



Massachusetts Bay Transportation Authority

Quincy Bus Facility Modernization

Transportation Infrastructure Finance and Innovation Act “TIFIA” Loan

MBTA Audit & Finance Committee

May 12, 2022

Finance Team

Executive Summary

- The Quincy Bus Facility Modernization was **approved in the FY22 Capital Improvement Plan and proposed FY23-27 CIP**. Noting the different funding sources available to the MBTA to fund capital projects (State, Federal, MBTA Bonds, Grants), the MBTA has determined that maximizing the financed portion of this project from a TIFIA loan is the lowest cost borrowing option.
- The MBTA is requesting Board authorization to enter into a TIFIA loan for the Quincy Bus Facility Modernization project for up to **\$157,959,175**. The final loan amount is determined by total project costs and must not exceed 33%.
- Borrowing from the TIFIA program is anticipated to save up to **\$52 million over the life of the project** versus financing with MBTA bonds, and provides the flexibility to draw down as needed.
- The MBTA has one outstanding loan with the Build America Bureau for the Commuter Rail Safety and Resiliency Projects (Positive Train Control/Automatic Train Control/Fiber Resiliency), which **saved more than \$130 million in financing costs** over the life of the financing versus issuing MBTA bonds.



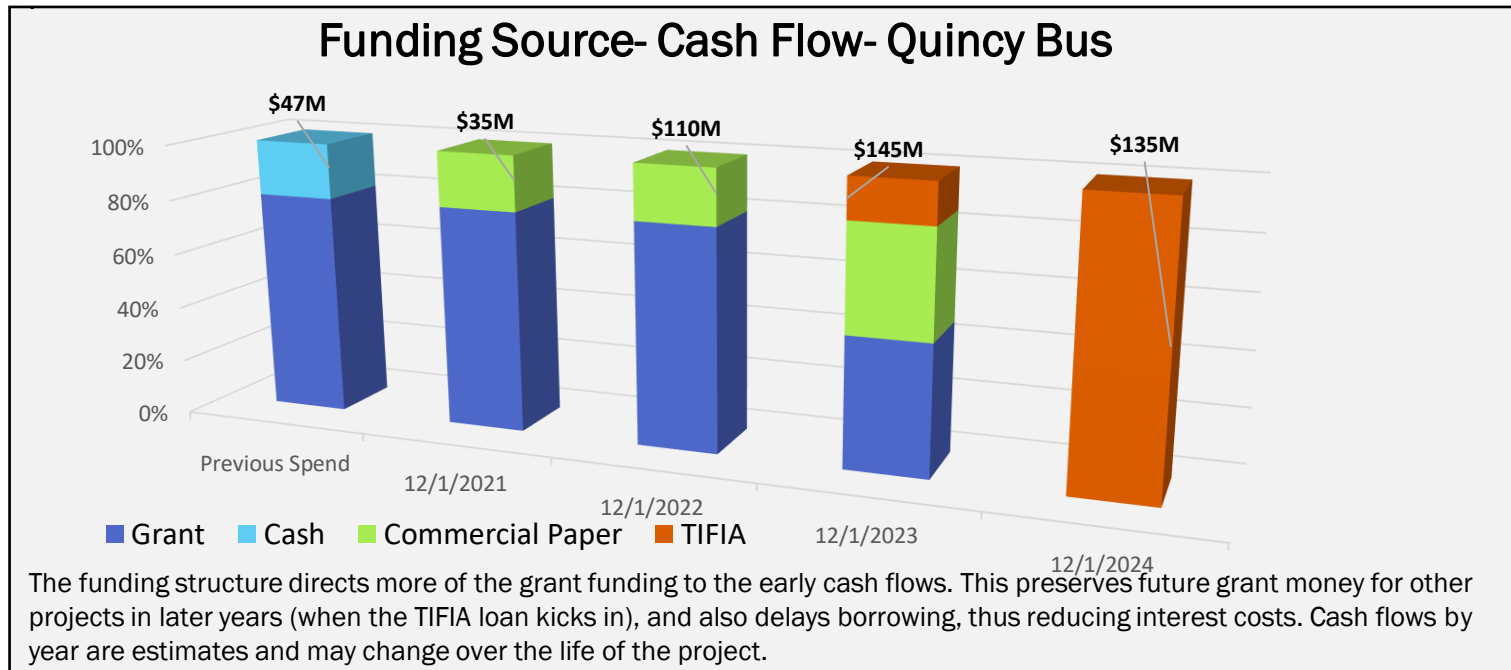
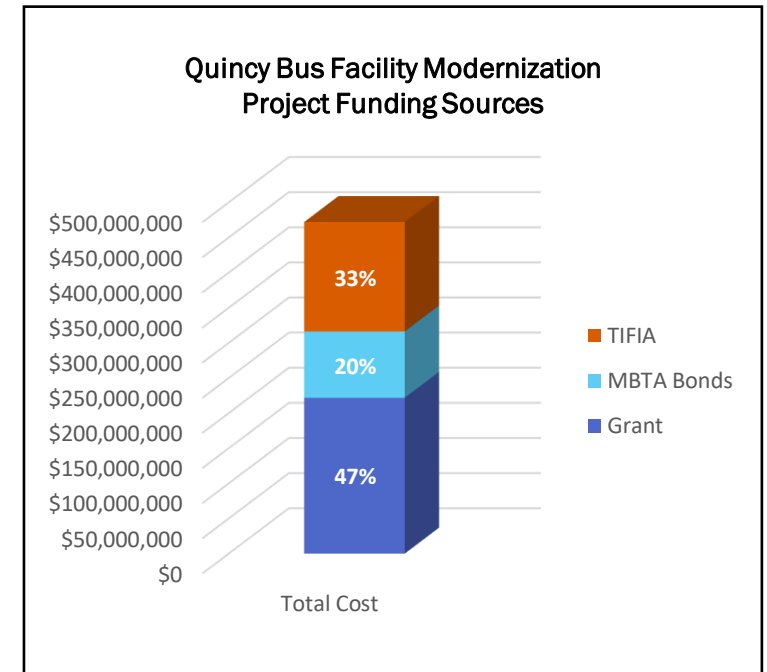
Key Benefits of the TIFIA Loan Program

