

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	10/24/11	Open	Action	10/03/11

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.11-10-_____, 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.

On August 8, 2011, the RT Board adopted a second resolution of intent to reimburse capital expenditures on two additional projects for Federal government release notices of funding availability through several grant opportunities including "Bus State of Good Repair" and "FY 2011 Discretionary Livability" grants. RT had undertaken applications for critical bus acquisitions and RT's second bus maintenance facility project (BMF2), under these grant programs. The Board's action preserved the flexibility to enable such reimbursements in the future should RT desire to do so.

Approved:

Presented:

Final 10/17/11

General Manager/CEO

Chief Financial Officer

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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 and August 8, 2011 actions.

The current available capital funding for replacements due on RT’s Non-Revenue Vehicle and Equipment Program and vehicles and equipment for RT’s Community Bus Service (CBS) may not cover immediate future needs. Continued lack of funding these projects places a burden on the operating budget due to increased repair costs for vehicles that have outlived their normal useful life. RT is currently applying for PTMISEA (Proposition 1B) funds for Non-Revenue Vehicles and Equipment Program with the State to cover many of the current and upcoming vehicle and equipment needs. However, the timing of award and then funding from this program is projected to be approximately two years out, based on current awards across the State waiting for funding and the timing of future bonds sales to fund this program. Due to current critical needs, staff is looking into a vehicle lease program for the short term to allow RT to meet the most critical needs of the Non-Revenue Vehicle and Equipment Program and the CBS. While this is not the most favorable financing means, it would only be undertaken to meet the most critical needs and would be replaced with more favorable long-term financing when that becomes available.

In the interim, flexible sources of funding may be used to pay for the leases that could potentially be directed to other projects when reimbursement of those funds are 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 of intent.

RESOLUTION NO. 11-10-_____

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

October 24, 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 lease financing for Non-Revenue Vehicle and Equipment Program and community bus service for the District to meet critical needed vehicle needs, 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 and Resolution No. 11-08-0120 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 \$85,000,000 will be issued, including an amount not expected to exceed \$5,000,000 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 October 24, 2011 by Director _____, who moved its adoption. The motion was seconded by Director _____, and a poll was taken, recorded as follows:

AYES:

NOES:

ABSTAIN:

ABSENT:

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary