

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	09/12/11	Open	Action	08/29/11

Subject: Repeal and Re-Adopt Resolution on Banking and Investment Services separate from the Line of Credit

## ISSUE

Whether to repeal Resolution No. 11-06-0089 and approve a Contract for Banking, Line of Credit and Investment Services with Wells Fargo, N.A. .

## RECOMMENDED ACTION

Adopt Resolution No. 11-09-\_\_\_\_\_, Repealing Resolution No. 11-06-0089, Approving a Contract for Banking, Line of Credit and Investment Services with Wells Fargo Bank, N.A., and Approving a Promissory Note for Fiscal Year 2012

## FISCAL IMPACT

### **Banking Portion:**

Budgeted:	Yes	This FY:	\$	45,000
Budget Source:	Operating	Next FY:	\$	48,000
Funding Source:	Operating	Annualized:	\$	48,280
Cost Cntr/GL Acct(s) or Capital Project #:	690071	Total Amount:	\$	241,400
Total Budget:	\$ 42,000			

### **Line of Credit Portion:**

Budgeted:	Yes	This FY:	\$	120,000
Budget Source:	Operating	Next FY:	\$	
Funding Source:	Operating	Annualized:	\$	
Cost Cntr/GL Acct(s) or Capital Project #:	690071 & 690072	Total Amount:	\$	
Total Budget:	\$ 120,000			

Note: The line of credit will be renewed annually; therefore the estimated yearly fee is only based on the expected FY2012 expenses.

Standard cash management procedure is to offset some or all of the banking fees against interest earned by compensating cash balance. As part of RT's cash management program, RT keeps a small compensating balance with Wells Fargo, which offsets some of these fees.

Approved:

Presented:

Final 8/29/11

General Manager/CEO

Director, Finance/Treasury

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Subject: Repeal and Re-Adopt Resolution on Banking and Investment Services separate from the Line of Credit

## DISCUSSION

On June 27, 2011, the RT Board adopted Resolution No. 11-06-0089 delegating authority to the General Manager/CEO to award a contract to Wells Fargo Bank, N.A. for banking, line of credit (LOC) and investment services. While the Issue Paper discussed the separate costs for the banking (\$241,000 over 5 years) and line of credit services (estimated at \$120,000 for the current fiscal year), the banking services and the LOC were combined on the Resolution with a not-to-exceed dollar amount of \$241,400 for the 5-year term of the Contract, which is clearly inadequate to cover the anticipated costs. Although the LOC fees will be fixed at the levels set out in the proposal from Wells Fargo, the total cost for the LOC will vary depending upon the number of draws and total level of credit extended to RT over the course of the year. Consequently, it is difficult to set a maximum consideration for the Line of Credit. In addition, due to legal limitations on RT's borrowing authority, it is necessary to pay off the Line of Credit each year and obtain a new promissory note. To address these issues, staff is proposing that the Board: (1) repeal Resolution 11-06-0089; (2) re-approve the Contract for Banking, Line of Credit and Investment services for a 5-year term, subject to a cost cap of \$241,000 for banking and investment services and a limit on LOC fees based on the Wells Fargo proposal; and (3) approve a Revolving Line of Credit Note for Fiscal Year 2012 based on the fees set out in the Wells Fargo proposal. In future years, the Board will be asked to approve issuance of a new Revolving Line of Credit Note, if needed.

RESOLUTION NO. 11-09-\_\_\_\_\_

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

September 12, 2011

**REPEALING RESOLUTION NO. 11-06-0089, APPROVING A CONTRACT WITH WELLS FARGO BANK, N.A. FOR BANKING, LINE OF CREDIT AND INVESTMENT SERVICES, AND APPROVING A PROMISSORY NOTE FOR FISCAL YEAR 2012**

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

THAT, Resolution No. 11-06-0089, Delegating Authority to the General Manager/CEO to Award a Contract to Wells Fargo Bank, N.A. for Banking, Line of Credit and Investment Services, is hereby repealed.

THAT, the Contract between Sacramento Regional Transit District, therein referred to as "RT," and Wells Fargo Bank, N.A., therein referred to as "Financial Institution," whereby Financial Institution agrees to provide banking, line of credit, and investment services, as specified, for an amount not to exceed \$241,400 plus applicable line of credit fees based on the fee schedule set out in Exhibit 4 (Financial Institution's Proposal) to the Contract, for a 5-year term, is hereby approved.

THAT, the General Manager/CEO is hereby authorized and directed to execute the foregoing Contract and to execute any additional documents or agreements needed for Wells Fargo to provide the specified services.

THAT, the Board hereby approves issuance of a Revolving Line of Credit Note between RT and Financial Institution, with a term not to exceed 12 months and for an amount not to exceed \$25 million, which is needed to meet the immediate financial requirements of RT.

THAT, the General Manager/CEO is hereby authorized and directed to execute the foregoing Promissory Note and any associated documents.

\_\_\_\_\_  
DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary