

# TJPA 2020 Bond Sale

March 12, 2020



# Series 2020 Tax Allocation Bonds

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1. Refinance TIFIA Loan in full
2. City Financing remaining balance, if any
3. Provide New Money Proceeds



# TIFIA Refinance

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## Current

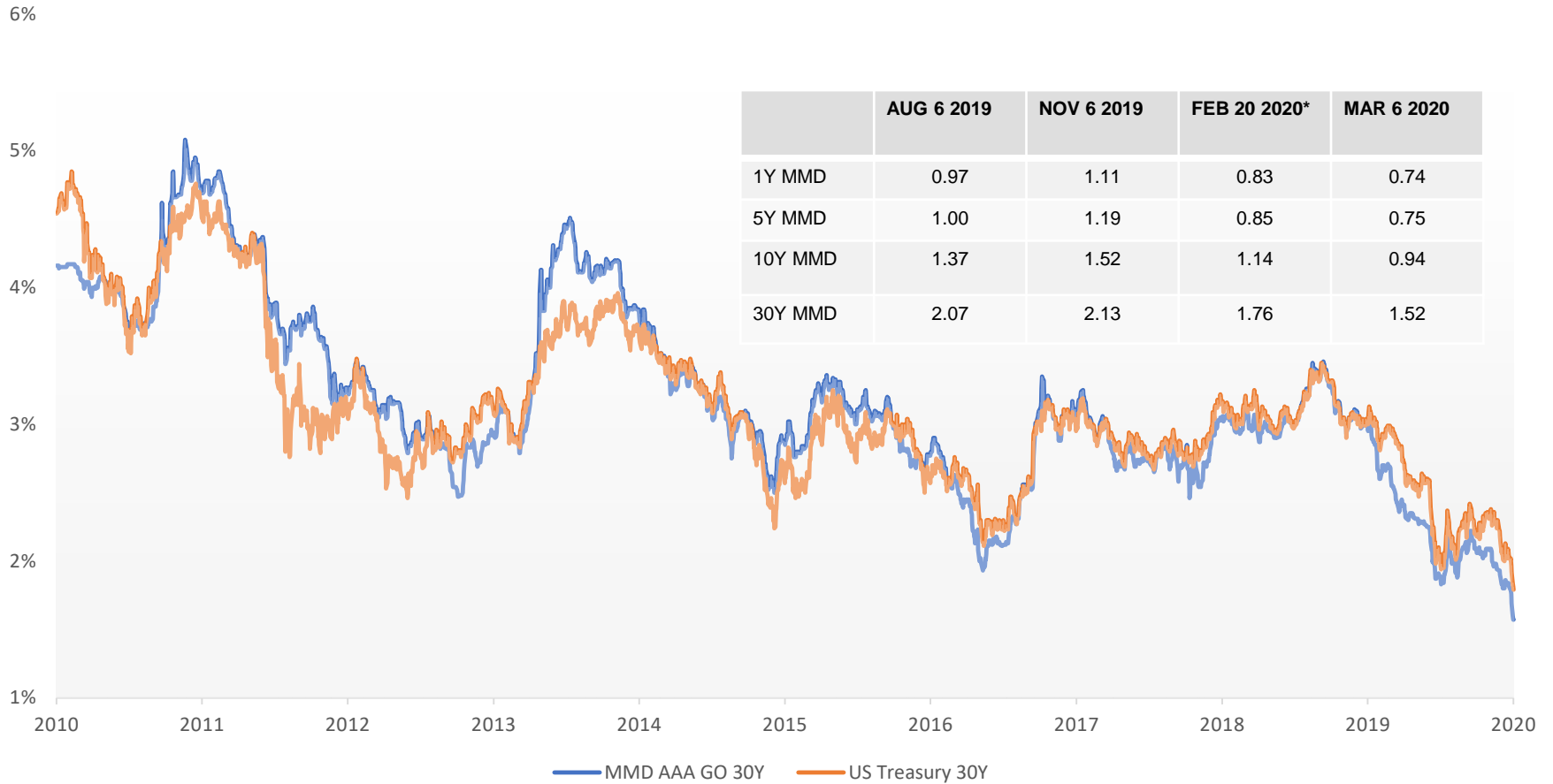
- Executed in 2010 for \$171M
- Secured primarily by Net Tax Increment
- Interest rate of 4.57%
- Final Maturity on Feb. 2051
- Outstanding balance of \$179M  
as of February 1, 2020

