



Memorandum

Date: 05.04.15 **RE:** Finance Committee
May 12, 2015

To: Finance Committee: Commissioners Avalos (Chair), Mar (Vice Chair), Campos, Cohen, Kim and Wiener (Ex Officio)

From: Cynthia Fong – Deputy Director for Finance and Administration *CF*

Through: Tilly Chang – Executive Director *TC*

Subject: **ACTION** – Recommend Authorizing the Executive Director to: Replace the Transportation Authority’s Commercial Paper Program with a Revolving Credit Agreement (Revolver); Enter into an up-to-\$140 Million Revolver with State Street Public Lending Corporation; Enter into an Alternate Credit Facility if Negotiations with State Street are Not Successful; Amend or Enter into the Associated Legal Documents; Take All Necessary Related Actions; and Negotiate the Agreement Payment Terms and Non-Material Agreement Terms and Conditions

Summary

The Transportation Authority has established a commercial paper (CP) program under which it can issue up to \$200,000,000 of CP Notes (Limited Tax Bonds), Series A and B (Notes) provided that a supporting letter of credit (LOC) is in effect. The Notes are currently supported by a direct-pay LOC issued by Wells Fargo Bank, which supports up to \$200,000,000 of Notes and which will expire on July 10, 2015. In 2004, the Transportation Authority issued \$150,000,000 aggregate principal amount of Notes, which it has continued to roll since that time. During June 2014, the Transportation Authority paid down \$15,000,000 of Notes, and \$135,000,000 of Notes are currently outstanding. We plan to pay down up to an additional \$20,000,000 of Notes in Summer 2015. The Notes are issued to provide a flexible source of financing for the voter-approved Proposition K Expenditure Plan, and provided a low cost of funding relative to other financing. On March 19, 2015, we issued a Request for Proposals (RFP) for the Transportation Authority’s existing tax-exempt CP program or for alternate financing structures to replace the CP program. We received qualifying proposals from six financial institutions in response to the RFP. The review panel, consisting of Transportation Authority staff, evaluated the proposals based on the criteria identified in the RFP, with an emphasis on proposers’ fees, resulting cost of funds, length of agreement, their credit ratings and various terms. Based on this competitive selection process, the review panel recommends replacing the current CP program with a revolving credit agreement (Revolver) with State Street Public Lending Corporation (State Street) once all agreement terms and conditions are fully negotiated. We anticipate the terms and conditions of agreements to be finalized by early June 2015 and the costs of the CP Program will be reduced from approximately \$1,100,000 per year currently to approximately \$600,000 to \$700,000 per year going forward. Based on the final negotiated terms and conditions, it may be necessary to amend certain legal documents associated with the Revolver or the Notes outstanding. **We are seeking a recommendation to authorize the Executive Director to: replace the Transportation Authority’s CP Program with the Revolver; enter into an up-to-\$140 million Revolver with State Street; enter into an alternate credit facility if negotiations with State Street are not successful; amend or enter into the associated legal documents; take all necessary related actions; and negotiate the agreement payment terms and non-material agreement terms and conditions.**

BACKGROUND

In 2004, the Transportation Authority issued \$150,000,000 aggregate principal amount of commercial paper (CP) notes (Limited Tax Bonds), Series A and B (the Notes). During June 2014, the Transportation Authority paid down \$15,000,000 of Notes. The Transportation Authority currently has

outstanding \$135,000,000 aggregate principal amount of Notes and plans to retire up to an additional \$20,000,000 of Notes in Summer 2015. The Notes are secured by the transactions and use tax (Proposition K sales tax) administered by the Transportation Authority. The Notes are issued to provide a flexible source of financing for the voter-approved Proposition K Expenditure Plan. The Transportation Authority's \$135,000,000 of Notes has been in place since 2004 and has provided a low cost of funding relative to other financing alternatives. The Notes are secured by a letter of credit (LOC) issued by Wells Fargo Bank, which will expire on July 10, 2015. The Transportation Authority needs to either replace the Wells Fargo LOC or otherwise provide replacement financing by the time the Wells Fargo LOC expires, or the interest rates on the Notes are likely to increase significantly.

DISCUSSION

The purpose of this memorandum is to seeking a recommendation of support for the Transportation Authority to terminate its CP Program and enter into a revolving credit agreement (Revolver) with State Street Public Lending Corporation (State Street), instead of replacing the Wells Fargo LOC.

On March 19, 2015, we issued a Request for Proposals (RFP) to various banks to provide credit/liquidity facilities for the Transportation Authority's existing tax-exempt CP program and/or to provide alternate financing structures to replace the current CP program. We advertised the RFP in The Bond Buyer, the San Francisco Chronicle, and the San Francisco Examiner.

By the due date of April 7, 2015, we received proposals from six financial institutions in response to the RFP. All the proposals were from United States or Japanese banks. The proposals included Revolvers and Extendable CP (ECP) as alternate new financing structures and LOCs and Standby Bond Purchase Agreements (SBPAs) as credit facilities to support the existing CP Program. Each bank offered the Transportation Authority a one-year to five-year commitment, terms and fees. All new proposals result in all-in costs of debt below the amount the Transportation Authority is currently paying on the Notes; please see Table 1.

Facility Type Analysis. Traditional CP or Notes are a form of variable rate financing, which mature and become due every 270 days or less. The credit facility is provided by a commercial bank and there are two basic forms: (1) a direct-pay LOC or (2) a SBPA (sometimes called a liquidity facility). If the CP notes are not remarketed, then the commercial bank (not the remarketing agent) pays the maturing CP Notes through the LOC or SBPA. The primary difference between the LOC and SBPA is that the LOC provides liquidity in the event of a failed roll as well as a guarantee of principal and interest payments by the issuer while a SPBA provides only liquidity support in the event of a failed roll.

A tax-exempt Revolver and ECP notes are both alternative variable rate financing methods to traditional CP notes. A tax-exempt Revolver is a loan directly from a commercial bank. ECP is different from traditional CP notes in that there is no LOC or SBPA to provide liquidity support in the event of a failed roll. Instead, in the event of a failed CP roll, the Transportation Authority would be required to pay the Notes off in a very short period of time (120 days or less). While this structure eliminates the need for an LOC or SBPA, the Transportation Authority would face a higher risk in the event of a failed roll. Moreover, the ECP market is very small when compared to traditional CP notes. Thus, we are not considering ECP.

Table 1.

Bank	Estimated All-in Cost of Debt in Basis Points ¹ (3-year term)	Type of Facility in the Amount of \$140,000,000	Credit Ratings (Moody's/Standard & Poor's/Fitch)	Credit Worthiness ²
<i>Current: Wells Fargo Bank (Expires July 10, 2015)</i>	70	LOC	AA3/AA+/AA-	Very Strong
Mizuho Bank	48.4	LOC	A1/A+/A	Strong
Mitsubishi UFJ Financial Group / Bank of Tokyo	51.4	LOC	A1/A+/A	Strong
State Street Bank and Trust Company	53.9	LOC ³	AA3(neg)/AA-/AA-	Very Strong
State Street Public Lending Corp.	40.3	Revolver	AA3(neg)/AA-/AA-	N/A ⁴
Sumitomo Mitsui Banking Corp.	48.4	LOC	A1/A+/A	Strong
Wells Fargo Bank	44.6	Revolver (Only \$75 Million Capacity)	AA3/AA-/AA-	N/A ⁴

Note: Morgan Stanley is not included in Table 1 because we are not considering ECP.

The review panel consisting of Transportation Authority staff, evaluated the proposals based on responsiveness to the RFP, as well as qualifications and other criteria identified in the RFP, with an emphasis on proposers' fees, resulting cost of funds, length of agreement, their credit ratings and various terms. Based on this competitive selection process and due to the need to address the expiring Wells Fargo LOC, with concurrence from KNN Public Finance and Nixon Peabody LLP (the Transportation Authority's financial advisors and bond counsel, respectively), the review panel recommends replacing the current CP program with a Revolver from State Street. State Street has provided SBPA support for the San Francisco Public Utilities Commission and LOCs for the City and County of San Francisco, the San Francisco Municipal Transportation Agency, San Francisco Airport, and the Moscone Center. In addition, the review panel recommends that, as a contingency if negotiations reach an impasse with State Street, then the Executive Director should be authorized to secure an alternate credit facility from one or more of the other proposers. This approach is deemed to the best advantage of the Transportation Authority once all agreement terms and conditions are fully negotiated. We anticipate the terms and conditions of the credit agreement to be finalized by June 2015 and the Revolver or new credit facility to be in place prior to the expiration of the current Wells Fargo LOC on July 10, 2015.

¹ Estimated All-In Cost of Debt is based on the RFP proposal responses and estimated interest rates based on three-year historical averages. All-In Cost of Debt changes with changing interest rates, market conditions and credit.

² **Very strong:** Double "A" ratings; capacity to meet its financial commitments; it differs from the highest rated obligors only in small degree. **Strong:** Single "A" ratings; capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

³ Liquidity facilities or Standby Purchase Agreements were not considered due to certain legal and structure considerations.

⁴ For Revolvers, interest rates are not dependent on the bank's credit. Interest rates are set by an index plus a spread.

Taking into account fees and terms proposed, trading differentials between banks, and the relative risks of the different alternatives presented, it was determined by the review panel that the State Street Revolver is the most advantageous and cost effective to the Transportation Authority. It is important to note that SBPAs were eliminated from consideration due to certain legal and structure considerations, and extendable CP was also eliminated from consideration due to the complexity of day-to-day management, a short time to remedy any failed remarketing and a limited market presence. It was further determined that State Street Revolver would be more advantageous to the Transportation Authority than the LOC currently in place. With a Revolver the Transportation Authority will be entering into a loan agreement directly with the bank, eliminating the need to regularly re-issue the Notes, which will reduce costs, complexity, administrative burden and bank credit downgrade risk.

Attached is the RFP response containing the term sheet for the State Street Revolver (Attachment 1); information deemed proprietary and/or a trade secret for a financial institution has been redacted per Government Code Section 6254. Based on current rates proposed and assuming a three-year agreement, the total cost is estimated to be \$1,800,000 over a three-year period, yielding an estimated savings of \$1,500,000 over the current Wells Fargo LOC.

ALTERNATIVES

1. Recommend authorizing the Executive Director to: replace the Transportation Authority's CP Program with the Revolver; enter into an up-to-\$140 million Revolver with State Street; enter into an alternate credit facility if negotiations with State Street are not successful; amend or enter into the associated legal documents; take all necessary related actions; and negotiate the agreement payment terms and non-material agreement terms and conditions, as requested.
2. Recommend authorizing the Executive Director to: replace the Transportation Authority's CP Program with the Revolver; enter into an up-to-\$140 million Revolver with State Street; enter into an alternate credit facility if negotiations with State Street are not successful; amend or enter into the associated legal documents; take all necessary related actions; and negotiate the agreement payment terms and non-material agreement terms and conditions, with modifications.
3. Defer action, pending additional information or further staff analysis.

CAC POSITION

The CAC was briefed on this item at its April 22, 2015 meeting and adopted a motion of support for the staff recommendation.

FINANCIAL IMPACTS

The proposed Fiscal Year 2015/16 Budget already assumes fees for the line of credit. At current fees and interest rates the all-in cost of the CP Program is approximately \$1,100,000 per year. We anticipate the terms and conditions of the agreement to be finalized by July 10, 2015 will result in an all-in cost per year of approximately \$600,000 to \$700,000 for a savings of \$400,000 to \$500,000 per year.

RECOMMENDATION

Recommend authorizing the Executive Director to: replace the Transportation Authority's CP Program with the Revolver; enter into an up-to-\$140 million Revolver with State Street; enter into an alternate credit facility if negotiations with State Street are not successful; amend or enter into the associated legal

documents; take all necessary related actions; and negotiate the agreement payment terms and non-material agreement terms and conditions.

Attachment:

1. State Street RFP Response – Term Sheet Included



SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

Proposal to Provide a Revolving Credit Agreement

INDICATIVE TERMS AND CONDITIONS

April 7, 2015

BORROWER:	San Francisco County Transportation Authority (the "Borrower" or the "Authority").		
LENDER:	State Street Public Lending Corporation ("State Street" or the "Lender").		
DEBT ISSUE:	Tax-Exempt Revolving Credit Agreement pursuant to which the Lender will make tax-exempt Loans to the Borrower in substitution for the Authority's Commercial Paper Notes Program (the "CP" or the "Notes").		
SECURITY:	The Loans and the other obligations owed to the Lender under the Facility are secured by Sales Tax Revenues to be received from the collection of a one-half of one percent (1/2%) retail transactions and use tax imposed in the City.		
FACILITY:	Revolving Credit Agreement between the Borrower and the Lender (the "RCA" or the "Facility") providing interim financing on a tax-exempt basis.		
BANK RATINGS:	Moody's	S&P	Fitch
	Aa3 / P-1	AA- / A-1+	AA- / F1+
	Review for Downgrade	Stable Outlook	Stable Outlook
	Refer to Appendix A for historical Bank ratings since January 1, 2012.		
EXPERIENCE:	See Appendix B for a list of state and local governments to which State Street has provided liquidity support, credit enhancement or direct credit in excess of \$50 million since January 1, 2010.		
COMMITMENT AMOUNT:	Up to \$140,000,000 of principal.		

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- FORM OF BANK NOTE:** The obligations owed to the Lender shall be evidenced and secured by a Bank Note issued to by the Borrower to the Lender in a single, physical form registered to the Lender and physically delivered to the Lender at closing. While held by the Lender, the Bank Note shall not be rated by any rating agency, shall not be DTC eligible and shall not be held at DTC, shall not be assigned a CUSIP number and shall not be marketed pursuant to any official statement or other disclosure documentation.
- TAX TREATMENT:** Interest on the Loans and the Bank Note shall be excludable from gross income for federal and state income tax purposes. The Borrower shall take all steps necessary to maintain such tax exempt status for such interest. The Lender shall be provided an opinion of tax counsel satisfactory to the Lender which concludes that all interest on the Loans and the Bank Note is excludable from gross income for federal and state income tax purposes.
- FACILITY DOCUMENTS:** The Lender will make loans to the Borrower (the “Revolving Loans” and together with the hereinafter defined Term Loans are collectively referred to herein as the “Loans”) in accordance with and subject to the provisions of the RCA. Documentation will include the RCA and such other documents, instruments, certificates, and agreements executed and/or delivered by the Borrower in connection with the Facility as reasonably determined by the Lender (collectively, the “Facility Documents”). The definitive Facility Documents will contain the terms and conditions set forth in this proposal as well as provisions that are usual and customary for transactions of this nature with respect to conditions precedent to Loans and closing, representations and warranties, indemnification, covenants, events of default, and remedies.
- REVOLVING LOANS:** The Borrower may draw-down Loans under the Facility, each in a minimum denomination of \$1,000,000 and integral multiples of \$250,000 in excess thereof. Revolving Loans repaid may be borrowed again prior to the Maturity Date or termination date of the RCA.
- MAXIMUM AMOUNT** The Borrower must limit the amount of drawn-down Loans under the

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OF LOANS: Facility to no more than 6 draws outstanding at one time with a limit of 2 draws per calendar month.

