

General Manager's Report August 8, 2011

GOVERNMENT AFFAIRS UPDATE

FEDERAL

Of late, Congress' efforts have been focused on federal government spending and attempting to increase the federal government's \$14.3 trillion borrowing limit. On Monday evening, the House of Representatives passed a \$2.4 trillion debt ceiling increase and, on Tuesday, the Senate voted and President Obama signed the debt ceiling bill just before the Treasury Department was set to run out of money to meet the federal government's obligations. The debt ceiling increase is accompanied by \$917 billion in spending cuts over 10 years. The District's federal lobbyists report that transportation cuts are yet unknown as there is nothing specific in the legislative text and the details of the complicated agreement will unfold in the coming months in deficit-cutting congressional committees.

The difficult budget climate has also delayed congressional efforts to move a FY12 Transportation, Housing and Urban Development (THUD) Appropriations measure forward. Both the House and Senate THUD Appropriations subcommittees are looking to move measures in September.

The existing surface transportation authorization bill (SAFETEA-LU) expires on September 30, 2011. Congress may need to act on an extension if the next reauthorization of a surface transportation measure is not crafted and passed before then to fund federal transportation spending. Although committees in both the House and Senate have released their respective outlines for a new multi-year surface transportation authorization, legislative text on the measures is not likely to appear until this fall.

This summer, the Federal Transit Administration issued a list of competitive funding opportunities to help strengthen and improve public transit. Last week, the District submitted grant applications under the Bus Facilities Livability and the State of Good Repair Initiatives for the FTA's consideration. The District received several letters in support of RT's grant applications for RT's Bus Maintenance Facility 2 project under the Bus Facilities Livability Initiative and for the Sacramento Region Bus Replacement project under the State of Good Repair Initiative. In order to garner support at the federal level, RT is working with our federal lobbyists to provide congressional staff with information on the District's current and future grant submittals.

STATE

The California Legislature is on summer recess and will reconvene on August 15, 2011. The emphasis in the Capitol at present is to prepare legislation for final hearings in the Assembly and Senate Appropriations committees and for final floor action.

This legislative session, the District is in support or sponsor of the legislative measures listed below.

- AB 957 (Transportation Omnibus bill) – This measure includes a number of minor “statutory clean up” changes to RT's enabling statutes. The bill is set for hearing in the Senate Appropriations Committee on August 15.

- AB 716 (Dickinson) - This measure extends the prohibition order statute enacted under SB 1516 (Steinberg). RT staff conducted a successful clarification negotiation session with the author's staff and policy staff to develop final language. The bill is set for hearing in the Senate Appropriations Committee on August 15.
- AB 1143 (Dickinson) - In collaboration with the author, who provided this bill at RT's request to serve as a legislative vehicle this past June, the bill now provides RT with a range of revenue bonding options. The measure has passed the Senate Transportation Committee and is pending final Senate approval on the Senate Floor.
- AB 426 (Lowenthal) - This measure improves legislation approved last year pertaining to administrative adjudication proceedings for certain transit agencies, including RT. The underlying statute was amended to provide a two-tier system, permitting the agency to pursue criminal complaints in cases of chronic or serious violations. The bill was approved by the Governor on July 25.

SILO/LILO UPDATE

On Friday, July 22, 2011, Sacramento Regional Transit (RT) moved out from under the shadow of a potential \$32 million liability due to a technical deficiency in its 2005, 2006, and 2007 Sale In Lease Out (SILO) transactions by completing a restructuring agreement with its equity investors, insurers, and bank partners that effectively removed all deficiencies and put the transactions "back on the shelf."

RT Finance and Legal staff, along with Peter Ross, RT's Financial Advisor, have been working steadily since September 2008, to keep the transactions intact and prevent a loss in the aftermath of American International Group's (AIG) decline in ratings below the replacement trigger within the agreements. In addition to the \$32 million early termination loss, RT stood to lose its Line of Credit (LOC) agreement with Wells Fargo Bank due to a parallel covenant relating to the SILO agreement.

Since that place in time, RT also experienced the decline of Ambac, a secondary insurer on all of RT's transactions to a ratings level that also required replacement. Through regular and cooperative communication over time, RT has been able to receive and maintain documented forbearance from the requirement to replace AIG and Ambac from both Fifth Third, RT's equity investor, and Wells Fargo Bank. Even with forbearance, however, the technical deficiencies remained unresolved within the transactions and RT was advised that the condition could not remain indefinitely.

The final disposition of the terms of the agreement approved by the RT Board on February 28, 2011, was to reduce the ratings trigger for AIG from "A2/A to Baa3/BBB-" and extend the replacement period in the case of a subsequent decline in rating below the new trigger level from 60 days to one year; and AIG deposited Treasury Securities with US Bank equal to 100% of the required value maturing in accordance with the transaction payment schedules. Ambac remains a signatory to the agreements but without a ratings trigger within the amendments. RT paid the fee to Fifth Third for the restructuring and all that remains is to settle all legal fees from the various parties.

RT has already begun to experience the benefits of the restructuring with notice received from Standard & Poor's in April that it had revised RT's outlook from "negative" to "stable." The rationale stated that *"the outlook revision reflects our view of the district reaching an agreement with the equity investor on the district's leveraged lease transactions to restructure the three transactions at a reasonable cost."*

This change, in addition to RT's improved financial condition, is expected to result in hundreds of thousands of dollars in interest and other cost savings when RT seeks to issue revenue bonds in the future.

RT MEETING CALENDAR

Regional Transit Board Meeting

August 22, 2011
RT Auditorium
6:00 P.M

September 12, 2011
RT Auditorium
6:00 P.M

September 26, 2011
RT Auditorium
6:00 P.M

Executive Committee Meetings for 2011

Will be approved and scheduled by the Chair
on an as needed basis.

Mobility Advisory Council

September 1, 2011
RT Auditorium
2:30 P.M

October 6 2011
RT Auditorium
2:30 P.M

November 3, 2011
RT Auditorium
2:30 P.M

Quarterly Retirement Board Meeting

September 13, 2011
RT Auditorium
9:00 A.M

December 5, 2011
RT Auditorium
9:00 A.M

ParaTransit Board Meeting

September 15, 2011
2501 Florin Road
6:00 P.M