primarily on federal, State and regional grants to address capital needs. The budget for certain major capital projects, such as the Central Subway Project, includes grant funding that has not yet been disbursed to the SFMTA and the disbursement of such grant funds remains subject to the satisfaction of certain conditions and, in some cases, to appropriation. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—State and Federal Grants," "—Capital Program—Current Projects—Central Subway Project" and "—Capital Program—Financing of Capital Improvements."

Certain Impacts of Failure To Receive and Apply, or Delay in Receipt and Application of, Grant Funding. The continuation of federal, State, regional and local grant programs to fund both operational and capital needs, and the timely disbursement of such funding, is not assured. Such grants are generally subject to the availability and appropriation of funds as well as to satisfaction of various conditions specified in connection with the grant. Should such conditions fail to be satisfied, granting agencies may not disburse, may cease disbursing or may delay disbursement of such funds to the SFMTA, and, in some circumstances, the SFMTA could be obligated to reimburse all or a potion of previously disbursed grant funds to the grantor agency. Should the SFMTA for any reason be unable to obtain and apply funds from such grant programs on a timely basis or become obligated to reimburse any portion of such funds, including as a result of any failure to satisfy specified conditions of such grants, it could adversely affect the SFMTA's operations or its Capital Program or both, and could have a material adverse impact on the SFMTA's financial condition.

Physical Condition of the SFMTA Assets

The physical condition of the SFMTA's current assets varies broadly. Although most of the SFMTA's capital assets are within their design life, the SFMTA, like most other large transit agencies, has a backlog of deferred investment and a number of facilities that require renovation or seismic improvement. For example, two of the SFMTA's key subway tunnels were constructed in the early twentieth century and five garages with a combined 7,196 spaces are over fifty years old. Certain overhead power lines, which require periodic rehabilitation and replacement, have been in place since, or were last rehabilitated in, as early as 1973, although the SFMTA's ongoing transit fixed guideway program includes a number of capital projects to systematically rehabilitate or replace these assets.

See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Transit—Transit Operations", "– Parking and Traffic Functions—Parking Garages" and "– Capital Program—State of Good Repair Analysis." Assets kept in operation beyond their design life are less reliable, resulting in increased maintenance and operations expenses and limitations on the SFMTA's ability to deliver service. Such assets are also more vulnerable to casualty loss. See "– Seismic Risks" and "– Casualty Losses." Although the SFMTA is working to address these issues, if the SFMTA is unable to continue to obtain significant funding to address capital needs, more of the SFMTA's asset base will age beyond its design life and the SFMTA's ability to generate operating revenues may be adversely affected.

Construction Risk

The SFMTA is undertaking a number of construction projects, the most significant of which is the Central Subway Project. The Central Subway Project is a major undertaking involving complex engineering and coordination with surface activities. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Capital Program—Current Projects—Central Subject Project." Construction of SFMTA facilities is also subject to ordinary construction risks and delays applicable to projects of their kind, such as (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; or (vi) unanticipated project site conditions, including the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, and other natural hazards or seismic events encountered during construction. Increased construction costs or delays could impact the SFMTA's financial condition in general and the implementation of its capital programs in particular.

Increased Operation and Maintenance Expenses

In addition to paying Debt Service on the Series 2013 Bonds, the SFMTA uses amounts in the Municipal Transportation Fund for the payment of the operation and maintenance expenses of the SFMTA. There can be no assurance that the operation and maintenance expenses of the SFMTA, such as wages and salaries, pension and other benefits, or diesel fuel and electricity costs, will not increase substantially. The SFMTA has a limited ability to increase its rates and charges, and in all cases such increases are subject to prevailing market conditions which could reduce the market demand for the SFMTA's services. The SFMTA may, however, also address substantial increases in costs through service reductions. See "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY - Operation and Maintenance Expenses" herein.

Labor Actions

The Charter prohibits SFMTA and other City employees from striking. Nonetheless a work stoppage or other labor action may limit the SFMTA's ability to operate Muni or the parking garages, and have a significant adverse impact on Pledged Revenues. See "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Labor Relations—Employee Relations."

Statutory and Regulatory Compliance

The SFMTA is subject to a variety of State and federal statutory and regulatory requirements. The SFMTA's failure to comply with applicable laws and regulations could result in significant fines and penalties and, changes in the scope and standards for the activities undertaken by the SFMTA may also lead to administrative orders issued by federal or State regulators. Changes in statutory or regulatory requirements or the issuance of new administrative orders could impact the SFMTA's operation of the Transportation System and compliance with such charges or orders could impose substantial additional costs or operations or require significant capital expenditures.

Safety and Security

The safety of the facilities of the SFMTA is maintained via a combination of regular inspections by SFMTA employees, electronic monitoring, and analysis of unusual incident reports. All above-ground facilities operated and maintained by the SFMTA, are controlled access facilities with fencing, gates, closed circuit television systems and security officers at certain points. Smaller facilities operated and maintained by the SFMTA are locked with padlocks or internal locking mechanisms, and most are monitored via access/intrusion alarms. Security improvements are evaluated on an ongoing basis. The electronic operations and controls have been evaluated and exposure reduced through a series of technology systems enhancements and integration.

Military conflicts and terrorist activities may adversely impact the operations of the SFMTA's systems or the finances of the SFMTA. Mass transit facilities and vehicles have in the past been the target of terrorist attacks. The SFMTA continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that hostile or terrorist activities are directed against the assets of the SFMTA or that costs of security measures will not be greater than presently anticipated.

Casualty Losses

The SFMTA's facilities and its ability to generate Pledged Revenue from its properties are also at risk from events of force majeure, such as extreme weather events and other natural occurrences, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots and from torts, including theft, damage and destruction of assets, business interruption and omission, injuries to employees and others. While the SFMTA has attempted to address the risk of a loss from many of these sorts of occurrences through its risk management program, which includes both self-insured and insured coverages, the program does not provide for every conceivable risk of loss. Damage attributable to seismic events and environmental pollution, for example, are excluded. In situations where the SFMTA has not purchased commercial coverage, the SFMTA has a 'self-retention' program that is administered and retains budgeted resources internally to provide coverage for loss liabilities. See also "SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Risk Management and Insurance." The SFMTA is not required to either insure against or self-insure against every potential risk of loss and there is a risk that damage or destruction of its property and equipment could occur for which no insurance or self-insurance funds will be available. There can be no assurance that insurance providers will pay claims under any policies promptly or at all, should a claim be made under such policies in connection with property loss or damage. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force the SFMTA to sue to collect on or settle the insurance claim. Further, there can be no assurances that any insurance proceeds will be sufficient to rebuild or replace any damaged property.

Notwithstanding that the SFMTA may seek recovery under its insurance policies in the event of the occurrence of an insured loss, there exists the possibility that an insurer may deny coverage and refuse to pay a claim and there is an attendant risk of litigation and delay in receipt of any loss claim payment. In the event of damage to the SFMTA's facilities, the collection of fees and charges for the use of the Transportation System and other amounts comprising the Pledged Revenues could be impaired for an undetermined period.

Seismic Risks

The City and the Transportation System are located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the border of the SFMTA's service area, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. See "—Casualty Losses."

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey ("U.S.G.S."), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038, a period ending prior to the final scheduled maturity of the Series 2013 Bonds. An earthquake of such magnitude or larger would likely be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. In addition to the potential damage to SFMTA-owned buildings, facilities, fixtures, rail lines and equipment (on which the SFMTA does not generally carry earthquake insurance), a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts and residential and business real property values, with uncertain but potentially significant corresponding negative impacts on the operations and revenues of the SFMTA, by harming the City's status as a tourist destination and regional hub of commercial, retail and entertainment activity. In the event of a significant seismic event, the SFMTA would attempt to repair damage to SFMTA facilities as quickly as possible, but the time required to return the facilities to service would depend on the nature and extent of the damage.

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the SFMTA to pay principal of and interest on the Series 2013 Bonds may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Article XIII B of the California Constitution."

Constitutional and Statutory Restrictions

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996. Among other results, the initiative added Article XIII C to the California Constitution. Article XIII C extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIII C to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. The courts have not fully interpreted the provisions of, and the SFMTA is unable to predict how courts will in the future interpret, Article XIII C. It is not clear, for example, whether a purported reduction or repeal by initiative of SFMTA's fares and charges would be valid in a situation in which such fares and charges are pledged to the repayment of bonded indebtedness. Any reduction of SFMTA's fees and charges through the initiative process could have a material adverse impact on Pledged Revenues.

To the extent that the SFMTA's transit fare revenues do not result in the SFMTA receiving total revenues in excess of the total costs for providing transit service, Proposition 218 does not limit the SFMTA's ability to increase transit fares based on changes to the Consumer Product Index or rate of inflation.

Change in Law; Local Initiatives

Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on certain categories of legislation adopted by the State Legislature, through the powers of initiative and referendum, respectively. Under the Charter, the voters of the City have similar powers, and can restrict or revise the powers of the SFMTA through the approval of a Charter amendment, or can exercise the power of the SFMTA through the adoption of an initiative ordinance.

The SFMTA is also subject to various laws, rules and regulations adopted by local, State and federal governments and their departments and agencies. The SFMTA is unable to predict the adoption or amendment of any such laws, notes or regulations, or their effect on the operations or financial condition of the SFMTA.

As described in "THE SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY—Organization and Purpose," the SFMTA has been the subject of three specific charter amendments since 1999. These initiatives have had a variety of impacts on the jurisdiction, funding management and operations of the SFMTA. For example, both Proposition E, adopted in 1999, and Proposition A, adopted in 2007, made significant changes in the funding available to support the activities of the SFMTA and the SFMTA's authority to control transit and other charges that generate revenue for the SFMTA. In addition, Charter Amendments that make citywide changes affecting, for example, employee benefits, as well as ordinances of general application may affect the budget and operations of the SFMTA.

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature or the City's Board of Supervisors will not enact legislation that amends the laws of the State Constitution or the Charter, respectively, in a manner that could result in a reduction of amounts constituting Pledged Revenues or a reduction to the City's General Fund revenues, or an increase in Operation and Maintenance and other expenses of the SFMTA, or otherwise impact the ability of the Board to effectively manage the SFMTA, potentially hindering the SFMTA's ability to pay principal of and interest on the Series 2013 Bonds. See, for example, Appendix B—"CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Articles XIII C and XIII D of the California Constitution."

Impact of a City Bankruptcy

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). As of the date hereof, there have been no public discussions by any City officials, including the Mayor, the Board of Supervisors or the City Attorney, with respect to any potential Chapter 9 filing by the City. Third parties cannot bring involuntary bankruptcy proceedings against the City. The SFMTA, being an enterprise department of the City, cannot itself file for bankruptcy protection. Should the City become a debtor in a bankruptcy proceeding, the owners of the Series 2013 Bonds would continue to have a lien on Pledged Revenues after the commencement of the bankruptcy case provided the Pledged Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide transportation services. While the SFMTA believes that Pledged Revenues may constitute "special revenues," no assurance can be given that a court would not determine otherwise. If Pledged Revenues do not constitute "special revenues," there could be delays or reductions in payments by the SFMTA with respect to the Series 2013 Bonds in connection with a bankruptcy proceeding. Further, even if a court were to determine that the Pledged Revenues were "special revenues," operating expenses may be required to be paid before payments to Owners and such payments may otherwise be delayed.

Accordingly, in addition to the limitations on remedies contained in the Indenture, the rights and remedies in the Indenture may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. In addition to any specific determinations by a court in a City bankruptcy proceeding that may be adverse to the SFMTA or the Owners, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and the market price of the Series 2013 Bonds.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers

As discussed under "TAX MATTERS", interest with respect to the Series 2013 Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the execution and delivery of the Series 2013 Bonds as a result of future acts or omissions of the SFMTA in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Series 2013 Bonds are not subject to prepayment or any increase in interest rate.

In December 1999, as a part of a larger reorganization of the Internal Revenue Service ("IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. There is no assurance that, if an IRS examination of the Series 2013 Bonds were undertaken, it would not adversely affect the secondary market value of the Series 2013 Bonds.

Change in Tax Law

[As discussed under "TAX MATTERS,"] current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Failure to Maintain Credit Ratings

Certain rating agencies have assigned ratings to the SFMTA's Series 2013 Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. The SFMTA undertakes no responsibility to maintain its current credit ratings on the Series 2013 Bonds or to oppose any such downward revision, suspension or withdrawal. See "RATINGS" herein. There is no assurance current SFMTA ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price of the Series 2013 Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2013 Bonds or, if a secondary market exists, that the Series 2013 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse developments or economic prospects connected with a particular issue, secondary trading practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Uncertainties of Projections, Forecasts and Assumptions

Compliance with certain of the covenants contained in the Indenture is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the SFMTA assumes no responsibility for the accuracy of such projections. See "FORWARD-LOOKING STATEMENTS" on the inside front cover of this Official Statement.

Other Risks

The discussion in this section, "CERTAIN RISK FACTORS," is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2013 Bonds. There may be other risks inherent in ownership of the Series 2013 Bonds in addition to those described in this section. Investors are advised to read the entire Official Statement in order to obtain information necessary to make an investment in the Series 2013 Bonds.

AUDITED FINANCIAL STATEMENTS

Audited Financial Statements of the SFMTA (the "Financial Statements") for the Fiscal Year ended June 30, 2013 are attached as Appendix A. See Appendix A—"SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY, FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013". Such financial statements have been audited by KPMG LLP ("KPMG"), independent certified public accountants. The SFMTA prepares financial statements that are audited annually.

The SFMTA has not requested nor did the SFMTA obtain permission from KPMG to include its report on the audited financial statements in Appendix A to this Official Statement. KPMG has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The SFMTA has covenanted for the benefit of the Owners of the Series 2013 Bonds to provide certain financial information and operating data relating to the SFMTA not later than 270 days after the end of the SFMTA's Fiscal Year (which currently ends on June 30), commencing with the report for Fiscal Year 2013-14 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the SFMTA with the MSRB through EMMA.

The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in Appendix E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The SFMTA is not in default with respect to any previous undertaking made with regard to said Rule.

The SFMTA has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual financial information or notices of material events.

As of the date of this Official Statement, the City has independently undertaken several continuing disclosure obligations and files annual reports through EMMA that include its audited financial statements.

TAX MATTERS

Opinion of Co-Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP and Rosales Law Partners LLP, Co-Bond Counsel to the SFMTA, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2013 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the SFMTA in connection with the Series 2013 Bonds, and Co-Bond Counsel have assumed compliance by the SFMTA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2013 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Co-Bond Counsel to the SFMTA, under existing statutes, interest with respect to the Series 2013 Bonds is exempt from personal income taxes imposed by the State.

Co-Bond Counsel express no opinion regarding any other federal or state tax consequences with respect to the Series 2013 Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2013 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2013 Bonds in order that interest on the Series 2013 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2013 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2013 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The SFMTA has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2013 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2013 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2013 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2013 Bonds.

Prospective owners of the Series 2013 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2013 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2013 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2013 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2013 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Co-Bond Counsel further is of the opinion that, for any Series 2013 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2013 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2013 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2013 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2013 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2013 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2013 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2013 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2013 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2013 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2013 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2013 Bonds.

Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the foregoing matters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned their municipal bond ratings of "[__]" and "[__]", respectively, to the Series 2013 Bonds. Moody's and S&P's rating outlooks with respect to the Series 2013 Bonds are "stable." The ratings and outlooks issued reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Series 2013 Bonds. Any explanation of the significance of these ratings and outlooks should be obtained from the respective rating agencies. There is no assurance that such ratings or outlooks will be retained for any given period or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the marketability or the market price of the Series 2013 Bonds.

UNDERWRITING

The Series 2013 Bonds are being purchased by J.P. Morgan Securities LLC, RBC Capital Markets, LLC, Morgan Stanley & Co., LLC and Siebert Brandford Shank & Co., LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2013 Bonds at a purchase price of $______________ (comprised of the principal amount of the Series 2013 Bonds, [plus/less] an aggregate reoffering [premium/discount] on the Series 2013 Bonds of $_________, less an underwriter's discount in the amount of $________).

The purchase contract pursuant to which the Series 2013 Bonds are being sold provides that the Underwriters will purchase all of the Series 2013 Bonds if any Series 2013 Bonds are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2013 Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

The Underwriters provided the information contained in this paragraph and the following paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the SFMTA, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the SFMTA.

J.P. Morgan Securities LLC ("JPMS") provided the information contained in this paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. JPMS, one of the underwriters of the Series 2013 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2013 Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase Series 2013 Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2013 Bonds that such firm sells.

Morgan Stanley & Co. LLC provided the information contained in this paragraph for inclusion in this Official Statement and the SFMTA does not take any responsibility for or make any representation as to its accuracy or completeness. Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an Underwriter of the Series 2013 Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013 Bonds.

ABSENCE OF LITIGATION

The SFMTA is not aware of any litigation pending or threatened questioning the political existence of the City or the SFMTA or contesting the SFMTA's power to fix passenger rates and charges, or in any way questioning or affecting:

(i) the proceedings under which the Series 2013 Bonds are to be issued,

(ii) the validity of any provision of the Series 2013 Bonds or the Indenture,

(iii) the pledge of Pledged Revenues by the SFMTA under the Indenture, or

(iv) the titles to office of the present members of the Board of Supervisors and the Board.

Suits and claims against the City and the SFMTA, which may include personal injury, wrongful death and other suits and claims against which the City and the SFMTA may self-insure, arise in the ordinary course of business. There is no litigation pending, with service of process having been accomplished, against the City or the SFMTA which, if determined adversely to the City or the SFMTA, would in the opinion of the City Attorney materially impair the ability of the SFMTA to pay principal of and interest on the Series 2013 Bonds as they become due.

CERTAIN LEGAL MATTERS

The validity of the Series 2013 Bonds and certain other legal matters are subject to the approving opinions of Hawkins Delafield & Wood LLP, San Francisco, California, and Rosales Law Partners LLP, San Francisco, California, Co-Bond Counsel. Complete copies of the proposed form of Co-Bond Counsel opinions are contained in Appendix G hereto, and will be made available to the Underwriters of the Series 2013 Bonds at the time of the original delivery of the Series 2013 Bonds. None of Co-Bond Counsel, Disclosure Counsel or Underwriters' Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the

SFMTA by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the SFMTA. Certain legal matters will be passed upon for the Underwriters by Kutak Rock LLP.

Orrick, Herrington & Sutcliffe LLP has served as disclosure counsel to the SFMTA and in such capacity has advised the SFMTA with respect to applicable securities laws and participated with responsible the SFMTA officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the SFMTA is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the issuance of the Series 2013 Bonds, Disclosure Counsel will deliver a letter to the SFMTA which advises the SFMTA, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the attorneys at such firm rendering legal services in connection with such firm's role as disclosure counsel which caused them to believe that this Official Statement as of its date and as of the date of issuance of the Series 2013 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2013 Bonds, or other person or party other than the SFMTA, will be entitled to or may rely on such letter of Orrick, Herrington & Sutcliffe LLP's having acted in the role of disclosure counsel to the SFMTA.

ROLE OF THE FINANCIAL ADVISORS

Backstrom McCarley Berry & Co., LLC, San Francisco, California and Public Financial Management, Inc., San Francisco, California are acting as co-financial advisors to the SFMTA with respect to the Series 2013 Bonds (collectively, the "Financial Advisors"). The Financial Advisors have assisted the SFMTA in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2013 Bonds. The Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the SFMTA to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisors assume no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisors will not purchase or make a market in any of the Series 2013 Bonds.

A portion of the compensation to be received by the Financial Advisors from the SFMTA for services provided in connection with the planning, structuring, execution and delivery of the Series 2013 Bonds is contingent upon the sale and delivery of the Series 2013 Bonds.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the SFMTA and the purchasers or owners of any of the Bonds. The preparation and distribution of this Official Statement has been authorized by the SFMTA.

APPROVAL AND EXECUTION

The execution and delivery of this Official Statement has been authorized by the Board of Directors of the SFMTA.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

By: ______________________________
Director of Transportation

APPENDIX A

SFMTA AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

APPENDIX B

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX C

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER INVESTMENT POLICY

APPENDIX D

SUMMARY OF THE LEGAL DOCUMENTS

The following is a summary of certain of the definitions and terms of the Indenture of Trust and the Second Supplement to Indenture of Trust. The summary is not intended to be comprehensive and investors are advised to refer to the actual executed documents for the complete terms of the documents summarized below. The Indenture of Trust is on file with the Trustee and, following delivery of the Series 2013 Bonds, the Second Supplement to Indenture of Trust will be on file with the Trustee.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS, SERIES 2013