INTEREST RATES AND REPAYMENT PROVISIONS:

INTEREST RATE: Prior to the Maturity Date (defined below), the Revolving Loans and the Bank Note shall bear interest at a tax-exempt per annum rate of interest equal to the sum of (i) 70% of 1-month LIBOR plus (ii) the Applicable Spread set forth below, based upon the tenor of the Facility selected by the Borrower at closing (collectively, the "Interest Rate"), subject to adjustment as provided below.

The Revolving Loans and the Bank Note shall bear interest at the Interest Rate prior to the Maturity Date, so long as no Event of Taxability or Event of Default exists.

Tenor	Applicable Spread
2 Years	
3 Years	
5 Years	

COMMITMENT FEE: The undrawn portion of the Facility will be charged a Commitment Fee based upon the tenor of the Facility selected by the Borrower at closing, subject to adjustment as provided below.

Tenor	Commitment Fee
2 Years	
3 Years	
5 Years	

INCREASE IN APPLICABLE SPREAD/ COMMITMENT FEE: The lowest issuer credit rating assigned to the Borrower will determine the Applicable Spread. An Applicable Spread and Commitment Fee adjustment shall become effective on the date a rating action is announced by the applicable rating agency. In the event of the adoption of any new or changed rating system, each of the ratings referred to above shall be deemed to refer to the rating category under the new

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rating system which most closely approximates the applicable rating category as currently in effect.

The Applicable Spread and Commitment Fee shall be adjusted according to the schedules below for any rating downgrade as well as for any rating suspension, withdrawal, or cancellation (“WD/NR”):

Applicable Spread Schedule

Rating Level	2-Years	3-Years	5-Years
Aa2/AA or above			
Aa3/AA-			
A1/A+			
A2/A			
A3/A-			
Baa1/BBB+			
Baa2/BBB			
Below Baa2/BBB*			
WD/NR*			

*Note: Event of Default fee adjustment applies.

Commitment Fee Schedule

Rating Level	2-Years	3-Years	5-Years
Aa2/AA or above			
Aa3/AA-			
A1/A+			
A2/A			
A3/A-			
Baa1/BBB+			
Baa2/BBB			
Below Baa2/BBB*			
WD/NR*			

*Note: Event of Default fee adjustment applies.

Event of Default Fee Adjustment: If one or more of the Borrower’s issuer credit ratings are withdrawn or suspended, or any issuer credit ratings shall fall below “Baa3/BBB-”, or upon the occurrence of an Event of Default under the RCA, the

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Revolving Loans and the Bank Note shall bear interest at the Default Rate and the Commitment Fee payable shall automatically and without notice to the Borrower increase by [REDACTED] above the Commitment Fee specified in the above pricing matrices for the “Baa2/BBB” rating level.

INTEREST PAYMENT PERIOD AND CALCULATION:

The Revolving Loans and the Bank Note will bear interest from the closing date until the Maturity Date. The interest payment date will be the first business day of each month. Computations of interest shall be calculated on an actual/360 day basis.

CALCULATION AGENT:

State Street Public Lending Corporation will serve as the Calculation Agent for the purpose of determining monthly interest payments. Notification of the effective interest rate for an interest rate payment period will be given to the Lender at least one business day prior to the related interest payment date.

EVENT OF TAXABILITY:

In the event a determination of taxability shall occur, in addition to the amounts required to be paid with respect to the Loans and the Bank Note under the Facility Documents, the Borrower shall be obligated to pay to the Lender an amount equal to the positive difference, if any, between the amount of interest that would have been paid during the period of taxability if the Loans and the Bank Note had borne interest at the Taxable Rate (*i.e.*, the product of the Index Rate and 1.54) and the interest actually paid to the Lender with respect to the Loans and the Bank Note.

MARGIN RATE FACTOR:

The Interest Rate will be subject to adjustment by a Margin Rate Factor. The Margin Rate Factor means the greater of (i) 1.0, and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.53846. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change.

The Maximum Federal Corporate Tax Rate is currently 35% such that

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the current Margin Rate Factor equals 1.0.

TERMINATION FEE: In the event the Borrower elects to terminate or permanently reduce the Facility during the applicable Termination Fee Period (as defined below), the Borrower shall pay to the Lender a termination/reduction fee equal to the product of (i) the applicable Commitment Fee in effect on the date of such reduction or cancellation, (ii) the amount the Facility is being reduced and (iii) a fraction, the numerator of which is the number of days from and including the date of reductions or cancellation to the end of the Termination Fee Period and the denominator of which is 360.