- Low interest rates set to US Treasuries provides a lower cost alternative to MBTA bonds
- Interest does not accrue until proceeds are drawn, eliminating interest during the project delivery period
- Ability to prepay loans at anytime without penalty or to take advantage of possible lower future interest rates
- The TIFIA loan will be secured by Subordinated Sales Tax Bonds, eliminating the need to fund a Debt Service Reserve Fund
- Locks in current Treasury rate in rising rate environment



Quincy Bus Facility Modernization - Loan Structure

- Quincy Bus Facility Modernization project is approved in the FY22 Capital Investment Plan. Given the different funding sources available to the MBTA, the Authority has determined that the following financial plan minimizes borrowing costs over the long-term and preserves grant capacity for other projects
- Grant and Commercial Paper fund the Quincy Bus Facility in the interim. The TIFIA loan will be drawn upon one year after substantial completion
- Final loan amortization in 2060, 35-year amortization
- Projected loan rate of 3.1%, which is forward Treasury rate. Actual rate lock-in at loan closing.



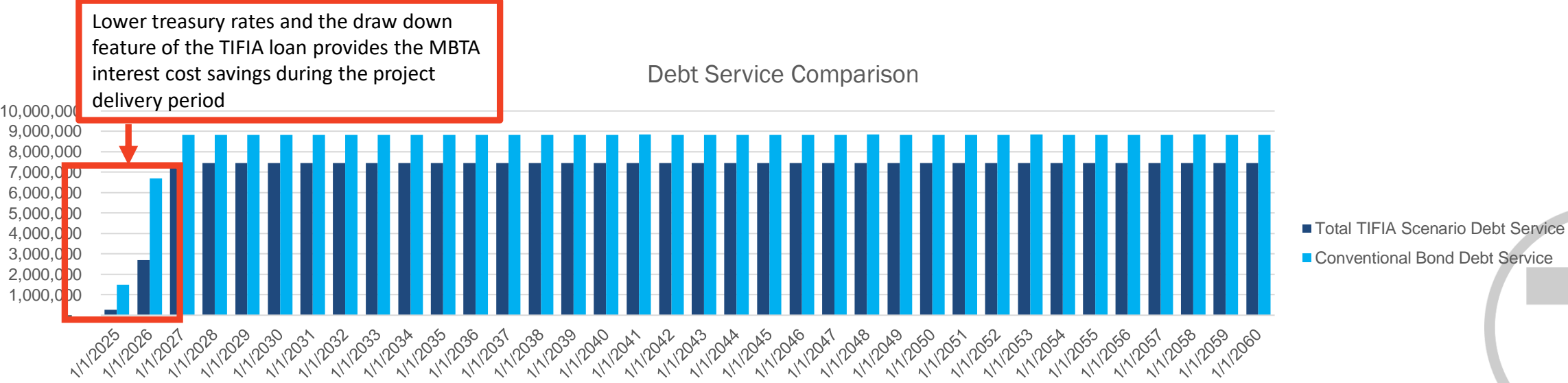
The funding structure directs more of the grant funding to the early cash flows. This preserves future grant money for other projects in later years (when the TIFIA loan kicks in), and also delays borrowing, thus reducing interest costs. Cash flows by year are estimates and may change over the life of the project.

| Quincy Bus Facility TIFIA Loan – Key Metrics | |
|--|---------------|
| Project Completion | 2025 |
| TIFIA Loan Amount | \$157,969,175 |
| Final TIFIA Loan Maturity | 1/1/2060 |
| Useful Life | 75 |
| Loan Rate* | 3.1% |
| Total Interest Costs | \$99,116,711 |

Quincy Bus Facility Modernization – Bonds versus Loan

- Use of the TIFIA Loan Program, with its drawdown feature, provides the MBTA with a lower cost alternative to issuing MBTA Bonds.
 - It is anticipated that the subordinate sales tax TIFIA loan will provide the MBTA with **\$52 million** in interest cost savings over the life of the loan relative to bond funding.

| | Subordinate Sales Tax TIFIA | Subordinate Sales Tax Bonds | Differential |
|-------------------------------------|-----------------------------|-----------------------------|--------------|
| Total Debt Proceeds | \$155,917,000 | \$157,375,000 | \$1,458,000 |
| Final Loan Maturity | 1/1/2060 | 1/1/2060 | - |
| All-in TIC | 3.009% | 4.325% | 1.316% |
| Interest During Construction Period | \$2,959,835 | \$8,170,820 | \$5,210,985 |
| Total Debt Service | \$256,304,537 | \$308,542,382 | \$52,237,846 |



Quincy Bus Facility Modernization- Timeline

| Date | Event |
|-----------------------|--|
| September 2021 ✓ | Letter of Interest for Quincy TIFIA Loan Submitted |
| October 2021 ✓ | Notification of Beginning of Creditworthiness Review |
| February 2022 ✓ | Kick off Presentation |
| February-April 2022 ✓ | Due Diligence/Creditworthiness Review |
| May 2022 ✓ | Invitation to Apply |
| May 2022 | USDOT deems TIFIA loan application is complete |
| May 12, 2022 | Finance and Audit Committee Review |
| May 26, 2022 | MBTA Board review |
| June 2022 | Expected USDOT Credit Counsel approval |
| June 2022 | Expected TIFIA loan closing |
| January 2025 | Quincy Bus Facility Modernization Substantial Completion |
| January 2026 | First anticipated draw on TIFIA Loan |



Recommend and Authorize the Issuance of Subordinate Sales Tax Bonds

Please reference the full vote language in the board package and the appendix.

The votes provide for the MBTA Board to approve:

- The Plan of Finance recommended by financial advisor, Piper Sandler
- TIFIA Loan Agreement between MBTA and U.S. Department of Transportation
- Issuance of Subordinated Sales Tax Bond Bonds, payable from the USDOT Loan Account, to secure the obligations under the TIFIA Loan Agreement
- Authorizing the Forty-Seventh Supplemental Trust Agreement providing for the issuance of the Bonds
- Sale of the Bonds to USDOT
- Authorization of MBTA Officials, and their delegates, to deliver and execute any documentation to effectuate completion of such transactions



Appendix



TIFIA Loan Reporting Requirements

- Project related reporting requirements include quarterly status reports to USDOT that specifies Project status versus schedule, and identifies any cost overruns and/or change orders and their impacts to the Project budget and schedule.
- The financial reporting requirements require, and the MBTA is prepared to provide, among other things:
 - Certification that pledged revenues shall be sufficient to meet TIFIA loan debt service;
 - Annually updated MBTA TIFIA loan financial model, including pro forma debt service coverage;
 - Estimate of the total project costs and remaining costs to complete the Project;
 - Notice for any increase or decrease in Project costs that is equal to or greater than 5%; and
 - Annual financial statements.



Full Vote Language

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY BOARD OF DIRECTORS

Authorizing Issuance of MBTA Bonds and Execution of TIFIA Loan

That the members of the Board of Directors of the Massachusetts Bay Transportation Authority (“MBTA”) that it:

Approve the Plan of Finance recommended by the MBTA’s loan advisor, Piper Sandler & Co., in its memorandum presented herewith;

Approve the TIFIA Loan Agreement (the “Loan Agreement”) by and between the MBTA and the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau (the “USDOT Lender”), in substantially the form presented at this meeting, with such changes as are deemed advisable by the General Manager, Chief Administrator, Chief Financial Officer and Treasurer, or any of them acting singly (each, an “Authorized Officer”), the definitive form of such agreement to be evidenced conclusively by the execution thereof by an Authorized Officer;

Approve the issuance of Subordinated Sales Tax Bonds (the “Bonds”) in one or more series or subseries pursuant to the Sales Tax Trust Agreement to evidence the payment obligations under the Loan Agreement, and thereby to finance and refinance a portion of the costs of the modernization of the Quincy bus facility;

Authorize the Forty-Seventh Supplemental Trust Agreement providing for the issuance of the Bonds, in substantially the form presented at this meeting, with such changes as are deemed advisable by an Authorized Officer, the definitive form of such agreement to be evidenced conclusively by the execution thereof by an Authorized Officer;

Authorize the sale of the Bonds to the USDOT Lender on the terms and in the manner set forth in the Loan Agreement and the Sales Tax Trust Agreement; and

Authorize each Authorized Officer, the General Counsel and other officers of the MBTA and MassDOT, acting singly, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by the documents executed in connection with foregoing votes.

May 26, 2022

