

PRESS RELEASE

Transportation Authority Sells \$248.25 Million in Bonds to Advance Major Projects Citywide

Agency’s first bond sale allows for quicker project delivery, follows ratings boost

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Plan, Fund, Deliver

SAN FRANCISCO, CA – The San Francisco County Transportation Authority has announced the sale of \$248.25 million in sales tax revenue bonds to advance major projects citywide.

As the transportation sales tax administrator for San Francisco, the Transportation Authority typically disburses funds on an ongoing basis from its sales tax revenues, with occasional use of short-term financing to meet the program’s capital needs. But with expenditures from transit agencies and other City departments anticipated to peak in coming years due to planned major investments, the Transportation Authority decided to issue its first long-term bond to meet the higher cash needs. This allows project delivery and benefits to the public to be realized sooner than would otherwise be possible.

Proceeds from the bond sale will primarily help pay for new Muni motor coaches, trolley coaches, and light rail vehicles. The funds also will pay for new Muni communications equipment, in addition to other projects in the city’s half-cent sales tax Expenditure Plan.

“The Transportation Authority is pleased to help deliver critically needed Muni vehicles and other citywide transportation improvements through the sale of our first long-term bond,” said Transportation Authority Chair and District 3 Supervisor Aaron Peskin. “In the current federal funding environment, San Francisco is doing its fair share to modernize our existing transit infrastructure and invest locally.”

The bond sale is anticipated to close November 2. Five underwriting firms submitted bids on the bonds, and Bank of America Merrill Lynch was awarded the offering based on the lowest average cost of borrowing of 2.39 percent. The Transportation Authority will repay the bonds with half-cent sales tax revenues over 17 years.

Tilly Chang, the Transportation Authority’s Executive Director said, “After years of planning and careful management of our sales tax program, I am delighted that the Transportation Authority was able to cost-effectively leverage our financial capacity to meet the city’s needs. This is yet another demonstration of San Francisco’s local transportation sales tax dollars at work.”

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Ratings boost

Prior to the bond sale, Fitch Ratings and S&P Global Ratings each boosted their credit ratings on the Transportation Authority. Fitch issued a rating of AAA, its highest, up from its previous AA+ rating. Standard & Poor's issued a rating of AA+, up from its previous AA rating.

The high ratings reflect the strength and diversity of the economic base that generates San Francisco's half-cent sales tax for transportation, the primary revenue source overseen by the Transportation Authority. The ratings also reflect the Transportation Authority's strong financial position. As a result, investor interest was high, enabling the agency to realize a low cost of borrowing.

Nixon Peabody LLP was the Transportation Authority's bond counsel; Squire Patton Boggs LLP served as disclosure counsel and KNN Public Finance served as municipal advisor for the transaction.

"As a new credit in the municipal market with very strong credit ratings, there was tremendous investor and bidder interest in Transportation Authority bonds," said David Leifer, Senior Managing Director of KNN Public Finance. "The result was a very low cost of funds for the Transportation Authority."

Since its start in 1989, the Transportation Authority has administered San Francisco's half-cent transportation sales tax, allocating approximately \$2.6 billion to voter-approved projects, large and small. Each fiscal year, the program generates tens of millions of dollars (about \$102 million in both 2016 and 2017) to help fund a voter-approved list of projects such as the Presidio Parkway, Central Subway, Caltrain electrification and the Transbay Transit Center, as well as citywide, neighborhood-scale improvements like pedestrian crosswalks, bicycle facilities, transit infrastructure, and street resurfacing. At the end of the fiscal year concluded June 30, 2017, the agency received its fourteenth consecutive clean audit.

About the San Francisco County Transportation Authority (www.sfcta.org)

Created in 1989, the Transportation Authority spearheads countywide planning and allocates funding for transportation projects in San Francisco. The Transportation Authority administers the city's Prop. K half-cent transportation sales tax, the Prop AA \$10 annual vehicle registration fee program and the Transportation Fund for Clean Air. The Transportation Authority also serves as San Francisco's Congestion Management Agency and is the Treasure Island Mobility Management Agency. The Transportation Authority Board consists of the 11 members of the San Francisco Board of Supervisors, who act as Transportation Authority Commissioners. Commissioner Aaron Peskin is Chair of the Board. Tilly Chang is the Transportation Authority's Executive Director.

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