

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	09/23/13	Open	Action	09/16/13

Subject: Line of Credit Extension

ISSUE

Whether or not to delegate authority to the General Manager/CEO to execute a 90 day Credit Extension: Note Modification and 5th Amendment to the existing short term note with Wells Fargo Bank for FY 2014

RECOMMENDED ACTION

Adopt Resolution No. 13-09-____, Delegating Authority to the General Manager/CEO to Execute a 90 Day Credit Extension: Note Modification and 5th Amendment to the Existing Short Term Note With Wells Fargo Bank in a Principal Amount Not to Exceed \$25.0 Million with an Effective Date On or After October 1, 2013 and a Final Maturity Date of December 28, 2013.

FISCAL IMPACT

Estimated Interest Expense: \$ 187,500 *

* Assumes a 3% interest rate and a line of credit balance of \$25.0 Million for 60 days (the final rate may be slightly higher). This amount has been included in the FY14 budget. In addition to the interest fee noted above, Wells Fargo may require an additional upfront structuring fee or legal fees. At this time, RT has not received pricing, however Wells Fargo has indicated that additional fees may apply.

DISCUSSION

On June 24, 2013, the Board approved a 90 day short term note in the amount of \$25 Million with Wells Fargo Bank. 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, Wells Fargo Bank has denied the one year request, but as a matter of convenience Wells Fargo has agreed to a short term extension to the note with the understanding that RT will continue to work on making other arrangements for its line of credit needs.

Basic terms of the extension note:

- The note duration is quoted as a general period of (90) days
- The current interest rate is either a fluctuating rate per annum determined by Bank to be one quarter percent (0.25%) below the Prime Rate in effect from time to time or current 1 month LIBOR plus 1.50%. The 90 day extension may include a higher interest rate not to exceed either (.75%) above the Prime Rate in effect or current LIBOR plus 2.50%.

Approved:

Presented:

Final 09/16/13

General Manager/CEO

Chief Financial Officer

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- 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 line of credit and will provide updates to the Board as the search progresses.

Because RT's current line of credit with Wells Fargo expires September 30, 2013, RT needs to execute the line of credit extension documents no later than September 30, 2013. Because this is the last Board meeting before the 30th and because we have not yet finalized the note and amendment documents, staff recommends that the RT Board of Directors delegate authority to the General Manager/CEO to authorize a 90 Day Credit Extension: Note Modification and 5th amendment to the existing short term note with Wells Fargo Bank in a principal amount not to exceed \$25.0 Million with an effective date on or after October 1, 2013 and a final maturity date of December 28, 2013.

RESOLUTION NO. 13-09-_____

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

September 23, 2013

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE A 90 DAY CREDIT EXTENSION: NOTE MODIFICATION AND 5TH AMENDMENT TO THE EXSITING SHORT TERM NOTE WITH WELLS FARGO BANK IN A PRINCIPAL AMOUNT NOT TO EXCEED \$25.0 MILLION WITH AN EFFECTIVE DATE ON OR AFTER OCTOBER 1, 2013 AND A FINAL MATURITY DATE OF DECEMBER 28, 2013

WHEREAS, in accordance with Chapter 7.6 (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, on September 12, 2011, pursuant to Resolution No. 11-09-0127 (the "Original Resolution"), the RT Board of Directors ("the Board") awarded a contract to Wells Fargo Bank, N.A. ("Wells Fargo") for banking services that included a fee schedule for issuance of a Revolving Line of Credit Note and thereby authorized the extension of the maturity date of the Line of Credit Note (as defined below) for a term not to exceed 12 months as more fully described therein; and

WHEREAS, RT and Wells Fargo entered into that certain Credit Agreement dated as of July 1, 2009 (as amended from time to time, the "Credit Agreement"), pursuant to which Wells Fargo made available to RT a revolving line of credit in the maximum principal amount of \$25,000,000, which line of credit is evidenced by that certain Revolving Line of Credit Note dated July 1, 2012 (as modified from time to time, the "Line of Credit Note"); and

WHEREAS, pursuant to the Credit Agreement, RT pledged to Wells Fargo a first lien and charge on and security interest in all of RT's revenues and all proceeds thereof, excluding therefrom any revenues, up to a maximum of \$2 million, from any source, then or thereafter pledged to the Sacramento Area Council of Governments, and any and all farebox revenues; and

WHEREAS, on June 24, 2013, the Board authorized the General Manager/CEO to issue a Revolving Line of Credit Note between RT and Wells Fargo, with a term not to exceed 90 days, commencing on or after July 1, 2013 with a final maturity date of September 30, 2013, in an amount not to exceed \$25,000,000, thereby authorizing the further extension of the maturity date of the Line of Credit Note; and

WHEREAS, on July 22, 2013, the Board adopted Resolution No. 13-07-0107 ratifying the General Manager/CEO's execution of Credit Agreement; and

WHEREAS, RT has a continuing need to maintain a line of credit as it transitions to a new lender and is currently negotiating an extension of its current Line of Credit Note with Wells Fargo and a Fifth Amendment to the Existing Revolving Line of Credit Note under its contract with Wells Fargo, N.A. for a \$25,000,000 line of credit to be effective October 1, 2013, with a final maturity date of December 28, 2013; and

WHEREAS, pursuant to California Government Code Section 53856, RT may pledge any taxes, income, revenue, cash receipts or other moneys to the payment of the Line of Credit Note provided a resolution of the Board authorizing the issuance of a note shall specify what taxes, income, revenue, cash receipts or other moneys are pledged for repayment of such note.

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

THAT, the Board hereby agrees that the principal amount of the Line of Credit Note and any interest thereon shall be payable from and secured by a pledge of a lien on or security interest in all of RT's revenues and all proceeds thereof, except for (a) any revenues, up to a maximum of \$2 million, from any source, now or hereafter pledged to the Sacramento Area Council of Governments; and (b) any and all farebox revenues.

THAT, the Board hereby authorizes and directs the General Manager/CEO to approve the credit extension Line of Credit Note modification and the Fifth Amendment to the Credit Agreement 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 October 1, 2013, with a final maturity date of December 28, 2013, and in an amount not to exceed \$25,000,000, upon successful completion of negotiations regarding the terms, covenants, and conditions of the Promissory Note, the Fifth Amendment to the Credit Agreement, and any other agreements, contracts or forms necessary to complete the transaction.

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