Term	Termination Fee Period
2 Years	
3 Years	
5 Years	

CLOSING FEE: Waived.

DRAW FEE: \$250 per draw.

**AMENDMENT/
TRANSFER FEE:** \$5,000 plus reasonable fees and disbursements of counsel, if any.

MATURITY DATE: The Revolving Loans shall be due and payable on the date that is the 2, 3, or 5 year anniversary (as selected by the Borrower upon acceptance of this proposal) of the closing date (the "Maturity Date").

**REPAYMENT AFTER
MANDATORY
TENDER DATE:** So long as (i) the representations and warranties set forth in the Facility are true and correct, (ii) no Default or Event of Default shall have occurred and be continuing and (iii) no material adverse change has occurred in the financial condition of the Authority since the closing date, the principal amount of the Revolving Loans that is not repaid on the Maturity Date shall convert to a term loan (the "Term Loan") and shall be repaid in full by the fifth anniversary of the Maturity Date.

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The Term Loan will amortize in equal quarterly payments, commencing three months following the Maturity Date.

So long as no Event of Default shall have occurred and be continuing, interest on the Term Loan from the Maturity Date shall accrue at the Term Loan Rate (as described below) and will be payable monthly in arrears on the first Business Day of each month.

If an Event of Default shall occur, the Term Loan Rate shall immediately and automatically (without notice to the Borrower) equal the Default Rate.

BANK INTEREST RATES AND TERMS:

Base Rate: The highest of: (i) [REDACTED]
(ii) [REDACTED]
(iii) [REDACTED]

Term Loan Rate: Days 1-30: [REDACTED]
Days 31-90: [REDACTED]
Day 91 and after: [REDACTED]

Default Rate: [REDACTED]
Interest accruing at the Default Rate shall be payable by the Borrower on demand.

Interest Rate Calculation: Interest on the Term Loan shall accrue from the first calendar day of the month until the last calendar day of the same month, payable on the first business day of the subsequent month. Interest shall be calculated on the basis of the actual number of days elapsed in a 360-day year.

Maximum Rate: A maximum interest rate payable on Loans of 12.0% is acceptable to the Lender.

Interest Rate The Lender will require the inclusion of a customary clawback

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Clawback: provision as protection against the interest rate payable on Loans exceeding the legal statutory maximum rate. Upon termination of the Facility, the Borrower shall pay to the Lender a fee equal to the amount of all unpaid deferred excess interest.

Increased Costs: The Lender will require standard increased cost coverage including any costs imposed upon the Lender related to the Dodd-Frank Act and/or Basel III, regardless of the date enacted, adopted, issued, or promulgated. The Authority shall not be required to compensate the Lender for any increased costs occurring more than six (6) months prior to the date on which the Lender provides the Authority notice of such increased costs, except when (i) the Lender had no actual knowledge of the action resulting in such increased costs or (ii) such increased costs apply to the Lender retroactively.

FACILITY EXTENSION: Not more than 180 days prior to expiration, the Borrower may request an extension of the term of the Facility which request will be decided upon by the Lender within 60 days. Any renewal, extension of maturity, amendment of terms, or increase in the Commitment Amount of the Facility by the Lender shall be governed by the terms of the Facility Documents and subject to approval by the Lender at its sole and absolute discretion. In the event the Maturity Date is not extended or the Borrower fails to request an extension on a timely basis, the Borrower will covenant to use best efforts to refinance any outstanding Revolving Loans or otherwise provide a substitute Facility.

CONDITIONS PRECEDENT: The Facility shall include conditions precedent customary for transactions of this nature, including, without limitation, the following: all requisite approvals and incumbency certificates; delivery of all required legal opinions including opinions of Note Counsel; delivery of all applicable financing documents; delivery of a certificate evidencing that no Event of Default shall have occurred and that all representations, warranties, and covenants shall be true and correct; and payment of all closing fees and expenses.

COVENANTS AND RELATED TERMS:

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Maintenance of Ratings: The Borrower shall maintain public issuer credit ratings from not less than two of the three nationally-recognized bond rating agencies (Moody's, S&P, and Fitch) during the term of the Facility at a minimum level of "Baa3/BBB-".

Additional Bonds Test: 1.5x ABT on any senior and parity debt secured by Sales Tax Revenues and 1.3x ABT on any senior, parity and subordinate debt secured by Sales Tax Revenues consistent with the existing Reimbursement Agreement between the Authority and Wells Fargo Bank, National Association (the "Existing SFCTA Reimbursement Agreement").

Financial Covenants: 1.3x DSCR requirement on MADS on Notes, Advances, Bank Loans, Parity Debt, Senior Lien Debt, and Subordinate Obligations consistent with the Existing SFCTA Reimbursement Agreement.

Incorporation by Reference/Most Favored Nations: The Facility Documents will incorporate by reference existing covenants, including financial covenants, contained in the Facility Documents. The Facility Documents will further incorporate those more favorable remedies (including, without limitation, shorter term-out periods and acceleration), if any, existing or subsequently agreed to by the Borrower with other creditors or insurers in agreements or other instruments pertaining to senior or parity debt of the Borrower, including any credit agreement, reimbursement agreement, standby bond purchase agreement, liquidity agreement, direct purchase agreement or other similar type of agreement or instrument that relates to such debt.

EVENTS OF DEFAULT: The Facility shall include events of default customary for transactions of this nature, including, without limitation, the following: failure to pay principal and interest on any Loan or on any debt that is secured on a senior or parity basis with the Loans of the Borrower; cross acceleration of any debt that is secured by Sales Tax Revenues of the Borrower; bankruptcy or insolvency (voluntary or involuntary) of the Borrower; declaration of a moratorium with respect to any indebtedness of the Borrower; material inaccuracy of any representation and warranty; failure to comply with covenants

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following applicable grace periods, if any; invalidity or contest of the Borrower's obligations under the Facility or any document related to the Loans or any material provision thereof; failure to pay final, non-appealable judgments in an amount, singularly or collectively, of \$10 million or greater within 60 days; rating downgrade of any long-term issuer credit rating of the Borrower by any rating agency below the level of "Baa2/BBB"; or rating suspension, withdrawal, or cancellation by any rating agency.

REMEDIES:

Upon the occurrence of an Event of Default, the Lender may:

(i) terminate the Commitment to make Loans;

(ii) (2) Acceleration: Upon the occurrence of an Automatic Acceleration Event occurs, such Liquidity Draw shall become immediately and automatically due and payable on the date of such Automatic Acceleration Event. Upon the occurrence of a Tier One Acceleration Event occurs, at the direction of the Lender, such Liquidity Draw shall become immediately due and payable on the date of such Tier One Acceleration Event. Upon the occurrence of any other Event of Default occurs, at the direction of the Lender, such Liquidity Draw shall become due and payable on the 271st day following the date of the related Liquidity Draw; or

(iii) exercise all other remedies available under the Facility Documents or at law or in equity.

"Tier One Acceleration Event" means an event of default described in Sections 7.01(a) (Payment Default for Reimbursement Obligations and other Obligations), 7.01(e) (invalidity or contest), 7.01(f) (invalidity), and 7.01(l) (invalidity of lien) of the Existing SFCTA Reimbursement Agreement.

"Automatic Acceleration Event" means an event of default described in Sections 7.01(h) (moratorium and bankruptcy) and 7.01(j) (cross acceleration) of the Existing SFCTA Reimbursement Agreement.



- GOVERNING LAW:** The Facility shall be a contract under and governed by the laws of the State of New York; provided that the rights and obligations of the Borrower shall be governed by the laws of the State of California.
- JURISDICTION:** The Borrower shall submit to the non-exclusive jurisdiction of the courts of New York.
- WAIVER OF JURY TRIAL:** The Borrower agrees to waive the right to a jury trial in any proceedings against the Lender. In the event that a waiver of jury trial is not permitted by law, the Borrower shall agree to submit to a judicial referee.
- SOVEREIGN IMMUNITY:** The defense of sovereign immunity shall not be available to the Borrower in any proceedings by the Lender to enforce any of the obligations of the Borrower under the proposed Facility, any Facility Documents or the Bank Note, and the Borrower shall consent to the initiation of any such proceedings relating to the Facility, any Facility Document or the Bank Note, in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings.
- OFAC:** The Borrower shall represent that it has complied with, and will continue to comply with anti-corruption laws applicable to the Borrower and economic sanctions and trade embargoes imposed by the U.S. government.
- INDEMNIFICATION:** The Borrower shall indemnify and hold the Lender harmless for all circumstances except those proven in a court of competent jurisdiction to be caused by the gross negligence or willful misconduct of the Lender.
- TRANSFERABILITY:** While the Lender is making the Loans and taking delivery of the Bank Note for its own account without a present intent to transfer it or its right to receive payments on the Loans under the Facility, the Lender reserves the right in its sole discretion to assign, sell, pledge or participate interests in the Loans and the Bank Note without the

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consent of the Borrower.

- PARTICIPATION:** The Borrower shall acknowledge and agree that the Lender may, without limitation and at its sole discretion, participate any portion of its obligations under the Facility; provided that any increased costs of such participant(s) shall be limited to those costs that would have been incurred by the Lender if the Lender had not participated any such portion of its obligations. At this time, the Lender does not intend to participate any portion of the Facility to other institutions.
- SURVIVAL:** This proposal does not constitute a Facility Document and shall not survive the execution and delivery of the definitive Facility Documents.
- NON-ASSIGNABLE:** The Facility and the right of the Borrower to receive Loans thereunder may not be assigned by the Borrower.
- MATERIAL ADVERSE CHANGE:** This proposal may be rescinded, in the sole discretion of the Lender, upon the occurrence of a material adverse change in the financial, operational, or legal condition of the Borrower.
- ADDITIONAL TERMS:** The terms and conditions contained in this proposal are not intended to be comprehensive. The definitive Facility Documents may include additional terms and conditions required by the Lender, subject to mutual agreement of the parties, which are not included herein.
- CREDIT APPROVAL:** Any commitment to provide the Facility (including the terms and conditions proposed herein) or to extend credit is subject to all of the Lender's internal approvals and due diligence procedures. In obtaining credit approval, the Lender reserves the right to modify and/or supplement any of the terms and conditions stated herein.

The Lender anticipates obtaining final credit approval within 10 business days of receiving the mandate to provide the Facility and subject to the receipt of all material information, without guaranty of such time frame.

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REFERENCES:	<p>City and County of San Francisco City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102 Nadia Sesay, Director of Public Finance Phone: (415) 554-5956 Email: nadia.sesay@sfgov.org</p> <p>Airport Commission of the City and County of San Francisco P.O. Box 8097 San Francisco, CA 94128 Kevin Kone, Capital Finance Director Phone: (650) 821-2888 Email: kevin.kone@flysfo.com</p> <p>California State University 401 Golden Shore, 5th Floor Long Beach, CA 90802 Syrus En, Senior Financial Manager Phone: (562) 951-4593 Email: Sen@calstate.edu</p>
CONFLICTS OF INTEREST:	<p>The Lender is not aware of any potential or perceived conflicts of interest which would disqualify the Lender from doing business with the Authority.</p>
LITIGATION:	<p>Refer to Appendix C for the Lender's disclosure on litigation, administrative proceedings and investigations (actual or pending).</p>
POLITICAL CONTRIBUTIONS:	<p>The Lender is not aware of any political contributions of money, in-kind services, or loans made to any current member of the San Francisco County Transportation Authority Board of Commissioners within the last three years by management positions of the Lender.</p>
DISCLAIMERS AND IMPORTANT DISCLOSURES:	<p>The Borrower acknowledges and agrees that: (i) the transaction contemplated by this Indicative Terms and Conditions is an arm's length, commercial transaction between the Borrower and the Lender</p>

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in which the Lender is acting solely as a principal and for its own interest; (ii) the Lender is not acting as a municipal advisor or financial advisor to the Borrower; (iii) the Lender has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Lender has provided other services or is currently providing other services to the Borrower on other matters); (iv) the only obligations the Lender has to the Borrower with respect to the transaction contemplated hereby expressly are set forth in this Indicative Terms and Conditions; and (v) the Lender is not recommending that the Borrower take an action with respect to the transaction contemplated by this Indicative Terms and Conditions, and before taking any action with respect to the contemplated transaction, the Borrower should discuss the information contained herein with its own legal, accounting, tax, financial and other advisors, as it deems appropriate. If the Borrower would like a municipal advisor in this transaction that has legal fiduciary duties to the Borrower, the Borrower is free to engage a municipal advisor to serve in that capacity. This Indicative Terms and Conditions are provided to the Borrower pursuant to and in reliance upon the bank exemption provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 et seq.

The information herein is provided for information purposes only, and is not to be used or considered as a proposal or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. Neither this nor any other communication prepared by the Lender is or should be construed as investment advice, a recommendation or proposal to enter into a particular transaction or pursue a particular strategy, or any statement as to the likelihood that a particular transaction or strategy will be effective in light of your business objectives or operations. Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances.

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PROPOSAL EXPIRATION: Unless otherwise extended by the Lender, this proposal shall expire at 5:00 p.m. EST on August 7, 2015.

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LEGAL FEES:



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Vice President
Telephone: (617) 664-3196
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mkli@statestreet.com

CONFIDENTIALITY:

This proposal contains confidential and proprietary information. Except to the extent required by law, the Borrower may not disclose the contents of this proposal in whole or in part to any third parties other than financial advisors, attorneys, and other professional representatives retained in connection with the Facility without prior written consent of the Lender.

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APPENDIX A: BANK RATING HISTORY

Moody's Rating History			
Year	Long-Term	Short-Term	Credit Watch/Outlook
2015	Aa3	P-1	Under Review For Possible Downgrade (03/17/15)
2014	Aa3	P-1	Stable
2013	Aa3	P-1	Stable (11/14/13)
	Aa2	P-1	Under Review For Possible Downgrade (07/02/13)
2012	Aa2	P-1	Stable (06/22/12)

S&P Rating History			
Year	Long-Term	Short-Term	Credit Watch/Outlook
2015	AA-	A-1+	Stable
2014	AA-	A-1+	Stable
2013	AA-	A-1+	Stable (06/11/13)
2012	AA-	A-1+	Negative

Fitch Rating History			
Year	Long-Term	Short-Term	Credit Watch/Outlook
2015	AA-	F1+	Stable
2014	AA-	F1+	Stable (08/14/14)
	A+	F1+	Positive
2013	A+	F1+	Positive (02/28/13)
2012	A+	F1+	Stable

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APPENDIX B: EXPERIENCE

Letter of Credit	SBPA	Direct Loan
Alaska Airport	Anne Arundel County	Chicago Wastewater
Austin Airport System	City of Houston	
Austin Combined Utility	Clark County School District	
Basin Electric Cooperative	Colorado Springs	
Boston Water & Sewer	Connecticut HFA	
State of California	Contra Costa Water	
Chicago O'Hare Airport	Dallas Water and Sewer	
Chicago Water	DART	
City of Brownsville, Texas	Gainesville Utilities	
City of Houston CUS	Harris County, Texas	
City of Irvine	Harris County MTA	
City of San Francisco	Howard County	
Clark County, Nevada Airport	Iowa Housing Finance Authority	
CSU Institute	JEA	
Hillsborough County	Kentucky Housing	
Indianapolis Airport Auth.	King County, WA	
LA International Airport	LA Wastewater	
Las Vegas CVA	Maine SHA Used	
Lower Colorado River Auth.	Maryland CDA	
Long Island Power Auth.	Massachusetts	
Los Angeles County MTA	MBTA	
Manteca RDA	Minnesota Housing	
Maryland Transit Authority	Montgomery County, MD	
Massachusetts Port Author	Nashville and Davison County	
Menlo Park CDA	Nebraska Public Power	
Metropolitan Transit Auth	New York City	
Michigan SBA CP Program	Northside Ind School Dist.	
City of Milwaukee	NYC MWFA	
Missouri Highways	NYC TFA	
MWRA	NYPA CP Program	
New Mexico Finance Auth.	Ohio HFA	
Oklahoma City Water	Ohio Water	
Pittsburg RDA	Oregon Housing	
Riverside CTC CP	San Antonio CPS Energy	
San Francisco Airport	San Diego Transportation	
San Francisco Moscone	San Francisco PUC	
San Francisco Muni Transp	Santa Clara Valley Transit	
San Jose	Shelby County, TN	
SMUD	State of Wisconsin	
South Placer Wasterwater	Texas DOT	
State of Illinois	TN School Bond Authority	
TBTA	TX Transportation	
UMass Building Authority	TX Veterans Land Board	
Walnut Energy	Washington Suburban Sanitation Comm.	
	Wisconsin DOT	
	Wyoming CDA	

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APPENDIX C: LITIGATION

In the ordinary course of business, State Street is involved in disputes, litigation, and governmental or regulatory inquiries and investigations, both pending and threatened. These matters, if resolved adversely against the Company, may result in monetary damages, fines and penalties or require changes in our business practices. The resolution of these proceedings is inherently difficult to predict. However, we do not believe that the amount of any judgment, settlement or other action arising from any pending proceeding will have a material adverse effect on our consolidated financial condition, although the outcome of certain matters may have a material adverse effect on our consolidated results of operations for the period in which such matter is resolved or a reserve is determined to be required.

Two related participants in State Street's securities lending program have brought suit against us challenging actions taken by us in response to their withdrawal from the program. We believe that certain withdrawals by these participants were inconsistent with the redemption policy applicable to the agency lending collateral pools and, consequently, redeemed their remaining interests through an in-kind distribution that reflected the assets these participants would have received had they acted in accordance with the collateral pools' redemption policy.

In October 2009, the Attorney General of the State of California commenced an action alleging that State Street's pricing of certain foreign exchange trades for certain California state pension plans was not consistent with the custody contracts for these plans and related disclosures to the plans. We deny the claims set out in the complaint, and are proceeding with our defense of this matter.

In February 2011, a putative class action was filed in federal court in Boston on behalf of all custodial clients that executed certain foreign exchange transactions through State Street from 1998 to 2009. The complaint alleges, among other things, that the rates at which State Street executed indirect foreign currency trades constituted an unfair and deceptive practice under Massachusetts law and a breach of the duty of loyalty. Two other putative class actions are currently pending in federal court in Boston alleging various violations of ERISA on behalf of all ERISA plans custodied with us that executed indirect foreign exchange trades with State Street from 1998 onward. Those complaints similarly allege that State Street caused class members to pay unfair and unreasonable rates on indirect foreign exchange trades with State

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Street. We deny the claims set out in these complaints, and are proceeding with our defense of these matters.

We provide custody services to and engage in principal foreign exchange trading with government pension plans in other jurisdictions, and attorneys general and other government authorities from a number of jurisdictions, as well as U.S. Attorney's offices, the U.S. Department of Labor, and the SEC have requested information or issued subpoenas concerning the pricing of our indirect foreign exchange trading.

State Street is named as a defendant in a complaint by investment management clients of TAG Virgin Islands, Inc., or TAG, who hold or held custodial accounts with State Street. The complaint alleges various claims in connection with certain assets managed by TAG. We deny the claims set out in the complaint, and are proceeding with our defense of this matter.

In January 2014, we entered into a settlement with the U.K. Financial Conduct Authority, or FCA, as a result of our having charged six clients of our U.K. transition management business during 2010 and 2011 amounts in excess of the contractual terms. The SEC and the U.S. Attorney are conducting separate inquiries into this matter.

We are responding to subpoenas from the Department of Justice and the SEC for information regarding our solicitation of asset servicing business of public retirement plans.

For additional information, please refer to State Street's current annual report on Form 10-K, on file with the Securities and Exchange Commission.

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