Debt Policy and 2021 Financing Plan

Joint Powers Board Meeting
June 3, 2021

Measure RR – Financing Plan 2021

- Replace the 2019 revolving credit agreements with two new revolving credit agreements secured by a subordinate pledge of Measure RR sales tax revenues
- If market conditions allow, advance refund $47,635,000 principal amount of PCJPB Farebox Revenues Bonds, 2019 Series A
- Issue “new money” Measure RR secured bonds, payable from proceeds of sale from Low Carbon Fuel Standards credits
- Re-approval of PCJPB’s Debt Policy

Revolving Credit Agreements

- In 2016, the JPB entered into a revolving credit agreement with JP Morgan, secured by a subordinate pledge of farebox revenue, in the amount of $150 million to finance certain capital costs associated with the PCEP project;
- The amount of the 2016 credit agreement was increased to $170 million and JPB entered into a separate agreement to fund certain working capital needs
- Proposing to replace with two new $100 million revolving credit agreements with Wells Fargo, secured by a subordinate pledge of Measure RR revenue

Potential Savings

	New Facilities*	Existing Facilities	Improvement
Standby/Unused Fee	0.23%	0.60%	0.37%
Tax-Exempt Index	80% of 1 Month LIBOR or SOFR	1 Month LIBOR	20% of 1 Month LIBOR
Tax-Exempt Margin	0.29% (LIBOR)	2.20%	1.91%
Taxable Index	1 Month LIBOR or SOFR	1 Month LIBOR	
Taxable Margin	0.40% (LIBOR)	2.75%	2.35%

* For 3-year facility.

Assuming 50% average utilization of both Facilities, the JPB would save approximately $2,500,000 per year

“New Money” Measure RR Secured Bonds (PCEP)

- Bond proceeds to be used to fund portion of project funding shortfall
- Likely to be sold as fixed rate bonds
- Structured for flexible amortization/short call structures (to take advantage of flows of LCFS related revenue)
- Structured to mitigate potential reliance on Measure RR funds as a source of payment (as opposed to serving as security)

Refinancing of 2019 PCJPB Farebox Revenue Bonds, Series A

- In 2019, PCJPB issued farebox revenue bonds in the amount of $47,635,000; these bonds were issued to:
  - Refinance 2007 and 2015 farebox revenue bonds
  - And, acquire certain real property that PCJPB has previously been leasing
- The farebox pledge refers to the amounts generated and collected in connection with the operation of Caltrain, including passenger fares, parking, shuttle and pass revenues, and other revenues from operations.
- Currently, PCJPB cannot refinance the 2019 Farebox Bonds for savings but wishes to remain opportunistic in the event that savings can be realized

Recommendation

- Authorize staff to proceed with the replacement of 2019 Credit Agreements with two new revolving credit agreements in the amounts of $100,000,000 for PCEP and $100,000,000 for Working Capital
- Authorize staff to proceed with the refinancing, if economic, the 2019 Bonds with Measure RR sales tax secured revenue bonds
- Authorize staff to proceed with securing “new money” bond proceeds to address PCEP funding
- Re-Authorize PCJPB’s debt policy that was previously adopted on August 2, 2018.

Next Steps

- June:
  - VTA authorization of lines of credit
  - SFMTA recommendation of financing plan
- July:
  - San Francisco Board of Supervisors authorization of financing plan
  - SMCTD authorization of financing plan
- August:
  - JPB approval of indenture, lines of credit
  - VTA authorization of PCEP bonds and refinancing
  - “Closing” of new lines of credit