



STAFF REPORT

DATE: September 14, 2020
TO: Sacramento Regional Transit Board of Directors
FROM: Brent Bernegger, VP, Finance/CFO
SUBJ: CONDITIONALLY AWARDING A CONTRACT FOR UNDERWRITING SERVICES TO RBC CAPITAL MARKETS, LLC

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Conditionally awarding underwriter services to RBC Capital Markets, LLC (RBC) will allow SacRT staff to move forward with the refinancing of the 2012 Farebox Revenue bonds, when market conditions are optimal.

FISCAL IMPACT

The fees for refinancing approximately \$45 million of farebox revenue bonds with RBC are estimated at \$195,000. The fee is comprised of underwriter expenses of approximately \$35,000 and an estimated takedown fee of \$160,000 based on a flat rate of \$3.50 per bond issued.

The final cost of the underwriter services will be contingent on successful completion of the bond issuance and will be incorporated into a Bond Purchase Agreement to be approved by the Board concurrent with final approval of the refunding. The fees associated with the transaction will be incorporated into the offering and therefore there is no fiscal impact on the Operating budget.

DISCUSSION

On November 1, 2012, SacRT issued \$86,865,000 of bonds at a premium to fund the South Line Phase II expansion, to purchase 40' buses, non-revenue vehicles, and to fund other miscellaneous capital projects. In February 2017, SacRT received approximately \$42 million of Traffic Congestion Relief Program (TCRP) funds for the South Line Phase II project that enabled SacRT to defease a portion of the outstanding debt.

As of June 30, 2020, SacRT has approximately \$45 million in outstanding revenue bonds. The first available call date on the debt is September 1, 2020. Staff came to the Board in March 2020 with a plan to refinance the debt in Spring 2020; however, due to the effects of COVID-19 on the bond market and farebox revenues, it was not advantageous for SacRT to progress the refinancing. The bond markets have started to

rebound, and it is now appropriate for SacRT to enter into a preliminary contract with RBC to further explore options for refinancing the debt.

SacRT released Request for Proposals (RFP) #202056 in February 2020 and received 7 responses from underwriter institutions. The evaluation committee deemed RBC to be the highest-ranked Proposer due to its knowledge of SacRT's credit situation, experience with transit finance, and experience with transit finance in California.

The final pricing for the bonds will be directly dependent on the bond market at the time of refinancing. There are three scenarios that could affect the total cost paid to the underwriter:

1. Bonds sold at a premium. This means that SacRT will have to sell fewer bonds because each bond is worth more than the standard \$1,000; in this instance, the takedown expenses would be lower than estimated.
2. Bonds sold at par. This means that SacRT will sell 45,000 bonds at the standard \$1,000/bond, which will result in the estimated takedown expense.
3. Bonds sold at a discount. This means that SacRT will have to sell more bonds because they are priced below \$1,000, resulting in an increase to the takedown expense beyond the estimate.

SacRT will only move forward with the refinancing when debt services savings can be achieved. However, that is attainable with any of the three scenarios above, depending on the interest rate that can be obtained in the market. The final underwriter cost will be brought back to the Board just before the refinancing is finalized for adoption of a formal resolution authorizing the transaction and approval of the Bond Purchase Agreement, at which time all costs will be disclosed.

Proposers that are not selected are entitled to protest a recommendation to award and must be granted the full 10 business days to submit a protest to SacRT. Because the notice was not sent out sufficiently in advance of the Board meeting, the protest period will not have run prior to the Board meeting date; therefore, award of a contract must be conditioned upon the 10-business day protest period elapsing and SacRT not receiving any protest.

Staff recommends the Board conditionally award a Contract for Underwriting Service for the Refunding of Farebox Revenue Bonds, Series 2012 to RBC Capital Markets, LLC.

RESOLUTION NO. 20-09-0092

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

September 14, 2020

CONDITIONALLY AWARDING A CONTRACT FOR UNDERWRITING SERVICES TO RBC CAPITAL MARKETS, LLC

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

THAT, the Contract between Sacramento Regional Transit District, therein referred to as "SacRT," and RBC Capital Markets, LLC., therein referred to as "Consultant," agrees to provide Underwriter Services, as specified, for an amount not to exceed \$195,000, is hereby approved, contingent upon no protest being properly filed by the close of business on Wednesday, September 16, 2020.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Contract, upon satisfaction of the foregoing contingency.

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary