

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
16	09/14/09	Open	Action	09/04/09

Subject: Approve Inter-fund Borrowing for DNA MOS-1, Amend the FY2010 Capital Budget and Authorize the General Manager/CEO to Enter into a Cooperative Agreement

ISSUE

Whether or not to: (1) delegate authority to the General Manager/CEO to execute a cooperative agreement with Caltrans for settlement funds; (2) amend the FY2010 Capital Budget; and (3) authorize interfund borrowing for the Minimal Operable Segment (MOS 1) of the Downtown-Natomas Airport (DNA) Rail Corridor Project of developer fees held in trust by RT and funds provided by the California Department of Transportation (Caltrans) pursuant to the settlement of the Environmental Council of Sacramento (ECOS) lawsuit.

RECOMMENDED ACTION

- A. Adopt Resolution 09-09-____, Delegating Authority to the General Manager/CEO to Execute a Cooperative Agreement with the California Department of Transportation; and
- B. Adopt Resolution 09-09-____, Amending the FY2010 Capital Budget; and
- C. Adopt Resolution No. 09-09-____, Authorizing Interfund Borrowing for DNA MOS 1 from the Developer Fee Trust Account; and
- D. Adopt Resolution No. 09-09-____, Conditionally Authorizing Interfund Borrowing for DNA MOS 1 of Funds from the Reserve Fund.

FISCAL IMPACT

This action will enable RT to borrow up to \$7 Million in developer fees and up to \$3.6 million in funds provided by Caltrans for Folsom express service to be repaid no later than October 1, 2012, with interest accruing at 1.5% per annum or the actual rate earned on RT's investment in the Local Agency Investment Fund (LAIF), whichever is greater.

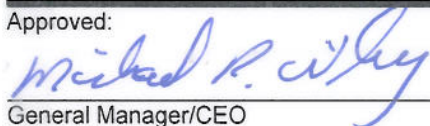
DISCUSSION

As reported to the Board on August 10, 2009, the estimated total project cost for DNA MOS 1 exceeds dedicated funds by \$9.6 Million.

Following the RT Board meeting of August 10, 2009, RT staff contacted the Sacramento Area Council of Governments (SACOG), Caltrans, ECOS, the City of Sacramento, the County of Sacramento and the FTA regarding various methods of bridging the funding gap for the project.

Staff provided a multi-component funding plan developed to bridge the gap to the RT Board via memo and the plan was discussed at the Board meeting on August 24, 2009. The same plan was provided to the Sacramento Transportation Authority (STA) Board on August 27, 2009. Table 1 provides the plan in summary form.

Approved:



General Manager/CEO

Presented:



Chief Financial Officer

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
16	09/14/09	Open	Action	09/04/09

Subject: Approve Inter-fund Borrowing for DNA MOS-1, Amend the FY2010 Capital Budget and Authorize the General Manager/CEO to Enter into a Cooperative Agreement

Table 1
DNA MOS-1 Additional Funding Plan

	<u>Source of Funds</u>	<u>Amount</u>
1	Reclassify Project Funding with FTA approval	\$ 860,000
2	North Natomas Financing Fund Allocation	500,000
3	Borrowing of ECOS Lawsuit Settlement Funds	1,233,000
4	Developer Fee Borrowing	7,000,000
	Total	\$ 9,593,000

Interfund Transfer of Developer Fees

The largest dollar component of the plan involves interfund borrowing of developer fees on deposit by RT. RT has approximately \$7 million in developer fees on deposit from areas within the County for which projects are not yet developed.

The developer fees were collected pursuant to Sacramento County Ordinance No. 0742 (August 31, 1988), as amended, which established transit impact fees for new development. RT was named as the trustee of the funds and is authorized to expend the funds for specified transit purposes.

RT met with County of Sacramento staff to determine the requirements for establishing an interfund borrowing plan to use these funds for DNA MOS 1. County planning and legal staff verbally indicated that they did not see any obstacles to such borrowing under the Fee Ordinance (and in fact provided an example of a past interfund loan from a similar County developer fee account), but deferred to RT, as trustee of the funds, to make a final decision regarding the propriety of the borrowing and the terms.

Interfund borrowing, if structured appropriately, has no net impact on the lending fund. It provides an alternative investment for the idle funds with the same return on the investment that would have been earned otherwise. The Government Accounting Standards Board (GASB) provides clear guidance on accounting for interfund loan transactions. RT will comply with the GASB standards in accounting for the loaned funds.

