

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
7	02/14/11	Open	Action	02/01/11

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 Indebtedness

ISSUE

Whether or not to 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 indebtedness.

RECOMMENDED ACTION

Adopt Resolution No.11-02-_____, 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 Indebtedness.

FISCAL IMPACT

None as a result of this action, although it may allow flexibility in the use of future capital dollars on the South Line Phase 2 Project (Blue Line).

DISCUSSION

The current financial plan for the Blue Line includes up to \$70 million in bond or other financing instruments, depending on the availability of other funding sources, such as TCRP and/or Prop. 1B. Such an amount is well within RT's current debt capacity, which exceeds \$100 million. Staff has determined that federal law allows certain project expenditures to qualify for reimbursement from the proceeds of a subsequent financing issuance under certain conditions. 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. Although expenditures on the project are ongoing, borrowing for the Blue Line is not anticipated until mid-2012 under current plans.

Flexible sources of funding are currently being used to pay for Blue Line expenditures that could potentially be directed to other projects if reimbursement of those funds were possible. Therefore, staff is seeking to preserve the flexibility to enable such reimbursements in the future, should RT desire to do so, through this official declaration.

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 indebtedness.

Approved:

Presented:

FINAL 2/8/11

General Manager/CEO

Chief Financial Officer

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RESOLUTION NO. 11-02-_____

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

February 14, 2011

DECLARING THE OFFICIAL INTENT OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT TO REIMBURSE ITSELF FOR CERTAIN CAPITAL EXPENDITURES FROM THE PROCEEDS OF INDEBTEDNESS

WHEREAS, the Sacramento Regional Transit District (the "District") intends to acquire and construct certain additions, betterments and improvements to its transit system, including an extension of its light rail system south to Cosumnes River College, adding four new light rail stations, 2,700 park-and-ride spaces, and a major transit center at the Cosumnes River College Station (the "Project"); and

WHEREAS, the District expects to pay certain capital expenditures (the "Reimbursement Expenditures") in connection with the Project 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 reasonably expects that debt obligations in an amount not expected to exceed \$70,000,000 will be issued for the purpose of financing costs of the Project 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 Project 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 Project.

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 February 14, 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