

STAFF REPORT

DATE: September 12, 2022
TO: Sacramento Regional Transit Board of Directors
FROM: Jamie Adelman, Acting VP, Finance/CFO
SUBJ: APPROVING AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT WITH U.S. BANK NATIONAL ASSOCIATION FOR AN EXTENSION OF THE \$20 MILLION LINE OF CREDIT FACILITY TO SEPTEMBER 30, 2023

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Approving the recommended action will extend the line of credit with U.S. Bank National Association (US Bank) in an amount not to exceed \$20,000,000 (Line of Credit Facility or LOC) from 9/30/2022 to 9/30/2023 and maintain the facility amount of \$20 million.

FISCAL IMPACT

The FY23 Operating budget includes interest expense of \$125,000 and legal fees of \$20,000 related to the LOC. No changes to the FY23 budget are necessary for the adoption of the attached resolution.

DISCUSSION

Sacramento Regional Transit District (SacRT) has shown improved financial position for six fiscal years in a row, and as a result was able to negotiate a reduction in the fees associated with the LOC with US Bank. The competitive fees are the result of SacRT's continued dedication to fiscal sustainability and reserve growth. Table 1 below shows the comparison in interest rates between FY23 and FY22.

Table 1:

Rate Type		FY23		FY22	% Change
Used	Daily Simple SOFR +	1.35%		1.35%	0%
Unused	-	0.400%		0.450%	-11%

Having access to an appropriate working capital balance, whether through reserves or an LOC, resolves cash flow timing issues. In addition, sound fiscal policy dictates a

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contingency plan to meet short-term liquidity obligations. Due to the various delay in receipt of Federal, State and/or Local funds, as mentioned below, SacRT relies upon a LOC to ensure all operating payment obligations are met regardless of timing delays in cash flows.

Therefore, Staff recommends adopting Amendment No. 1 to Amended and Restated Credit Agreement with US Bank extending the term of the existing \$20 Million Line of Credit Facility for 12 months which is in compliance with California Public Utilities Code Section 102584.

Background:

On November 1, 2013, SacRT and US Bank entered into a Credit Agreement wherein US Bank agreed to provide credit to SacRT on an annual basis pursuant to California Government Code §53850 et seq., otherwise referred to as the TRAN Statute. In accordance with that arrangement, SacRT issued a Revolving Line of Credit (LOC) Facility Note in the amount of \$29 million with a final maturity date of October 31, 2014. Subsequent to the expiration of that note, SacRT has worked with US Bank to issue multiple LOC notes, with the latest promissory note issued in the original principal amount of \$20,000,000 from the Issuer, as maker, to US Bank, as payee, and dated August 4, 2021 (the “Note”) pursuant to California Public Utilities Code Section 102584 and an Amended and Restated Credit Agreement dated as of August 4, 2021 (the “Existing Credit Agreement”). The parties have now agreed to the terms of an amendment to the Existing Credit Agreement that will extend the current \$20 million Line of Credit Facility to September 30, 2023.

SacRT’s operations are heavily reliant on the timely receipt of cash from the State, Local, and Federal Government agencies. As such, on an annual basis (since FY2004), SacRT’s Board of Directors has authorized the General Manager/CEO to issue an LOC Promissory Note for operating cash flow purposes. California Government Code §53854 requires that any LOC note issued pursuant to the authorizing TRAN statute (Cal. Gov’t. Code §§53850-53858) must be repaid within 15 months of issuance. In January 2016, SacRT was granted a bit more flexibility by the State when Assembly Bill 422 (McCarty) (“AB 422”) went into effect. AB 422 added California Public Utilities Code Section 102584 to the Public Utilities Code (PUC), which provides SacRT with the authority to obtain a LOC with a maturity date of up to 60 months. California PUC Section 102584 also permits SacRT to provide a multiyear pledge of grant funds as collateral for its LOC. Both changes to the law create an opportunity for SacRT to secure a LOC on more favorable terms and will ultimately result in a reduction in costs associated with borrowing against the LOC. While SacRT could secure a longer term for its LOC, at this time its lender, US Bank has offered to provide a one-year extension on the \$20 Million LOC. However, because SacRT has the ability to provide a multiyear pledge, US Bank has eliminated some of the conditions it has historically imposed on SacRT because SacRT was limited to making a single year pledge, exposing US Bank to greater risk.

In previous fiscal years, the LOC primarily served as temporary gap funding for federal operating money budgeted by SacRT during the current fiscal year, but not received by SacRT until the following fiscal year. Beginning with FY21, SacRT began receiving the federal operating money within 60-90 days of the reimbursable operating expense being incurred; this has reduced SacRT's reliance on the LOC. SacRT currently has several ongoing and upcoming major capital projects, such as, Light Rail vehicle replacement, low-floor station conversions, Dos Rios Station construction and the Gold Line side tracking project. The projects are funded with a variety of Federal, State and Local agency grants. Many of the State and Local grants require that SacRT seek reimbursement only after the vendors have been paid. To facilitate this process, SacRT is using excess operating cash on hand to pay the capital costs and may seek cash flow relief from the LOC to cover operating costs pending reimbursement from the State or Local granting agencies.