## Anticipated

- Refinancing in 2020 for \$179M
- Secured by Net Tax Increment
- Current market (as of Feb. 20, 2020) + 0.50% (approx. 3.5%)
- Final Maturity on Oct. 2049
- Level Annual Savings
- NPV Savings expected over 10% of refunded bonds or in excess of \$20M

# Market Update

30Y MMD AAA GO vs 30Y US Treasury Rates since 2010



# City Financing

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## Current

- Executed in 2017 for up to \$260M
- \$103M in total draws
- Net Tax Increment pays interest (on parity with TIFIA)
- Interest rate - 1-month LIBOR + 0.56%
- Interest rate caps - to hedge risk of rising interest rates
- Credit Facility Expires January 2022
- Outstanding balance of \$76M

as of January 31, 2020

## Anticipated

- Refinancing in May 2020, with:
- CCSF Community Facilities District 2014-1 (CFD) Bond 3<sup>rd</sup> Issuance
  - Secured by CFD Special Tax Revenues
  - Fixed Rate
- TJPA 2020 TABs in June 2020
  - Any Amount not Achieved by CFD Bond 3<sup>rd</sup> Issue
  - Secured by Net Tax Increment

# Other Uses of Proceeds

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- New money proceeds for the Transbay Terminal Project
  - Program Reserves \$35.5M
  - Tenant Improvements \$50.5M
  - Capital Replacement Reserve target of \$29.0M\*
- Other Transaction Uses
  - Insurance/Surety, if applicable
  - Debt Service Reserve
  - Cost of Issuance\*\*

*\* Up to \$40.0 million (depending upon market conditions)*

*\*\*Includes fees of Rating Agencies, Financial Advisors, Legal Counsel, Underwriters, Trustee, Disclosure Counsel, Verification Agent, Printer, and miscellaneous expenses associated with the issuance*

# Sources and Uses

<b>Planned Sources and Uses of TJPA and City Proposed 2020 Bond Sales <sup>a</sup></b>	
<b>Sources</b>	
Bond Proceeds-TJPA Series 2020 Bonds	318,700,000
Bond Proceeds-City CFD 2014-1 Bonds <sup>b</sup>	76,000,000
<b>TOTAL SOURCES</b>	<b>\$394,700,000</b>
<b>Uses</b>	
TIFIA Loan Principal/Interest	181,800,000
City Financing Principal/Interest <sup>b</sup>	76,000,000
Capital Replacement Reserve <sup>c</sup>	29,000,000
Phase 1 Program Reserve	35,500,000
Tenant Improvements	50,500,000
Cost of Issuance	3,300,000
Debt Service Reserve	18,600,000
<b>TOTAL USES</b>	<b>\$394,700,000</b>

*Notes:*

- a. Subject to market conditions at the time of sale. Amounts are rounded up to the hundred thousands.*
- b. Subject to City approval. To the extent CFD bond issuance not approved and/or proceeds of CFD bond issuance not adequate to pay total outstanding balance, the TJPA understands that City would expect the TJPA to repay the remainder the City Financing with a portion of the net proceeds of the TJPA's Series 2020 Bonds.*
- c. Targeted amount could increase up to \$40 million depending on market conditions at the time of sale of the Series 2020 Bonds.*

# Series 2020 Tax Allocation Bonds Structure

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- Bonds Issued in an amount not-to-exceed \$315M par amount
- Expected to be primarily tax-exempt (with taxable bonds\*)
- Bonds secured by Net Tax Increment (Pledged Revenues)
- Senior bonds in an amount that targets a minimum debt service coverage ratio of 1.5x\*\*
- Subordinate bonds to the extent necessary to generate sufficient proceeds
- Term of up to 30 years with market driven optional and mandatory repayment features
- Bonds anticipated to be fixed rate, current interest
- Green bonds via Climate Bonds Initiative third party certification
- Trustee to hold Pledged Revenues for payment of debt service and other obligations
- Based on Good Faith Estimate\*\*\*, Current Market +.50% would yield an overall 3.86% TIC

*\*Subject to the TJPA's tax counsel final analysis*

*\*\*To be determined following completion of discussions with rating agencies*

*\*\*\*Good Faith Estimate Uses current Market Conditions from 2/20/20*



# Underwriting Syndicate

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- RFP to Underwriting Firms
- Received 11 responsive proposals
  - Proposals evaluated on:
    - Approach
    - Work plan and schedule
    - Firm capabilities in underwriting and marketing tax allocation bonds
    - Experience of key personnel
    - Indicative cost
- Firms selected:
  - Citigroup Global Markets, Inc., Senior Manager
  - Stifel, Nicolaus & Company, Inc. Co-Senior Manager
  - Morgan Stanley & Co., LLC, Co-Manager

# Financing Calendar

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## March

- TJPA Board of Directors Meeting
- City and County of San Francisco Board of Supervisors Meeting
  - Notice of Public Hearing
  - Finding of “significant public benefits”

## April

- Credit Ratings from S&P and Fitch
- Finalize Discussions with Insurers

## May

- Finalize Offering Documentation

## June

- Bond Closing

# Budgetary Impact

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- Several Internal Budgeting and Accounting Adjustments
  - Budget Adjustments
    - Amend Operations Budget
    - Amend Capital Budget
    - Establish and Increase Separate Debt Service Budget
    - Establish Tenant Improvement Budget
  - Phase 1 Budget Remains the same \$2,259.4B –(Net \$0)
    - Removes Tenant Improvements –Decreases \$35.5
    - Reimburses Program Reserve- Increases \$35.5
  - Phase 2 Available Funding Increases by \$35.5M
  - Reserves
    - Fiscal Reserve Funded -\$50.5M
    - Capital Replacement Reserve-\$29M\*

# Operations Budget

Description	FY19-20 Operations Budget Amendment 1	FY19-20 Operations Budget Changes	FY19-20 Operations Budget Amendment 2	% Change from Amendment 1
<b>REVENUES AND SOURCES</b>				
INTERGOVERNMENTAL REVENUES				
MTC Grant	-	50,000	50,000	0%
Net Tax Increment Revenue (Debt Service)	6,538,828	(6,538,828)	-	-100%
AC Transit Capital Contribution	-	250,000	250,000	0%
<b>Subtotal, Intergovernmental Revenue</b>	<b>23,272,764</b>	<b>(6,238,828)</b>	<b>17,033,936</b>	<b>-27%</b>
OPERATING REVENUES				
Naming Rights	3,546,600	(509,033)	3,037,567	-14%
Transit Center Retail Revenue	3,269,469	(2,000,000)	1,269,469	-61%
Transit Center Sponsorship / Events	614,500	(500,000)	114,500	-81%
Transit Center Advertising & Miscellaneous Revenue	2,064,623	(1,100,000)	964,623	-53%
Neutral Host DAS Licensing Fees	625,000	(500,000)	125,000	-80%
Other Operator Rents	319,500	(180,500)	139,000	-56%
201 Mission Office Sublease	780,000	(590,000)	190,000	-76%
<b>Subtotal, Operating Revenue</b>	<b>11,544,857</b>	<b>(5,379,533)</b>	<b>6,165,324</b>	<b>-47%</b>
OTHER SOURCES				
Interest Income	-	267,451	267,451	0%
<b>Subtotal, Other Sources</b>	<b>2,519,700</b>	<b>267,451</b>	<b>2,787,151</b>	<b>11%</b>
<b>TOTAL REVENUE AND OTHER SOURCES</b>	<b>\$37,337,320</b>	<b>(11,350,910)</b>	<b>25,986,410</b>	<b>-30%</b>
<b>EXPENSES AND CONTINGENCIES</b>				
Salaries, Fringe Benefits, & Admin	3,630,511	(579,601)	3,050,910	-16%
Debt Service/City Financing Interest	6,538,828	(6,538,828)	-	-100%
<b>Total Administrative Budget</b>	<b>10,175,414</b>	<b>(7,118,429)</b>	<b>3,616,985</b>	<b>-66%</b>
<b>Contingencies</b>				
Emergency Reserve	500,000	-	500,000	0%
O&M Reserve	1,953,049	(1,953,049)	-	-100%
<b>Subtotal, Contingencies</b>	<b>2,453,049</b>	<b>(1,953,049)</b>	<b>500,000</b>	<b>-80%</b>
<b>Transit Center</b>				
Wayfinding Gap Analysis	100,000	50,000	150,000	50%
Marketing & Leasing Commissions	1,909,432	(1,909,432)	-	-100%
Security	7,222,585	(670,000)	6,552,585	-9%
Minor Capital Repair and Maintenance	-	250,000	250,000	0%
Transit Center Temporary Closure	-	-	-	0%
<b>Subtotal, Transit Center</b>	<b>24,148,858</b>	<b>(2,279,432)</b>	<b>21,869,426</b>	<b>-9%</b>
<b>TOTAL EXPENSES AND CONTINGENCIES</b>	<b>\$37,337,321</b>	<b>(11,350,910)</b>	<b>25,986,411</b>	<b>-30%</b>
<b>Difference</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

# Capital Budget

Description	FY19-20 Final Capital Budget Amendment 2	Phase 1	Phase 2	Phase 1 Changes	Phase 2 Changes	Tenant Improvement Capital Budget	FY19-20 Final Capital Budget Amendment 3
<b>REVENUES</b>							
<b>COMMITTED REVENUES</b>							
Bond Proceeds	-	-	-	35,500,000	-	50,500,000	86,000,000
Mello-Roos Community Facilities District Bond Reimbursements	63,544,413	63,544,413	-	(35,500,000)	35,500,000	-	63,544,413
<b>Subtotal, Committed Revenue</b>	<b>68,950,222</b>	<b>68,099,383</b>	<b>850,839</b>	<b>-</b>	<b>35,500,000</b>	<b>50,500,000</b>	<b>154,950,222</b>
<b>PLANNED REVENUES</b>							
<b>Subtotal, Planned Revenue</b>	<b>31,116,953</b>	<b>12,044,000</b>	<b>19,072,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,116,953</b>
<b>TOTAL REVENUES</b>	<b>100,067,175</b>	<b>80,143,383</b>	<b>19,923,792</b>	<b>-</b>	<b>35,500,000</b>	<b>50,500,000</b>	<b>186,067,175</b>
<b>EXPENSES</b>							
<b>Salaries, Fringe Benefits, &amp; Admin</b>	<b>2,389,142</b>	<b>1,119,275</b>	<b>1,269,867</b>	<b>(200,000)</b>	<b>-</b>	<b>200,000</b>	<b>2,389,142</b>
<b>Total Administrative Budget</b>	<b>12,933,767</b>	<b>11,364,775</b>	<b>1,568,992</b>	<b>(200,000)</b>	<b>-</b>	<b>200,000</b>	<b>12,933,767</b>
<b>Professional &amp; Specialized Services</b>							
<i>Construction</i>	-	-	-	-	-	-	-
Transit Center Building & Ramps Construction	41,443,276	41,443,276	-	-	-	-	41,443,276
Base Building Improvements / Tenant Improvements	21,842,908	21,842,908	-	(21,842,908)	-	21,842,908	21,842,908
Base Building /Tenant Improvements Expense Transfer	-	-	-	(13,457,092)	-	13,457,092	-
<b>Subtotal, Professional &amp; Specialized Services</b>	<b>87,133,408</b>	<b>68,778,608</b>	<b>18,354,800</b>	<b>(35,300,000)</b>	<b>-</b>	<b>35,300,000</b>	<b>87,133,408</b>
<b>Contingencies</b>							
Fiscal Reserve (Phase 2)	-	-	-	-	35,500,000	-	35,500,000
Fiscal Reserve (Tenant Improvement)	-	-	-	-	-	15,000,000	15,000,000
Program Reserve (Phase 1)	-	-	-	35,500,000	-	-	35,500,000
<b>Subtotal, Contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,500,000</b>	<b>35,500,000</b>	<b>15,000,000</b>	<b>86,000,000</b>
<b>TOTAL EXPENSES</b>	<b>\$ 100,067,175</b>	<b>\$ 80,143,383</b>	<b>\$ 19,923,792</b>	<b>\$ -</b>	<b>\$ 35,500,000</b>	<b>\$ 50,500,000</b>	<b>\$ 186,067,175</b>
<b>Difference(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*For presentation purposes, some budgetary amounts are not shown on table, but totals agree with formal actions.

# Debt Service Budget

	FY19-20 Adopted Debt Service Budget	FY19-20 Debt Service Budget Changes	FY19-20 Debt Service Budget Board Amended	% Change from Original Budget
<b>REVENUES</b>				
Bond Proceeds-TJPA TAB	-	203,700,000	203,700,000	0%
Bond Proceeds-CFD-2014-1	-	78,000,000	78,000,000	0%
Net Tax Increment Revenue	6,538,828	7,969,568	14,508,396	122%
Interest Income	31,100	-	31,100	0%
<b>TOTAL REVENUES</b>	<b>6,569,928</b>	<b>289,669,568</b>	<b>296,239,496</b>	<b>4409%</b>
<b>EXPENSES</b>				
TIFIA Interest/Principal	4,293,098	189,769,568	194,062,666	4420%
City Financing Principal/ Interest	2,245,730	78,000,000	80,245,730	3473%
Cost of Issuance	-	3,300,000	3,300,000	0%
Credit Analysis	30,000	-	30,000	0%
Trustee Fees	1,100	-	1,100	0%
Debt Service Reserve	-	18,600,000	18,600,000	0%
<b>TOTAL EXPENSES</b>	<b>6,569,928</b>	<b>289,669,568</b>	<b>296,239,496</b>	<b>4409%</b>

Notes:

a. Planned bond proceeds subject to market conditions at the time of sale.

b. Third issuance of City CFD 2014-1 Bonds subject to City approval. Planned bonds proceeds amount and the City Financing repayment amount of \$78 million includes \$2 million from the City's second issuance of CFD bonds and an assumed \$76 million from a proposed third issuance.

# Tenant Improvement Budget

FY19-20 Tenant Improvements Capital Budget	Amounts
<b>REVENUES</b>	
Bond Proceeds-TJPA Series 2020 Bonds	50,500,000
<b>TOTAL REVENUES</b>	<b>50,500,000</b>
<b>EXPENSES</b>	
Base Building Improvements / Tenant Improvements	19,933,476
Base Building Improvements / Tenant Improvements Expense Transfer (from Phase 1)	13,457,092
Salaries, Fringe Benefits, & Admin (Transfer from Phase 1)	200,000
Marketing & Leasing Commissions (Transfer from Operations)	1,909,432
<b>TOTAL EXPENSES</b>	<b>35,500,000</b>
Fiscal Reserve (Tenant Improvement Contingency)*	15,000,000
<b>DIFFERENCE</b>	<b>-</b>

\*Transfer of Salary/Benefits and Marketing & Leasing Commissions were not initially contemplated in \$35.5 estimate and may require a transfer from contingency at final close-out.

# Reserves

RESERVES	FY18-19 Year-end	Proposed Additions/ (Subtractions)	Total
<b><u>Capital Sources</u></b>			
Fiscal Reserve			
<i>Restricted</i>	-	50,500,000	50,500,000
<u>Phase 1 Program Reserve</u>	<u>25,600,000</u>	<u>35,500,000</u>	<u>61,100,000</u>
Combined Fiscal Reserve	25,600,000	86,000,000	111,600,000
*Capital Replacement Reserve	939,700	29,000,000	29,939,700
<b>Total Capital Reserves</b>	<b>\$26,539,700</b>	<b>\$115,000,000</b>	<b>\$141,539,700</b>
<b><u>Operational Sources</u></b>			
Emergency Reserve	500,000	-	500,000
Operations and Maintenance Reserve	1,953,049	(1,625,000)	328,049
<b>Total Operational Reserves</b>	<b>\$2,453,049</b>	<b>(1,625,000)</b>	<b>\$828,049</b>
<b>OVERALL RESERVE POSITION</b>	<b>\$28,992,749</b>	<b>\$113,375,000</b>	<b>\$142,367,749</b>

\*Targeted amount of \$29 million and up to \$40 million based on market conditions at the time of the sale



# Reserve Policy

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- The TJPA's Board Policy No. 012, Reserve Policy, establishes three types of reserves:
  - Emergency Reserve,
  - Fiscal Reserve,
  - Operations and Maintenance (O&M) Reserve.
  
- Revision
  - Capital Replacement Reserve
    - For future life cycle replacements of major building components
    - Targeted amount of \$29 million and up to \$40 million based on market conditions at the time of the sale



# Thank You

**TJPA**  
TRANSBAY JOINT POWERS AUTHORITY

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