

# REGIONAL TRANSIT ISSUE PAPER

| Agenda Item No. | Board Meeting Date | Open/Closed Session | Information/Action Item | Issue Date |
|-----------------|--------------------|---------------------|-------------------------|------------|
| 10              | 10/26/09           | Open                | Action                  | 10/13/09   |

Subject: South Sacramento Corridor Phase 2 Project Update and Approval of the Funding Plan Including Issuance of Certificates of Participation

## ISSUE

South Sacramento Corridor Phase 2 Project Update and whether or not to approve the funding plan including issuance of Certificates of Participation for the South Sacramento Corridor Phase 2 project.

## RECOMMENDED ACTION

Adopt Resolution No. 09-10-\_\_\_\_\_, Approving the Funding Plan including Issuance of Certificates of Participation for the South Sacramento Corridor Phase 2 project.

## FISCAL IMPACT

The action described above does not involve an immediate expenditure of funds. The actual issuance of Certificates of Participation will be presented to the Board in a series of future actions resulting in a long-term commitment to pay principal and interest for the South Sacramento Corridor Phase 2 project.

## DISCUSSION

The South Sacramento Corridor Phase 2 project (Project) will extend Sacramento Regional Transit District's (RT's) light rail service from its existing terminus at Meadowview Road south and east 4.3 miles to Cosumnes River College. The extension will link the fastest growing portion of Sacramento County, the South Corridor, with Downtown, the northeast Sacramento corridor and Rancho Cordova or Folsom in the east corridor. The project includes four stations located at Morrison Creek, Franklin Boulevard, Center Parkway, and Cosumnes River College. The current estimated project cost is \$270 million.

The RT Board certified the Subsequent Final Environmental Impact Report in October 2008 and the Federal Transit Administration (FTA) issued a Record of Decision for the Supplemental Final Environmental Impact Statement on December 18, 2008.

Project staff and consultants continue to advance preliminary engineering. The anticipated completion of preliminary engineering design efforts is expected by the end of November. Challenges in resolving conflicting interests related to the Project and flood control infrastructure near Morrison Creek and Union House Creek have extended the design schedule, but staff continues to work with Sacramento Area Flood Control Agency, City of Sacramento Department of Utilities and the Army Corps. New technology related to communication systems (passenger information signs, security cameras, etc.) have required additional coordination with the on-going work of RT's IT Department staff. Design staff have also been working to build consensus on the

Approved:



General Manager/CEO

Presented:



Diane Nakano, AGM - Engineering and Construction



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requirements for fare vending equipment between Finance and Operations staff. Design of the aerial (bridge) structures and the stations continue with minimal delay.

In addition to design efforts, several key consultants have been hired to assist in completing activities needed to support the project while in the preliminary engineering phase. Below is a list of consultants recently hired to assist with the Project.

- Public Outreach Consultant Services contract awarded June 2009
- Construction Management Services awarded July 2009
- Full Funding Grant Agreement Consultant awarded September 2009

Real estate activities continue to progress. Negotiations with the Union Pacific Railroad have been underway for the past 5 months and are progressing. Several offers related to the non-railroad parcels have been made and accepted. The schedule is to complete the acquisition of needed right of way by December 31, 2009.

A request to enter Final Design was sent to the FTA in April 2009. Prior to granting entry into Final Design, the FTA conducts a Financial Capacity Assessment (FCA), and Technical Capacity and Capability review (TC&C). The TC&C issues are being addressed by providing staff augmentation through existing General Engineering Support Services and General Construction Management Support Services contracts, together with staff recruitments previously deferred until the completion of the classification and compensation study completed earlier this year.

## Project Funding

The FCA process required RT to provide financial information to support the planned implementation of the capital and operating plans. Working with FTA's consultant, it became clear that the concern over the timely delivery of State funds would negatively affect the outcome of the report. Therefore, RT provided an alternative financing plan that included issuing Certificates of Participation (COPs) to replace the State Traffic Congestion Relief Program (TCRP) funds.

Staff has provided FTA with a run of RT's Financial Forecast Model (FFM) that inserted COPs as capital funding in place of TCRP with associated debt service on both the operating and capital statements. During project construction, 50% of the debt service associated with the COPs can be paid with Federal funds through the project, with the remaining 50% paid by RT. After construction is completed, 100% of the annual debt service will be paid by RT. The cost of the issue is currently displayed on the FFM as an operating expenditure since it will be paid with operating revenues.

RT provided FTA with a complete financial analysis of RT's debt service capacity based on fare revenue. The current available capacity is approximately \$69 million, which exceeds the \$57.9 million needed to replace TCRP funds. Table 1 illustrates the estimated annual debt on the new financing issue.



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Table 1  
Estimated Annual Debt Service

| 2011    | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020-2030 |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|
| \$1.8 M | \$1.6M | \$1.6M | \$1.6M | \$3.2M | \$4.6M | \$4.6M | \$4.6M | \$4.6M | \$4.6M    |

Several factors will alter the duration of the debt issuance and the total amount paid. The primary factor will be the delivery of TCRP funds. When those funds are received, the debt issue will be paid in full and further annual debt service will cease.

RT previously issued Farebox Revenue COPs in 2003 through the California Transit Finance Corporation. The new issue will wrap around the existing issue with farebox revenue also pledged toward repayment. RT has sufficient farebox revenues to support the new issue. The primary source of repayment will be operating revenues which can include Measure A, fare revenues, Local Transportation Funds (LTF), or any other revenues generated by RT. Based on the most recent cash flow statement for the project, staff expects to begin the process of issuing COPs in FY 2011.

Staff continues to investigate other funding sources for the project, including funding swaps with other agencies and applying for additional State and Federal grants. If successful, this will reduce the size of the issue and/or push out the date of issuance of the COPs. Either will reduce the amount of interest RT will have to pay for the COPs over time.

In order to demonstrate RT's commitment to the project and its future funding requirements, staff seeks Board approval of the South Sacramento Corridor Phase 2 funding plan including a commitment to issue COPs to provide replacement funding for TCRP funds if necessary. The project funding plan is provided as Exhibit A to the Resolution.

The delay in receiving authorization to enter Final Design is impacting the project schedule. This will likely defer the execution of a Full Funding Grant Agreement for the project, which also has the potential to delay the start of any construction activities. After an initial look at the impacts to the project schedule, it appears the Revenue Operations Date will slip to Fall of 2013. Resolving the FCA issues identified by FTA will assist in achieving authorization to enter Final Design and a Board adopted funding plan will be submitted to support the Capital Plan.

Staff recommends approval of the South Sacramento Corridor Phase 2 funding plan, as shown on Exhibit A, including a commitment to issue COPs.

RESOLUTION NO. 09-10-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

October 26, 2009

**APPROVING THE FUNDING PLAN INCLUDING ISSUANCE OF CERTIFICATES OF PARTICIPATION FOR THE SOUTH SACRAMENTO CORRIDOR PHASE 2 PROJECT**

WHEREAS, the South Sacramento Corridor Phase 2 project is and will remain the highest priority project in the current and future adopted five-year capital plans until its completion; and

WHEREAS, ensuring approval by the Federal Transit Administration of the South Sacramento Corridor Phase 2 project is critical to receive authorization to enter Final Design and ultimately the Full Funding Grant Agreement; and

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT

THAT, the Board does hereby approve the project funding plan provided as Exhibit A, which includes the issuance of certificates of participation for the South Sacramento Corridor Phase 2 project funding plan within the limits of RT's bonding capacity as needed to fund the project.

\_\_\_\_\_  
STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary



EXHIBIT A

South Sacramento Corridor Phase 2 Project Funding Plan

| Funding Source                                  | Amount               | Notes  |
|---|----------------------|--|
| <b>Federal</b>                                  |                      |  |
| CMAQ*   | \$ 7,100,000         | Partially expended.  |
| 5309 New Starts Funding                         | 135,000,000          | \$4.4 million earmark appropriated Jan. 08 (staff will apply for this grant in FY10); \$7 million earmark appropriation for Federal Fiscal Year (FFY) 2009; \$40 million earmark appropriation for FFY 2010; balance subject to competitive award process.                 |
| <b>State*</b>                                   |                      |  |
| STIP  | 4,307,000            | Due to unavailability of State funding in FY2009, CTC is changing program year from FY2009 to FY2010 or FY2011.  |
| <b>TCRP or Alternative Financing</b>            |                      |  |
|   | 8,100,000            | \$3.0 million partially expended. \$5.1 million transferred in FY2010 from NEC project.  |
|   | 57,900,000           | Allocation of balance subject to State budget process or <b>will be replaced with Certificates of Participation.</b>   |
| <b>Local*</b>                                   |                      |  |
| Laguna CFD                                      | 1,481,000            | Partially expended.  |
| Vineyard Financing Plan and other Developer Fee | 4,744,000            | Partially expended; received designation of funding in FY2009.   |
| Measure A                                       | 30,439,000           | \$6.7 million allocation partially expended; transferred \$8.4 million from NEC 2009 and 2011 POF funds to this project; <i>Budgeted amount anticipates restoring \$2.1 million to DNA MOS-1 transferred in '09 to meet timeliness of expenditure requirements of STA.</i> |
| Prop 1 B PTMISEA                                | 17,543,340           | Subject to availability of State funding. Application to supplement Measure A Plan of Finance requests.  |
| Prop 1 B SLPP                                   | 3,229,000            | Proposed by STA as supplemental Measure A funding.   |
| State Transit Assistance                        | 156,660              | Partially expended.  |
| <b>Grand Total</b>                              | <b>\$270,000,000</b> |  |