

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	08/08/11	Open	Action	07/28/11

Subject: Declaring the Official Intent of the Sacramento Regional Transit District to Reimburse Itself for Certain Capital Expenditures from the Proceeds of Bond or other Financing Issuances

ISSUE

Whether or not to declare the official intent of the Sacramento Regional Transit District to reimburse itself for certain capital expenditures from the proceeds of bond or other financing issuances.

RECOMMENDED ACTION

Adopt Resolution No.11-08-_____, Declaring the Official Intent of the Sacramento Regional Transit District to Reimburse Itself for Certain Capital Expenditures from the Proceeds of Bond or other Financing Issuances.

FISCAL IMPACT

None as a result of this action.

DISCUSSION

Under certain circumstances, Federal law allows certain project expenditures to qualify for reimbursement from the proceeds of a subsequent bond or other financing obligations. These requirements are set out in the Internal Revenue Service/Treasury regulations at 26 CFR 1.150-2 and require a bond issuer's "declaration of official intent" to reimburse an expenditure with proceeds of a financing obligation. To preserve eligibility for such expenditures, the agency must adopt such a declaration of official intent no later than 60 days after an expenditure for which reimbursement may be sought.

On February 14, 2011, the RT Board adopted a resolution of intent to reimburse expenditures on the Blue Line from a future financing issuance. This was done because flexible sources of funding were being used to pay for Blue Line expenditures that could potentially be directed to other projects if reimbursement of those funds were possible. The Board's action preserved the flexibility to enable such reimbursements in the future should RT desire to do so. This proposed action expresses the Board's official intent to reimburse itself for capital expenditures on two additional projects from future financing and does not supersede or replace the Board's February 14, 2011 action.

The Federal government recently released notices of funding availability through several grant opportunities including "Bus State of Good Repair" and "FY 2011 Discretionary Livability" grants. RT has undertaken applications for critical bus acquisitions and RT's second bus maintenance facility project (BMF2), under these grant programs. Due to the uncertainty of future Federal

Approved:

Presented:

Final 7/29/11

General Manager/CEO

Chief Financial Officer

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funding opportunities, seeking funding from these currently available sources is determined by staff to be expedient and necessary. Both grants will require local matching funds. The BMF2 project has limited matching funds available on the project; however, due to the over-riding economic conditions of the region, matching funds from currently available sources remain unidentified for the bus acquisitions. Funds may become available by the time the acquisitions are made, but in order to apply for the grants, local match must be identified. To that end, staff seeks this action. The grant applications will be filed with a local match of flexible funds such as STA or Measure A identified as the source, supported by this declaration of intent to reimburse the funds from RT's future financing issue which is currently estimated to occur in 2012. This will enable staff to reimburse the STA or Measure A flexible funds that will be used in the interim when the financing is issued if other sources have not, by then, been identified.

Staff recommends adoption of the resolution declaring RT's official intent to reimburse itself for certain capital expenditures from the proceeds of future bond or other financing issuances.

RESOLUTION NO. 11-08-_____

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

August 8, 2011

DECLARING THE OFFICIAL INTENT OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT TO REIMBURSE ITSELF FOR CERTAIN CAPITAL EXPENDITURES FROM THE PROCEEDS OF BOND OR OTHER FINANCING ISSUANCES

WHEREAS, the Sacramento Regional Transit District (the "District") intends to acquire and construct certain additions, betterments, and improvements to its transit system, including bus acquisitions and the construction and development of the Bus Maintenance Facility II (Projects), and

WHEREAS, the District expects to pay certain capital expenditures (the "Reimbursement Expenditures") in connection with the Projects prior to the issuance of indebtedness for the purpose of financing the costs associated with the Project on a long-term basis; and

WHEREAS, the District previously adopted Resolution No. 11-02-0021, declaring its intent to reimburse itself for certain capital expenditures from the proceeds of indebtedness; and

WHEREAS, the District reasonably expects that debt obligations in an amount not expected to exceed \$80,000,000 will be issued, including an amount not expected to exceed \$10,000,000, for the purpose of financing costs of the Projects specified herein on a long-term basis and that certain of the proceeds of such debt obligations will be used to reimburse the District for the Reimbursement Expenditures; and

WHEREAS, Internal Revenue Service/Treasury Regulations (26 CFR Section 1.150-2) require the District to declare its reasonable official intent to reimburse prior expenditures for the Projects with proceeds of a subsequent borrowing to qualify such expenditures for reimbursement.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT, AS FOLLOWS:

Section 1. The Board of Directors of the District finds and determines that the foregoing recitals are true and correct.

Section 2. This resolution is adopted by the Board of Directors of the District solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Internal Revenue Service/Treasury Regulations, and does not bind the District to make any expenditure, incur any indebtedness, or proceed with the Projects.

Section 3. The Board of Directors of the District hereby declares the District's official intent to use proceeds of indebtedness to reimburse itself for the Reimbursement Expenditures.

Section 4. This resolution shall take effect from and after its adoption.

The foregoing Resolution was introduced at a regular meeting of the Board of Directors of the Sacramento Regional Transit District held on August 8, 2011 by Director _____, who moved its adoption. The motion was seconded by Director _____, and a poll was taken, recorded as follows:

AYES:

NOES:

ABSENT:

ABSTAIN:

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary