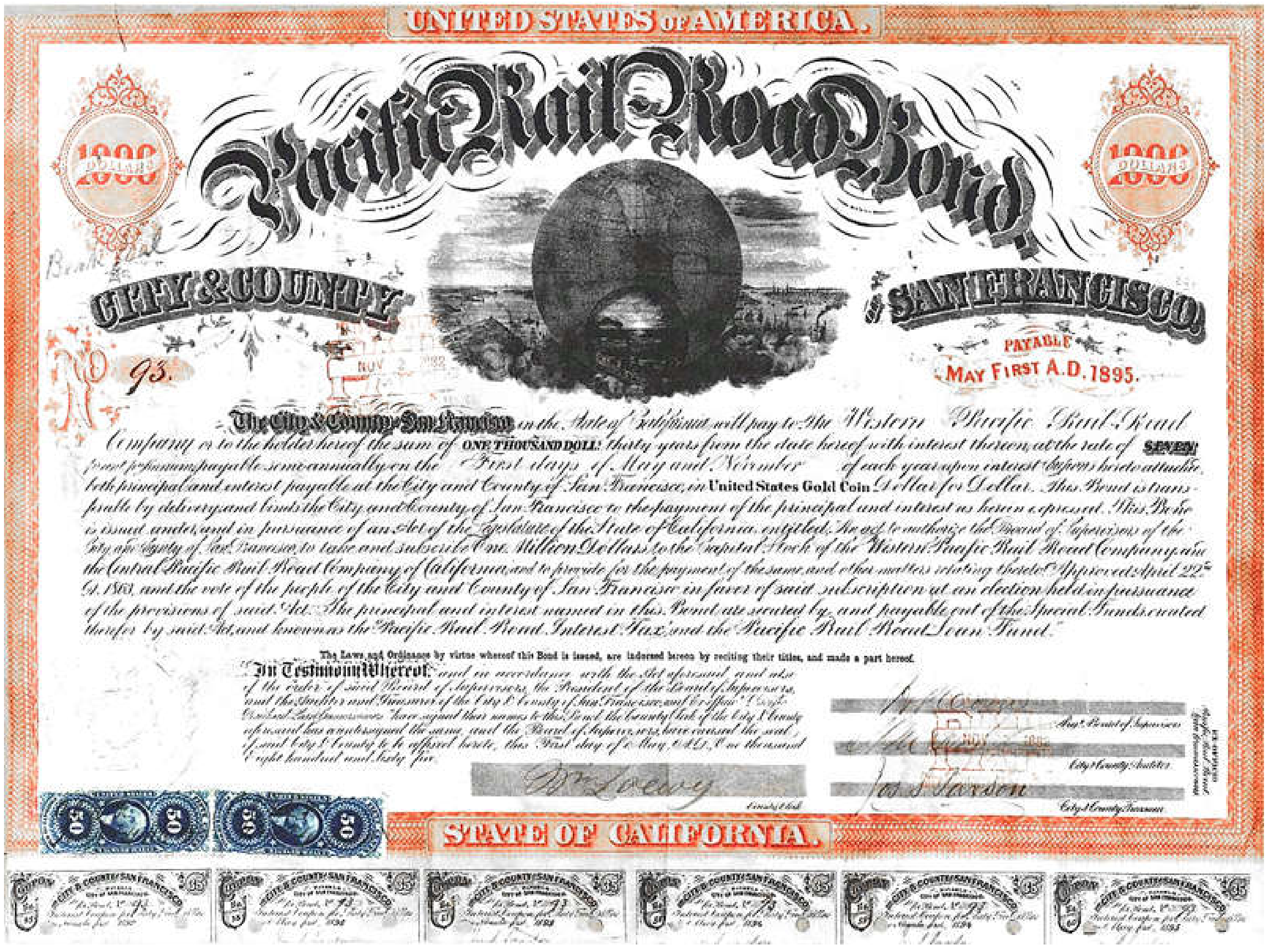
SMART Debt Refinancing Authorization
October 7, 2020



SONOMA-MARIN
SMART
AREA RAIL TRANSIT

Item 9: Debt Refinancing

- **Recommended Action:** Authorize the issuance of new Green Bonds to refinance existing debt, including all related documents

- **Why**? Expenditure savings in the next 9 years which frees up revenue for operations

- **How much?** Authorize issuance of up to $160 million in order to reduce debt an estimated average of $3.34 million a year

TEAM SMART!

- **SMART Financial Advisors**: PFM
  Sarah Hollenbeck & Bob Rich,
  Managing Directors

- **SMART Bond Counsel**: Nixon Peabody
  Rudy Salo, Partner

- **Bond Underwriters**
  Michael Fleishman, Director, Barclays Capital
  Holly Vocal, Director, Bank of America Securities

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Refinancing Background

- Bonds were issued in 2011 to provide for construction of the initial 43 miles of service
- Outstanding debt: $136.9 million, with debt service escalating from $17.4 million this FY to $22 million in 2028
- In 2019, we proposed extending sales tax to lower the debt because rates at that time provided us with very few savings opportunities
- Estimate of a similar deal **at that time** (Spring 2019) provided a maximum of only $350,000 annually – not significant enough to justify cost or to avoid service cuts

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Current Refinancing Plan

- Why are we able to save now?
- One of the ONLY positive impacts to SMART of COVID, is the underlying market that we are facing right now
- Compared to April of 2019, rates last week have **dropped by 75%** making our potential savings significant enough to move forward
- Market conditions also allow for liquidation of debt service reserve fund providing additional savings

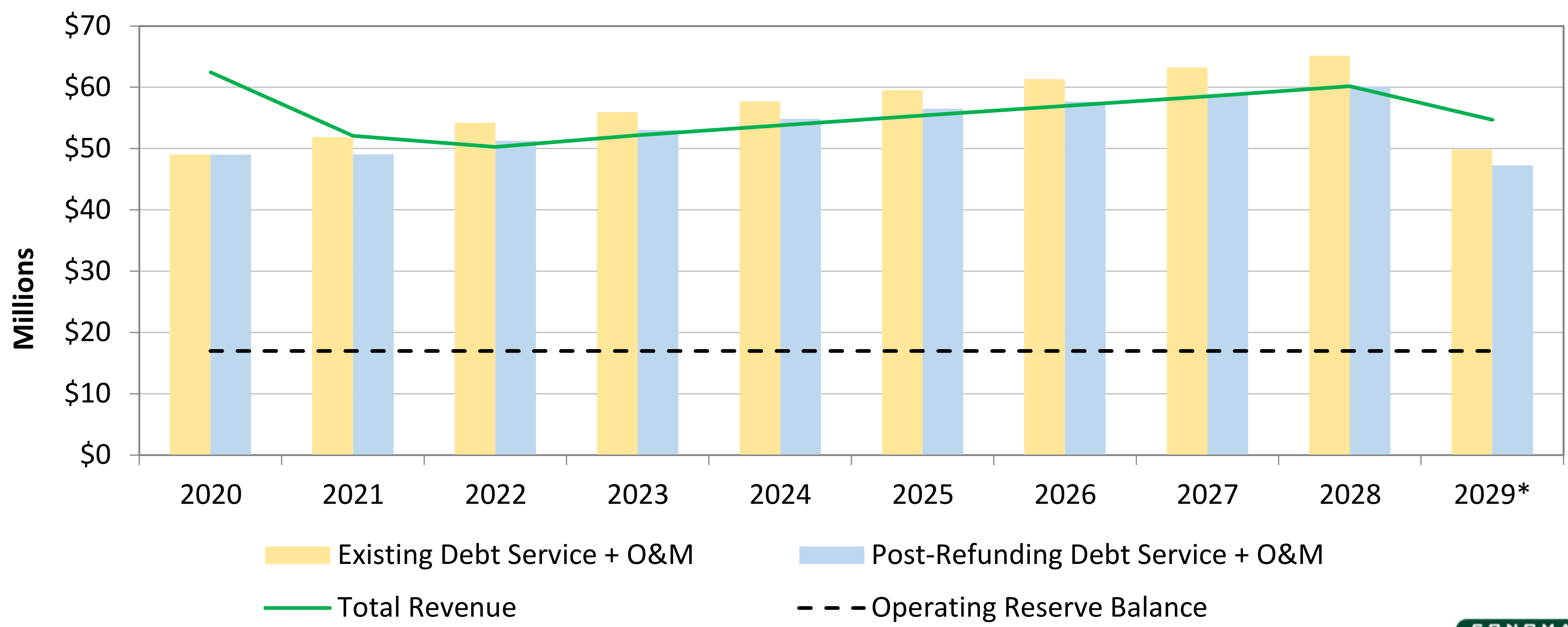
Current Refinancing Plan

- During spring budget discussions, estimate was for $1-2 million in savings
- Volatility challenges projections especially the last six months

Refinancing Goal

- Bring total revenue and expense, including debt service, in line while preserving reserves

SMART Revenue and Expense Estimates by Fiscal Year



*FY 2029 is a partial year

Current Refinancing Plan

Estimates based on current market:

- Construction debt of $136.9 million replaced by new Green bonds totaling $123.3 million
- Maximum annual debt service reduced from $22 million to $17 million
- True Interest Costs for life of debt: 1.84% compared to 3.31% on existing bonds remaining
- Costs of Issuance: $658,150

Next Steps

- Final Results Still Pending:
  - Presenting today our best estimate of the structure and savings we hope to achieve
  - Expect to sell refunding bonds in the coming weeks assuming favorable market conditions
  - Final results will be reported back to the Board
  - Final payment structure will depend on the market during the day we go to market

Approvals Today

Bond Resolution: Authorizes the issuance of the debt, sets forth findings of the Board, approves documents related and delegates authority to General Manager and Chief Financial Officer.

Other documents that will be finalized upon bond sale but provided in their substantial form for review and approval:

- **Third Supplemental Indenture**
- **Bond Purchase Agreement**
- **Preliminary Official Statement and Disclosure Certificate**
- **Escrow Agreement**

Conclusion

- Outstanding result in a difficult year
  - Would have been many more savings had Measure I passed
  - Loss of Measure I still means continued limitations on service expansion and ability to secure grants for future stations
- Estimate of **$3.35 million** average annual reduction provides operating breathing room
- SMART is now on solid ground with a solid future reserve through 2029