



STAFF REPORT

DATE: July 27, 2020
TO: Sacramento Regional Transit Board of Directors
FROM: Brent Bernegger, VP, Finance/CFO
SUBJ: AUTHORIZING SACRT TO ENTER INTO A PROMISSORY NOTE WITH AFCO ACCEPTANCE CORPORATION TO TEMPORARILY FINANCE THE FY21 INSURANCE PREMIUMS

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Adoption of the attached Resolution authorizes the execution of a Premium Finance Agreement – Promissory Note with AFCO, which provides temporary financing of the FY21 Excess Liability Insurance Premiums.

FISCAL IMPACT

The cost of the insurance premiums and the interest cost associated with the short-term borrowing were included in the FY21 Board approved budget. The premiums for the excess liability coverage for FY21 are \$5,316,818 and the interest associated with the borrowing is a maximum amount of \$56,361.

DISCUSSION

Each year SacRT performs extensive market outreach and negotiations to obtain the most competitive insurance rates for excess liability coverage, over SacRT's self-insured level. Due to the timing of receiving the final insurance approvals, the financing agreement, and a spread in the Board meeting dates, staff moved forward with executing the Premium Finance Agreement – Promissory Note (Note), in order to secure coverage.

The premiums are due in a lump sum at the time the coverage is extended, which for SacRT is July 1, to be in alignment with the fiscal year. Due to the cost of the premiums and the timing of receipt of SacRT's Preventative Maintenance (PM) funds, approximately \$35 Million received between July and September, it is advantageous for SacRT to finance the premiums and pay off the Promissory Note, in full, when all the PM funds are received.

SacRT has the authority to issue a Promissory Note to AFCO under California Government Code §53852; however, California Government Code §53853 requires a Board adopted Resolution to issue and execute the Note. §53854 requires that SacRT

repay the note within the same fiscal year. SacRT intends to repay the note before the end of calendar year 2020.

Staff is seeking authorization from the Board authorizing the issuance of a Promissory Note with AFCO for the FY21 Excess Liability Insurance Premiums and authorizing the General Manager/CEO to execute the Note and any other applications, forms or documents necessary to effectuate the issuance and repayment of the Promissory Note, conditioned on the Promissory Note being repaid within a year of issuance of the Note.

RESOLUTION NO. 20-07-0070

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

July 27, 2020

**AUTHORIZING SACRT TO ENTER INTO A PROMISSORY NOTE WITH AFCO
ACCEPTANCE CORPORATION TO TEMPORARILY FINANCE THE FY21
INSURANCE PREMIUMS**

WHEREAS, in accordance with Section 53852 of the California Government Code, Sacramento Regional Transit District ("SacRT") may issue a Promissory Note ("Note") to temporarily borrow funds to be expended in any manner that is consistent with its authority to spend funds; and

WHEREAS, in accordance with Section 53853 the issuance of such Note must be made by Resolution duly adopted by the Governing Board authorizing the issuance of the Note; and

WHEREAS, in accordance with Section 53854 of the California Government Code, SacRT must repay the Note within the fiscal year.

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

THAT, the Board hereby authorizes the Sacramento Regional Transit District, through its General Manager/CEO to issue a Promissory Note ("Note") pursuant to California Government Code Section 53852 and 53853, authorizing the repayment of a short-term loan from AFCO in the amount of \$5,316,817.51, plus interest accrued.

THAT, the Board hereby authorizes the General Manager/CEO to execute said Note and any other applications, forms, agreements, or other documents necessary to effectuate the issuance and repayment of the Note, conditioned upon the requirement that the Note must be repaid in full in the same fiscal year in which the debt is incurred, as required by California Government Code Section 53854.

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary