

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	10/22/12	Open	Action	09/24/12

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 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 indebtedness.

## RECOMMENDED ACTION

Adopt Resolution No. 12-10-\_\_\_\_\_, 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 Indebtedness.

## FISCAL IMPACT

None as a result of this action.

## DISCUSSION

The current financial plan for the Green Line includes up to \$10.6 million in inter-fund borrowing from developer fees on deposit (\$7 million) and through a cooperative agreement with Caltrans for the advance use of settlement funds on deposit (\$3.6 million) pursuant to the settlement of the Environmental Council of Sacramento (ECOS) lawsuit.

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, all expenditures for which the earlier inter-fund borrowings were anticipated have not yet occurred.

Inter-fund borrowing funds are currently being used to pay for Green Line expenditures that could reduce the amount owing on the inter-fund borrowing agreements 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 10/16/12

General Manager/CEO

Chief Financial Officer

RESOLUTION NO. 12-10-\_\_\_\_\_

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

October 22, 2012

**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**

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 north to the River District and eventually to the Sacramento International Airport; 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 \$88,000,000 will be issued for the purpose of financing costs of District projects 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 and will cover expenditures paid sixty days prior to the date of this action.

The foregoing Resolution was introduced at a regular meeting of the Board of Directors of the Sacramento Regional Transit District held on October 22, 2012 by Director \_\_\_\_\_, who moved its adoption. The motion was seconded by Director \_\_\_\_\_, and a poll was taken, recorded as follows:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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