



Memorandum

AGENDA ITEM 9

DATE: September 19, 2025
TO: Transportation Authority Board
FROM: Cynthia Fong – Deputy Director for Finance and Administration
SUBJECT: 10/07/2025 Board Meeting: Authorize Borrowing of up to \$60 million under the Amended and Restated Revolving Credit Agreement with U.S. Bank National Association

RECOMMENDATION ☐ Information ☒ Action

Authorize Borrowing of up to \$60 million from the Amended and Restated Revolving Credit Agreement with U.S. Bank National Association

SUMMARY

The purpose of this memo is to brief the Board on our debt management strategy for the sales tax program and to request authorization to borrow up to an additional \$60 million, bringing the total authorized borrowing amount up to \$125 million, from our \$185 million Amended and Restated Revolving Credit Agreement (Revolver) with U.S. Bank National Association (U.S. Bank). We anticipate needing to draw on available funds under the Revolver to meet capital reimbursement requests for the sales tax program. The Revolver is a short-term variable rate financing vehicle through a direct loan with a commercial bank. As of September 19, 2025, we have fully drawn on \$65 million of available funds previously approved by the Board to reimburse light rail vehicle procurements and \$120 million remains available to draw upon to fund upcoming sales tax capital expenditures. Through ongoing discussions with our sponsors (particularly San Francisco Municipal Transportation Agency (SFMTA)) and financial advisor, KNN Public Finance, we have conducted cash flow analyses and anticipate the need to borrow \$60 million over the next several months from the Revolver to meet

- ☐ Fund Allocation
- ☐ Fund Programming
- ☐ Policy/Legislation
- ☐ Plan/Study
- ☐ Capital Project Oversight/Delivery
- ☒ Budget/Finance
- ☐ Contract/Agreement
- ☐ Other:



our financial commitments. We have been tracking some of the largest sales tax projects and programs in terms of the amount of the funds allocated and remaining to be reimbursed (Attachment 1), most of which are in active construction phases or reaching other milestones that will trigger large sales tax reimbursement requests. Among the major cash driver projects are the purchase of new SFMTA light rail vehicles and motor coaches and BART Fleet of the Future rail cars. Consistent with our debt management approach, we would use the Revolver to meet short-term cash needs, providing time for us to prepare to issue long-term debt (e.g., bonds) over the next few years, if needed.	
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BACKGROUND

We receive revenues from the one-half of one percent sales tax which are dedicated toward financing transportation improvements in the voter approved sales tax Expenditure Plan (Prop L, approved in 2022, which superseded Prop K, approved in 2003). In Fiscal Year (FY) 2024/25 our sales tax revenues were \$110.1 million, and we budgeted FY 2025/26 sales tax revenue collections at approximately the same level. To fund transportation projects under the Prop K and Prop L Expenditure Plans, we have relied on pay-go sales tax revenues and interim financing under the Amended and Restated Revolving Credit Agreement Loan (Revolver) program. The Revolver is an alternative variable rate financing vehicle to traditional commercial paper notes and is a loan directly from a commercial bank. From time to time, we have utilized available funding under our interim borrowing program to fund peak capital expenditures that could not be met with available sales tax revenues.

In 2017, we issued our first and only long-term bond issuance to date - the Senior Sales Tax Revenue Bond, Series 2017 (the Senior Lien Bonds), which provided approximately \$200 million in bond proceeds for projects as well as repaying amounts previously drawn under a prior revolving credit agreement and paying related costs. Currently, \$164,515,000 of the Senior Lien Bonds are outstanding and we pay approximately \$21.3 million of annual principal and interest payments through FY 2033/34.

On October 31, 2024, we entered into a Revolver with U.S. Bank for \$185 million. Borrowed amounts under the Revolver carry a rate of interest equal to the sum of Securities Industry and Financial Markets Association (SIFMA) Index plus a fixed credit spread (subject to adjustment if our credit rating changes). Unborrowed



amounts under the Revolver are subject to a commitment fee of 0.20%. The Revolver expires on October 29, 2027. The Revolver is secured by a lien on our sales tax revenues subordinate to the Senior Lien Bonds.

DISCUSSION

We anticipate drawing on a portion of the subject \$60 million in funds available under the Revolver as soon as November 2025 to meet the anticipated capital reimbursement requests for the sales tax program. Through ongoing discussions with our sponsors (particularly the SFMTA) and analysis conducted with our financial advisor, KNN Public Finance, we have conducted the necessary cash flow review that confirms our budget assumption of needing to borrow \$60 million over the next several months from the Revolver. Further, if the pace of project delivery and reimbursements ramps up as anticipated, we may return to the Board for permission to draw additional funds over the next 6 months. Currently, the Revolver has funding capacity of \$120 million. Following the requested additional borrowing of \$60 million, funding capacity of \$60 million would remain.

The need to address a rapid spike in reimbursement requests is precisely why we have a flexible debt instrument like the Revolver in place and it is why we have been closely tracking some of the largest projects (largest in terms of the amount of sales tax funds allocated and remaining to be reimbursed), most of which are in active construction phases or reaching other milestones that will trigger large sales tax reimbursement requests. Some of the major cash driver projects for FYs 2024/25 and 2025/26 are the SFMTA's Light Rail Vehicles procurement, Motor Coaches procurement, L-Taraval Transit Enhancements, various signals and signs projects, and Van Ness Bus Rapid Transit; the Transbay Joint Powers Authority's The Portal/Caltrain Downtown Extension; and BART's Next Generation Fare Gates and Core Capacity Fleet of the Future vehicles. Attachment 1 shows that in aggregate, if project sponsors were to seek the maximum reimbursement allowable per the grant agreement as amended, reimbursements could total \$133.6 million just for the major cash drivers by the end of FY 2025/26. While we do not anticipate that this full amount is likely to be requested for reimbursement in FY2025/26, we are expecting to see a significant portion requested for reimbursement in the next six months.

We will receive first quarter reimbursements requests in November. Typically, capital reimbursements from sponsors ramp up over the course of the fiscal year, with the fourth quarter resulting in the highest level of capital reimbursements paid by our agency.



We expect to continue to utilize an interim borrowing program in tandem with pay-go sales tax revenues to meet our near-term transportation expenditure needs. Concurrently, we are working on a schedule that calls for our agency to be ready to potentially issue our second long-term bond within the next several years. The intrinsic flexibility of the Revolver, in combination with a long-term bond, supports our long-term financing plan to advance funds for projects to deliver the benefits sooner to the public, while minimizing financing costs. We will continue to monitor sales tax revenues and capital spending closely through a combination of cash flow needs for allocation reimbursements, progress reports, and conversations with project sponsors.

FINANCIAL IMPACT

The proposed FY 2025/26 budget already incorporates the need to borrow \$60 million under the Revolver to help pay for anticipated capital project reimbursement requests. Amounts borrowed under the Revolver bear a rate of interest equal to the sum of SIFMA, a tax-exempt variable rate index, plus a fixed credit spread (subject to adjustment if our credit rating changes). As of September 10, 2025, our cost of borrowing (interest rate) under the current Revolver facility is 3.18% and its cost of maintaining the facility on an unutilized basis is 0.20%. If we identify the need for additional borrowing from the Revolver, we would seek Board approval to do so and would reflect the additional amount in the mid-year Fiscal Year 2025/26 budget amendment as well as the budget for future fiscal years, as appropriate. The outstanding loan balance is required to be paid off or transferred to a long-term bond at the expiration date of the current Revolver, October 29, 2027, unless certain conditions are met. The interest rate on amounts not paid by October 29, 2027 would be substantially higher.

PUBLIC NOTICE – GOVERNMENT CODE, SECTION 5852.1

The following information is made available in accordance with Government Code, Section 5852.1 to provide certain public disclosures related to the proposed borrowing. All figures represent good faith estimates based on the current U.S. Bank Revolver terms and assume i) a drawn facility up to the proposed total amount of \$125 million, ii) a variable rate of interest based on the current U.S. Bank Revolver rate, iii) our current credit ratings, and iv) a borrowing term through the term of the current Revolver facility of October 29, 2027.



- 1)** True Interest Cost of the Revolver. Based on the current SIFMA variable rate index, a good faith estimate of the true interest cost of borrowing an additional \$60 million plus the currently outstanding \$65 million under the Revolver is 3.15%. The unutilized cost of the remaining \$60 million undrawn on the Revolver is 0.20%. On a weighted average basis, the True Interest Cost of the Revolver is 2.19%.
- 2)** Finance Charge of the Revolver. The sum of all fees and charges paid to third parties (or costs associated with the issuance of the Bank Note), is \$45,266.
- 3)** Revolver Proceeds to be Received. The amount of proceeds expected to be received by the Transportation Authority for borrowings under the Revolver less the finance charge to third parties described in 2 above and any reserves or capitalized interest paid or funded with proceeds of the Revolver, is \$60 million. The finance charge to third parties described in #2 above is not expected to be paid from Revolver proceeds.
- 4)** Total Payment Amount. Assuming an aggregate borrowed principal amount of \$125 million of borrowings under the Revolver and based on an assumed current variable rate of interest over the remaining term of the current Revolver, a good faith estimate of the total payment amount, which means the sum total of all payments the Transportation Authority will make to pay interest only debt service on the Revolver plus the unutilized cost associated with the \$60 million remaining undrawn amount, calculated to the term of the current Revolver, is \$8,115,000.

CAC POSITION

The CAC will consider this item at its September 24, 2025 meeting.

SUPPLEMENTAL MATERIALS

Attachment 1 – Revolver Loan Cash Drivers

ATTACHMENT 1

Transportation Sales Tax Capital Expenditures - Largest Cash Flow Drivers FY 2024/25-FY 2025/26¹

Name	Reimbursed in FY 2024/25	Reimbursed in FY 2025/26 (as of September 10, 2025)	Remaining Approved Cash Flow Through FY 2025/26	FY 2024/25 Reimbursed + FY 2025/26 Approved Cash Flow
Muni Light Rail Vehicles	\$35,949,430	\$0	\$766,234	\$36,715,664
Paratransit	\$14,158,429	\$6,114,068	\$8,985,874	\$29,258,372
BART Core Capacity (Fleet of the Future Train Cars)	\$0	\$0	\$27,127,866	\$27,127,866
Muni Motor Coaches	\$6,105,702	\$176	\$17,876,834	\$23,982,712
The Portal/Caltrain Downtown Extension	\$7,782,236	\$891,196	\$13,711,865	\$22,385,297
Caltrain State of Good Repair	\$8,568,444	\$1,777,660	\$11,815,576	\$22,161,680
Muni Facilities	\$2,196,626	\$25,485	\$17,335,041	\$19,557,151
Pavement Renovation	\$5,353,262	\$1,372,264	\$10,266,694	\$16,992,220
Van Ness Bus Rapid Transit	\$3,281,519	\$4,304,864	\$5,760,790	\$13,347,173
L-Taraval Transit Enhancements	\$10,855,513	\$0	\$1,617,743	\$12,473,256
BART Fare Gates	\$3,466,638	\$1,657,813	\$7,249,266	\$12,373,717
Signals and Signs	\$4,226,113	\$1,469,246	\$6,018,660	\$11,714,019
Better Market Street	\$6,187,299	\$0	\$5,048,493	\$11,235,792
Totals	\$108,131,211	\$17,612,771	\$133,580,935	\$259,324,917

¹These project categories represent 81% of FY 2024/25 reimbursements, and about 60% of possible FY 2025/26 reimbursements of currently active Prop K and Prop L grants.