

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	06/24/13	Open	Action	06/20/13

Subject: Delegate Authority to GM/CEO to Renew Line of Credit with Wells Fargo Bank

ISSUE

Whether or not to delegate authority to the General Manager/CEO to authorize the issuance of a 90 day note with Wells Fargo Bank for the FY2013 Line of Credit (LOC).

RECOMMENDED ACTION

Adopt Resolution No. 24-06-____, Delegating Authority to the General Manager/CEO to Authorize the Issuance of a Note with Wells Fargo Bank in a Principal Amount Not to Exceed \$25.0 Million with an Effective Date On or After July 1, 2013 and a Final Maturity Date of September 30, 2013

FISCAL IMPACT

90 day Fee: \$ 25,000
Estimated Interest Expense: \$ 112,500 *

* Assumes a 3% interest rate and a line of credit balance of \$15.0 Million for 90 days. This amount has been included in the FY14 budget.

DISCUSSION

The California Government Code requires that public agencies annually reauthorize by resolution the issuance of notes of indebtedness for temporary borrowing. Normally, RT would request reauthorization for a one year note, however, due to the uncertainty resulting from the Section 13(c) protest filed by the ATU with the U.S. Department of Labor, RT's Federal grants are being held by the FTA. Consequently, despite a strong mutually supportive banking relationship over a 10 year period, that saw RT through the toughest economic downturn in recent history, Wells Fargo Bank has denied RT's request for a renewal of the Line of Credit (LOC) on the same terms as in previous years. Therefore, this issue paper seeks a renewal for a short-term, 90 day extension of the note in the amount of \$25 Million. This extension will allow RT time to make other arrangements for its LOC and if deemed to be in RT's best interest, all other banking services as well.

To provide some background, RT's cash flow for both operating and capital expenses is dependent, in large part, on timely payments from State and Local agencies and reimbursement of expenses from the Federal Transit Administration (FTA). RT's system generated fares (fare box recovery) account for approximately 25.0% of all operating revenue.

In large part, the LOC serves as RT's "working capital" throughout the year because the timing of RT's cash receipts does not always coincide with required cash disbursements. As an example, capital project expenses are paid from operating revenue and then reimbursed, depending on the

Approved:

Presented:

Final 06/20/13
General Manager/CEO

Chief Financial Officer

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project funding source, anywhere from a few days to eight weeks after payment. Reserving an appropriate working capital balance, whether through reserves or an LOC, resolves cash flow timing issues. In addition, sound fiscal policy dictates a contingency plan to meet short-term liquidity obligations. RT relies upon the LOC to ensure payment obligations are met regardless of cash flow timing issues.

Staff is in discussion with Wells Fargo regarding an extension and recommends renewing its flexible note with Wells Fargo Bank for the short-term transition period of 90 days commencing July 1, 2013. The note is facilitated by Wells Fargo's Government, Education and Labor Banking Division and is in compliance with public agency temporary borrowing practices as regulated by California Government Code Sections 53850 – 53858.

Basic terms of the note:

- The note duration is quoted as a general period of (90) days
- The interest rate will be a fixed rate (current LIBOR plus 1.50%).
- Auditing fees will not be applicable, as this is not considered a secured loan
- The note would be pledged with receipt of all Borrower's revenue excluding all fare box revenues

Staff is continuing to work diligently with other banking institutions to work out acceptable terms for an alternative LOC and will provide updates to the Board as the search progresses.

Staff recommends that the RT Board of Directors delegate authority to the General Manager/CEO to authorize the issuance of a note with Wells Fargo Bank in a principal amount not to exceed \$25.0 Million with an effective date on or after July 1, 2013 with a final maturity date of September 30, 2013.

RESOLUTION NO. 24-06-_____

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

June 24, 2013

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO AUTHORIZE THE ISSUANCE OF A NOTE WITH WELLS FARGO BANK IN A PRINCIPAL AMOUNT NOT TO EXCEED \$25.0 MILLION WITH AN EFFECTIVE DATE ON OR AFTER JULY 1, 2013 AND A FINAL MATURITY DATE OF SEPTEMBER 30, 2013

WHEREAS, in accordance with Chapter 4.7 (Temporary Borrowing) of Title 5, Division 2, Part 1 of the California Government Code (Section 53850 and following), Sacramento Regional Transit District ("RT") may borrow money for any purpose for which the local agency is authorized to use and expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the local agency; and

WHEREAS, pursuant to Resolution No. 11-09-0127, the Board awarded a contract to Wells Fargo Bank, N.A. for banking services that included a fee schedule for issuance of a Revolving Line of Credit Note; and

WHEREAS, RT is negotiating a Revolving Line of Credit Note under its contract with Wells Fargo Bank, N.A. for a \$25,000,000 line of credit to be effective on or after July 1, 2013, with a final maturity date of September 30, 2013; and

WHEREAS, the General Manager/CEO or his authorized representative is hereby authorized to draw on said Revolving Line of Credit Note during its term as necessary and appropriate.

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

THAT, the General Manager/CEO is hereby authorized and directed to approve the issuance of a Revolving Line of Credit Note between RT and Wells Fargo Bank, N.A., consistent with the fees set out in the Agreement between RT and Wells Fargo Bank N.A., for Banking Services, with a term not to exceed 90 days, commencing on or after July 1, 2013 with a final maturity date of September 30, 2013, and in an amount not to exceed \$25,000,000 upon successful completion of negotiations of the terms, covenants and conditions of the Promissory Note.

THAT, the General Manager/CEO is hereby authorized and directed to execute the foregoing Promissory Note and any associated agreements, contracts, addenda, and documents upon completion of the foregoing condition.

PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