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Francisco Municipal Transportation Agency (the "SFMTA") pursuant to Section 8A.102(b)(13) of the Charter, an Indenture of Trust, dated as of July 1, 2012 (as amended, the "Master Indenture"), between the SFMTA and U.S. Bank National Association (the "Trustee"), as successor in interest to The Bank of New York Mellon Trust Company, N.A., as trustee, a Second Supplement to Indenture of Trust dated as of October 1, 2013 between the SFMTA and the Trustee (the "Second Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), Ordinance No. 57-12 of the Board of Supervisors adopted on April 19, 2012, Resolution No. 13 [___] of the Board of Directors of the SFMTA (the "Board") adopted on September 3, 2013, and Resolution No. [___] 13 of the Board of Supervisors adopted on September 24, 2013, concurring as to the issuance of the San Francisco Municipal Transportation Agency Revenue Bonds, Series 2013 (the "Bonds") adopted on [________], 2013. The SFMTA covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the SFMTA for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the SFMTA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the SFMTA, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the SFMTA and which has filed with the SFMTA a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The SFMTA shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the SFMTA's Fiscal Year (which is June 30), commencing with the report for the 2012-13 Fiscal Year (which is due not later than March 27, 2014), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the SFMTA, the SFMTA shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the SFMTA are not available by the date required above for the filing of the Annual Report, the SFMTA shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the SFMTA's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the SFMTA is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the SFMTA shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the SFMTA), file a report with the SFMTA certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The SFMTA's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the SFMTA prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) an update of the information contained in the following tables:

(i) TABLE 2 – HISTORIC ROUTE RIDERSHIP BY MODE;

(ii) TABLE 6 – SFMTA HISTORICAL OPERATING REVENUES AND EXPENSES;

(iii) TABLE 7 – PLEDGED REVENUES;

(iv) TABLE 9 – FARE REVENUE, RIDERSHIP AND AVERAGE FARES PER PASSENGER; and

(v) TABLE 17 – SFMTA OPEB ALLOCATIONS AND CONTRIBUTIONS.

In addition, if the City and County of San Francisco is no longer obligated, pursuant to a continuing disclosure undertaking, to file its audited financial statements with the MSRB, the annual report shall indicate where City and County of San Francisco audited financial statements are available.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the SFMTA or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The SFMTA shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The SFMTA shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

11. Modifications to rights of Bond holders;

12. Unscheduled or contingent Bond calls;

13. Release, substitution, or sale of property securing repayment of the Bonds;

14. Non-payment related defaults;

15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions,

other than pursuant to its terms; or

16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The SFMTA shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the SFMTA obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the SFMTA shall determine if such event would be material under applicable federal securities laws.

(e) If the SFMTA learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the SFMTA shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The SFMTA's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the SFMTA shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The SFMTA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the SFMTA may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney of the City and County of San Francisco (the "City Attorney") or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Bonds or (ii) does not, in the opinion of the SFMTA Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the SFMTA shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the SFMTA. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the SFMTA from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the SFMTA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the SFMTA shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the SFMTA to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the SFMTA to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. The sole remedy under this Disclosure Certificate in the event of any failure of the SFMTA to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the SFMTA, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: ______, 2013.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By___________________________
[Title]

Approved as to Form:

DENNIS J. HERRERA
CITY ATTORNEY

By:______________________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY
Name of Issue:	SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS, SERIES 2013
Date of Issuance:	______, 2013

NOTICE IS HEREBY GIVEN that the SFMTA has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the San Francisco Municipal Transportation Agency, dated the Date of Issuance. The SFMTA anticipates that the Annual Report will be filed by _____________.

Dated:_______________

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By:________[to be signed only if filed]____________
Title ____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Series 2013 Bonds, payment of principal, interest and other payments on the Series 2013 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series 2013 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the SFMTA nor the Trustee take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal with respect to the Series 2013 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2013 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2013 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current Rules applicable to DTC are on file with the Securities and Exchange Commission and the current Procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Bonds"). The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2013 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Bonds Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from Standard & Poor's of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to SFMTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from SFMTA or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or SFMTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of SFMTA or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to SFMTA or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

SFMTA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX G

PROPOSED FORM OF LEGAL OPINION OF CO-BOND COUNSEL

[TO COME]

Enclosure 3

<u>Certificate as to Finality of Preliminary Official Statement</u>

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY REVENUE BONDS
SERIES 2013

I, Edward Reiskin, Director of Transportation of the San Francisco Municipal Transportation Agency (the "SFMTA"), hereby certify that I am authorized to execute this certificate on behalf of the SFMTA.

I hereby further certify, on behalf of the SFMTA, that the Preliminary Official Statement dated ________, 2013 (including the cover page and all appendices thereto, the "Preliminary Official Statement"), relating to the above-referenced bonds (the "Bonds") is deemed to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12.

Dated: ________, 2013.

SAN FRANCISCO MUNICIPAL
TRANSPORTATION AGENCY

By: ____________________________________
Director of Transportation