Table 2 provides a summary of RT developer fees on deposit. Those already designated for specific projects are noted and are unavailable for interfund borrowing. The balance remaining for which projects are not imminent is \$7.2 Million.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
16	09/14/09	Open	Action	09/04/09

Subject: Approve Inter-fund Borrowing for DNA MOS-1, Amend the FY2010 Capital Budget and Authorize the General Manager/CEO to Enter into a Cooperative Agreement

Table 2
Regional Transit Developer Impact Fees

<u>Description</u>	<u>Amount</u>	<u>Descriptions</u>
District 1	\$ 2,728,034	¹ Roseville road area
District 2	1,027,255	¹ Watt avenue
District 3	1,538,890	¹ Sunrise and Folsom area
District 4	2,217,790	¹ Elk Grove related (bus etc.)
District 5	61,809	
District 7	105,395	
Elk Grove West Vineyard	4,213,930	
Rancho Cordova	784,096	
North Vineyard	849,194	
Subtotal	<u>\$ 13,526,393</u>	
Less:		
<i>Elk Grove West Vineyard - for SLP2</i>	(4,213,930)	
<i>District 3 - for Amtrak Folsom</i>	(1,200,000)	
<i>North Vineyard - SLP2</i>	<u>(849,194)</u>	
Maximum potential available	<u>\$ 7,263,269</u>	

¹Based on review of the improvement plans for the above districts, except as noted these districts have no capital expenditures planned for the next 5 years.

Interfund Transfer of ECOS Lawsuit Settlement Funds

Earlier this year, a total of \$7.5 million was committed to RT as the result of the settlement of a lawsuit between Caltrans, ECOS, and Neighbors Advocating Sustainable Transportation (NAST). This amount includes \$3.9 million for signal improvements on the Gold Line to allow for the operation of limited stop express trains and to increase the frequency to and from the Hazel light rail station, as well as \$3.6 million to fund 3 years of RT's net operating costs to run 15-minute frequency service to downtown Folsom. The \$3.6 million in operating funds will not be needed until the Gold Line is double-tracked to Folsom.

Caltrans has presented RT with a draft Cooperative Agreement that would permit RT to invoice Caltrans for the entire \$7.5 million up front, subject to later repayment of any amounts in excess of RT's actual costs to construct and operate the enhanced facilities and service. Rather than having these funds sit until RT completes the Folsom double-tracking project, Staff proposes to use the \$3.6 million, in the interim, to bridge the funding gap for DNA MOS 1 through another interfund loan. The source of funding for the settlement is the Sacramento Transportation

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
16	09/14/09	Open	Action	09/04/09

Subject: Approve Inter-fund Borrowing for DNA MOS-1, Amend the FY2010 Capital Budget and Authorize the General Manager/CEO to Enter into a Cooperative Agreement

Authority (STA)'s Measure A Capital Improvement Program (CIP). Bonds will be sold to fund the CIP on September 24th, with project funding expected in October of this year.

Staff has been working with Caltrans, ECOS, and NAST to gain approval for the use of up to \$3.6 million for the DNA MOS 1 project once the funds are received by RT. Thus far, there has been no opposition to the concept from either Caltrans, ECOS, or NAST representatives in initial conversations on this subject. Staff is currently pursuing a written agreement with Caltrans (through the Cooperative Agreement) and ECOS and NAST through a letter confirming the interim use.

As depicted in Table 1, the additional funding plan anticipates ultimately borrowing only \$1.2 million in funds from this source long-term. However, staff is seeking authorization to borrow up to \$3.6 million to enable the short-term use of the funds in the event of a cash flow shortage due to the time it will take to finalize other elements of the additional funding plan.

Staff is requesting that the Board delegate authority to the General Manager/CEO to execute the Cooperative Agreement with Caltrans with respect to the funds and the loan. In addition, Staff is requesting that the Board conditionally approve an interfund loan (contingent on authorization of the loan from Caltrans) on the terms set out below.

Terms and Sources of Repayment:

Staff is proposing a repayment interest rate of 1.5% per annum, or the actual rate earned on RT's funds on deposit in the Local Agency Investment Fund (LAIF), whichever is greater.

The term of the inter-fund loans will be the duration necessary to repay the amounts borrowed in full within the shortest possible time frame, but not greater than five years.

The inter-fund loans will be the initial funding source to meet the DNA MOS 1 funding shortfall of \$9.6 million. As funds become available from other sources, these loans will be repaid.

Depending upon cash inflows and availability from each element of the funding plan, potential sources of repayment include: reclassification and transfer of grant funding now dedicated to later DNA segments; North Natomas Financing Funds; and future Measure A CIP funds as further described below.

Reclassification of project funding: \$ 860,000

With FTA approval, development costs for the DNA project that were paid for with Measure A can qualify for payment with Federal grant funds. Staff is seeking FTA authorization to reclassify these expenses and use federal grant funds to cover these costs, thus freeing up additional Measure A funds already committed to the DNA project for DNA MOS-1.

