

**Bay Area Infrastructure Financing Authority**  
**BAIFA**

October 25, 2023

Agenda Item 3a - 23-1174

**BAIFA Resolution No. 50 – BART Rail Car Replacement Program Financing; and Receipt  
of the Good Faith Estimate**

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**Subject:**

A request for approval of BAIFA Resolution No. 50 authorizing the issuance of BAIFA Obligations in amount not to exceed \$450 million in order to finance the acquisition of replacement railcars for the San Francisco Bay Area Rapid Transit District (BART) and approving the form of Credit Agreement.

**Background:**

MTC is the Metropolitan Planning Organization (MPO) responsible for programming FTA formula funds to regional transit projects. BART's fleet replacement and expansion project requires significant funding over the next four to six years and the FTA formula grant funds expected to be received during this period would be insufficient to meet the cash flow requirements of both BART and other anticipated regional projects. Because resulting delays in the regional projects could lead to notable cost escalation, and in order to complete all regional projects on a timely basis, intermediate funding of the BART replacement railcar project will be required to address the regional project cash flow needs.

Debt financing provides upfront project funds that can be repaid over time. MTC's role as MPO and direct recipient of federal funds allows it to flexibly program and allocate federal grant receipts for debt service. As designated recipient, MTC allocates FTA formula funds to direct recipients (e.g., regional transit operators), and as a direct recipient, MTC can receive programmed FTA formula funds. This puts MTC in a unique position to manage a regional program that can be used to address the type of cash flow challenges presented by the BART railcar replacement project in the context of other regional needs.

The BART rail car replacement project is the largest Bay Area transit vehicle replacement project in the near term and a critical need in the region. BART is eligible for FTA section 5307 and 5337 grants in multiple urbanized areas (UZAs); this provides a large amount of direct federal funding over an extended period which can in turn be used to secure financing and

provide significant debt service coverage (which allows for cost-effective borrowing). Per TCP Policy and FTA guidance, the Project itself is eligible for direct funding; further, debt service related to financing for the Project is eligible for funding, and is the highest priority in the TCP. The TCP establishes the four UZAs that support the BART car replacement project.

### **Financing**

MTC does not have its own financing authority, BAIFA, however, is a joint powers agency (JPA) established by MTC and BATA under a joint powers agreement, as permitted by state law. As a JPA, BAIFA can issue special obligation debt (as it has done in the past). In the planned financing, BAIFA and MTC would enter into a transit funding agreement under which BAIFA would issue debt and advance funds to BART to reimburse eligible Project expenditures. BAIFA debt would be repaid from FTA formula funds programmed annually by MTC, subject to federal appropriation and apportionment.

The financing requires a letter of no prejudice (LONP) from FTA to MTC, which allows the project to be eligible for advance construction. MTC received an LONP for the BART replacement railcar project from the FTA in early 2019; the LONP was recently updated and extended.

The contemplated financing structure could also be utilized by MTC to advance other projects on behalf of different transit operators, to the extent that a project presented similar cash flow challenges, subject to the future receipt of LONPs for such projects. The regional structure enables MTC to leverage its expertise and role as MPO, and the structure can be customized to meet operator needs and can cross UZAs for applicable projects. The first financing would be for the BART rail car replacement program. There are no current plans to issue additional debt for other projects. The planned financing structure is a short-term bank revolving line of credit with a future fixed-rate takeout. This structure provides financing flexibility given the uncertainty of the exact timing of funding needs on a cost-effective basis.

BAIFA Resolution No. 50 authorizes the issuance by BAIFA of debt obligations in the amount of not to exceed four hundred fifty million dollars (\$450,000,000) for the BART rail car replacement program. It also approves of the form of and authorizes the execution of the

Regional Transit Project Funding Agreement between MTC and BAIFA (RTPFA) and the Credit Agreement between BAIFA and Bank of America, N.A (BANA). In the RTPFA, MTC covenants to program FTA Formula Funds to pay its funding obligations in connection with BAIFA's debt obligations relating to the BART Project financing. The Credit Agreement documents the terms of the loan from BANA to BAIFA including conditions precedent, representations and warranties, covenants, and events of default. It also spells out the interest rate, fees, prepayment terms, and maturity of the loan. Substantially final forms of RTPFA and Credit Agreement are provided as Attachments B and C.

**Good Faith Estimate**

In accordance with state law, BAIFA has received a good faith estimate from PFM Financial Advisors, LLC (PFM), the municipal advisor for the financing. The good faith estimate provides estimates for the contemplated transaction including true interest costs, fees and charges paid to third parties, total proceeds received and the total principal and interest payments. In addition, PFM certifies all transactions are conducted in accordance with the limitations of Resolution 50 and the BAIFA debt policy. The good faith estimate is provided as Attachment D.

**Issues:**

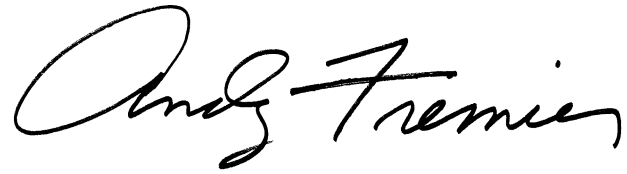
None identified.

**Recommendations:**

Staff recommends that the Authority approve BAIFA Resolution No. 50 and the receipt of the Good Faith Estimate. The funds necessary to carry out the proposed financing will come from the proceeds of the financing.

**Attachments:**

- Attachment A: BAIFA Resolution No. 50
- Attachment B: Regional Transit Project Funding Agreement between MTC and BAIFA
- Attachment C: Credit Agreement between BAIFA and Bank of America, N.A.
- Attachment D: Good Faith Estimate
- Attachment E: Presentation: Overview of Grant Anticipation Financing, BART Replacement Railcar Financing

A handwritten signature in black ink, reading "Andrew B. Fremier". The signature is written in a cursive style with a large initial "A" and "F".

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Andrew B. Fremier