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
16	09/14/09	Open	Action	09/04/09

Subject: Approve Inter-fund Borrowing for DNA MOS-1, Amend the FY2010 Capital Budget and Authorize the General Manager/CEO to Enter into a Cooperative Agreement

Transfer of grant funding between projects: \$4,700,000

Staff hopes to move Federal grant funding for DNA MOS 2 and 3 to the Amtrak-Folsom Project, which would again free up additional Measure A “flexible” dollars that would then be used to repay the proposed interfund loans for DNA MOS 1. This transfer will require months of inter-agency coordination and approvals between RT, SACOG, FTA, and the CTC. RT staff has begun to lay the ground work for the actions necessary to successfully implement this transfer.

North Natomas Financing Fund (NNFF): \$ 500,000

This fund was established to provide funding for the developing North Natomas area and includes a transit component. Although the DNA project is not currently listed in the documents of the NNFF as an eligible capital project, RT staff has been advised that DNA MOS-1 development work attributable to the larger DNA project segments located geographically within the NNFF service area should be eligible for current funding from the NNFF. RT staff is working with City of Sacramento staff to identify attributable project costs and apply for the funds, which would then be used as local match for the larger, federally-funded DNA project. This will free up Measure A funding that would otherwise be set aside as local match for Federal funding on the larger project, which could then be used for DNA MOS 1.

Future Measure A CIP Funds: \$6,200,000

Future Measure A funds will become available over time to replace funds cut from the DNA MOS 1 project on the current round of funding. The project was scheduled to receive \$36.6 million in Measure A CIP funding. Due to economic conditions and a constrained financial marketplace, the expected yield on the current round of financing is significantly lower than anticipated. Many projects were cut back, including the DNA MOS 1 project. The current round of new Measure A funding for the DNA MOS 1 project will be \$30.4 million. The shortfall of \$6.2 million will eventually be restored to this project in future rounds of funding of STA’s Measure A CIP as economic and market conditions improve. STA intends to refinance the CIP issue as frequently as every two years to increase the level of available funding from this source so that projects can be funded as quickly as possible.

If insufficient funds are available from the above sources to repay the \$10.6 million in authorized loans, RT would be required to identify an alternative source of repayment for the developer fees and settlement funds.

RESOLUTION NO. 09-09-_____

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

September 14, 2009

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE A
COOPERATIVE AGREEMENT WITH THE CALIFORNIA DEPARTMENT OF
TRANSPORTATION**

WHEREAS, to settle litigation with respect to the Highway 50 High Occupancy Vehicle lane project, the California Department of Transportation (Caltrans), the Environmental Council of Sacramento (ECOS), and Neighbors Advocating Sustainable Transportation (NAST) entered into a court-approved settlement agreement that provides, among other things, for Caltrans to transfer \$7.5 million to the Sacramento Regional Transit District (RT) for transit service improvements, including \$3.9 million for signaling improvements and \$3.6 million to be used for future operating expenses once double track is extended to the City of Folsom; and

WHEREAS, because the Folsom double track project is not imminent, RT desires to temporarily borrow the \$3.6 million to provide funding for Minimal Operable Segment (MOS) 1 of the Downtown-Natomas-Airport Corridor Rail (DNA MOS 1) Project; and

WHEREAS, RT and Caltrans desire to memorialize the agreement to provide the \$7.5 million in funding for the purposes identified in the settlement agreement and to allow RT to temporarily borrow up to \$3.6 million in reserve funds for the DNA MOS 1 Project .

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the General Manager/CEO is hereby authorized to enter into a Cooperative Agreement with Caltrans for receipt of \$7.5 million for improvements to and operating expenses for the Gold Line light rail service, which agreement permits the borrowing of such funds for the DNA MOS 1 Project.

STEVE COHN, Chair

ATTEST:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 09-09-_____

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

September 14, 2009

AMENDING THE FISCAL YEAR 2010 CAPITAL BUDGET

WHEREAS, to settle litigation with respect to the Highway 50 High Occupancy Vehicle lane project, the California Department of Transportation (Caltrans), the Environmental Council of Sacramento (ECOS), and Neighbors Advocating Sustainable Transportation (NAST) entered into a court-approved settlement agreement that provides, among other things, for Caltrans to transfer \$7.5 million to the Sacramento Regional Transit District (RT) for transit service improvements, including \$3.9 million for signaling improvements and \$3.6 million to be used for future operating expenses once double track is extended to the City of Folsom;

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Fiscal Year 2010 Capital Budget is amended to add \$3.9 million to the Gold Line Double Tracking Project.

THAT, the \$3.6 million will be placed in a restricted reserve account to pay for future net operating costs of light rail operations in accordance with the settlement agreement between Caltrans, ECOS, and NAST.

STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 09-09-_____

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

September 14, 2009

**AUTHORIZING INTERFUND BORROWING FOR DNA MOS 1 FROM THE
DEVELOPER FEE TRUST ACCOUNT**

WHEREAS, pursuant to Sacramento County Ordinance No. 0742, the Sacramento Regional Transit District (RT) is the trustee of transit development fees assessed against new development in the unincorporated areas of Sacramento County; and

WHEREAS, approximately \$7 million of such funds are not needed for transit projects within the next 5 years; and

WHEREAS, RT is presently planning to construct Minimal Operable Segment (MOS) 1 of the Downtown-Natomas-Airport Rail Corridor Project (DNA MOS 1), which has funding requirements of \$43,880,882; and

WHEREAS, dedicated funding for DNA MOS 1 totals \$37,311,000, resulting in a present funding shortfall of \$9,592,727; and

WHEREAS, has identified and is working to implement solutions to eliminate this funding shortfall; and

WHEREAS, in the interim, RT desires to borrow up to \$7 million in uncommitted developer fees to help temporarily bridge the funding gap for DNA MOS 1.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, up to \$7,000,000 currently held in the developer fee trust account(s) may be borrowed to fund the DNA MOS 1 project on the terms set forth in Exhibit A to this Resolution, provided that the loan and its proceeds are accounted for in accordance with the standards established by the Government Accounting Standards Board.

STEVE COHN, Chair

ATTEST:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

EXHIBIT A

Inter-fund Loan from County Developer Fees on Deposit to RT for the
DNA MOS-1 Capital Project

Loan Amount: \$7,000,000

Pledge: The Loan shall be secured by a pledge of Measure A funds.

Issuance Fees: No issuance fees

Term: 60 months

Interest Rate: 1.5% per annum, or the actual rate earned on RT's investments in the Local Agency Investment Fund (LAIF), whichever is greater.

Effective Date of Interest: October 1, 2009

Repayment Schedule: The loan is to be repaid by October 1, 2014.

Prepayment: The loan may be prepaid at any time.

Other Terms: None

RESOLUTION NO. 09-09-_____

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

September 14, 2009

CONDITIONALLY AUTHORIZING INTERFUND BORROWING FOR DNA MOS-1 OF FUNDS FROM THE RESERVE FUND

WHEREAS, to settle litigation with respect to the Highway 50 High Occupancy Vehicle lane project, the California Department of Transportation (Caltrans), the Environmental Council of Sacramento (ECOS), and Neighbors Advocating Sustainable Transportation (NAST) entered into a court-approved settlement agreement that provides, among other things, for Caltrans to transfer \$7.5 million to the Sacramento Regional Transit District (RT) for transit service improvements, including \$3.9 million for signaling improvements and \$3.6 million to be used for future operating expenses once double track is extended to the City of Folsom; and

WHEREAS, the Sacramento Regional Transit District (RT) is presently planning to construct Minimal Operable Segment (MOS) 1 of the Downtown-Natomas-Airport Rail Corridor Project (DNA MOS 1), which has funding requirements of \$43,880,882; and

WHEREAS, dedicated funding for DNA MOS 1 totals \$37,311,000, resulting in a present funding shortfall of \$9,592,727; and

WHEREAS, RT has identified and is working to implement solutions to eliminate this funding shortfall; and

WHEREAS, because the Folsom double track project is not imminent, RT desires to temporarily borrow the \$3.6 million for future operating expenses to provide funding for Minimal Operable Segment (MOS) 1 of the Downtown-Natomas-Airport Corridor Rail (DNA MOS 1) Project; and

WHEREAS, RT is presently negotiating an agreement with Caltrans to permit the borrowing of the \$3.6 million for DNA MOS 1.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, contingent upon execution by RT and Caltrans of a Cooperative Agreement to provide the \$7.5 million in settlement funds and written agreements by and between RT, Caltrans authorizing borrowing of funds for the DNA MOS-1 project, up to \$3.6 million which will be held upon receipt in a restricted reserve fund may be borrowed for the DNA MOS 1 project on the terms set forth in Exhibit A to this resolution.

STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

Inter-fund Loan from ECOS Lawsuit Settlement Proceeds on Deposit to RT for the
DNA MOS-1 Capital Project

Loan Amount: Up to \$3,600,000

Pledge: The Loan shall be secured by a pledge of Measure A funds.

Issuance Fees: No issuance fees

Term: 60 months

Interest Rate: 1.5% per annum, or the actual rate earned on RT's investments in the Local Agency Investment Fund (LAIF), whichever is greater.

Effective Date of Interest: October 1, 2009

Repayment Schedule: The loan is to be repaid by October 1, 2014.

Prepayment: The loan may be prepaid at any time.

Other Terms: None