Terms and Conditions:

The Existing Credit Agreement, as amended by the Amendment No. 1 to Amended and Restated Credit Agreement (the "Credit Agreement") will have similar terms and conditions as the Existing Credit Agreement, such as: requirements addressing how SacRT pledges and sets aside pledged funds, notifying US Bank within 20 business days of apportionment of Federal Operating Grant Revenues, and notifying US Bank 5 business days upon receipt of Federal Operating Grant Revenues.

Other terms of the LOC are:

- The LOC term offered by US Bank is 12 months and a renewal/extension will be reviewed and approved by US Bank prior to the conclusion of the 12-month period.
- Interest rates are fixed at Daily Simple Secured Overnight Financing Rate (SOFR) plus 1.35% for the used portion of the LOC and 0.40% for the unused portion of the LOC, subject to adjustments upon rating downgrades.
- SacRT agrees to pay to US Bank on the date of issuance, all reasonable costs and expenses of counsel to US Bank in connection with the preparation, execution and delivery of this Note and other associated documents, estimated to be \$20,000.

In addition to the terms noted above, the loan is subject to bank limitations. The amounts advanced under the Credit Agreement, as amended, and the Note cannot exceed \$20 million and US Bank will continue to have a pledge of a lien on and security interest in, the following (collectively, the "Pledged Revenues"): (a) a first lien and charge against (i) the Federal Operating Grant Revenues; (ii) the LTF Revenues, subject only to the parity lien thereon securing the Series 2021A Bonds; (iii) the STA Funds; (iv) the Measure A Revenues; and (v) the Other Pledged Revenues (collectively, the "Available Non-Farebox Revenues"), and (b) a subordinate lien on any and all Farebox Revenues, subject only to the senior lien thereon securing the Revenue Bonds; the Pledged Revenues will be set-aside as set forth in Section 5.20 of the Credit Agreement. The obligation of the Issuer to repay the aggregate principal amount of the Advances made

under the Credit Agreement (including as amended by the Amendment No. 1 to Amended and Restated Credit Agreement) by US Bank and interest thereon continues to be evidenced by the Note.

Staff recommends that the SacRT Board of Directors approve the Amendment No. 1 to Amended and Restated Credit Agreement with US Bank to extend the \$20 million LOC Facility to September 30, 2023 and authorize SacRT to enter into such Agreement.

RESOLUTION NO. 2022-09-100

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

September 12, 2022

APPROVING AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT WITH U.S. BANK NATIONAL ASSOCIATION FOR AN EXTENSION OF THE \$20 MILLION LINE OF CREDIT FACILITY TO SEPTEMBER 30, 2023

WHEREAS, the Sacramento Regional Transit District (the “Issuer”) is duly established and existing under the provisions of the Sacramento Regional Transit District Act, being Part 14 of Division 10 of the Public Utilities Code of the State of California (the “State”) (Sections 102000 *et seq.*) (the “Act”); and

WHEREAS, the Issuer is authorized, in accordance with Section 102584 of the Act to seek and obtain a short-term revolving line of credit for operating purposes in anticipation of receipt of federal operating grants; and

WHEREAS, the Issuer previously entered into that certain Amended and Restated Credit Agreement, dated as of August 4, 2021 (the “Existing Credit Agreement”), by and between the Issuer and U.S. Bank National Association (the “Bank”), pursuant to which the Bank provided a line of credit facility to the Issuer in an amount not exceed \$20,000,000 (the “Line of Credit Facility”), and in connection therewith, the Issuer previously issued a promissory note in the original principal amount of \$20,000,000 from the Issuer, as maker, to the Bank, as payee, and dated August 4, 2021 (the “Note”); and

WHEREAS, the Letter of Credit Facility is set to expire on September 30, 2022; and

WHEREAS, the Issuer has requested, and the Bank as agreed, to extend the Line of Credit Facility until September 30, 2023 in a principal amount not to exceed \$20,000,000 outstanding at any one time; and

WHEREAS, the Board of Directors of the Issuer (the “Board”) has been presented with the proposed form of the Amendment No. 1 to Amended and Restated Credit Agreement (the “Extension”) and the Board has examined and approved the document and desires to authorize and direct the execution and delivery of such document as is specified herein and such other documents as are necessary in connection with the Extension and to authorize and direct the consummation of the Extension; and

WHEREAS, pursuant to the terms of the Existing Credit Agreement and the Note, the Issuer has pledged and granted a lien on and security interest in the Pledged Revenues (as defined in the Existing Credit Agreement); and

WHEREAS, the Issuer anticipates receiving federal operating grants in the fiscal year ending June 30, 2023 in an amount equal to or greater than the total indebtedness expected to be incurred by the Issuer under the Existing Credit Agreement, as amended by the Amendment No. 1 to Amended and Restated Credit Agreement (the “Credit Agreement”) and the Note; and

WHEREAS, all acts, conditions and things required by the Act and the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the Extension authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize such Extension and to authorize the execution and delivery of the Amendment No. 1 to Amended and Restated Credit Agreement for the purposes, in the manner and upon the terms provided; and

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

Section 1. Recitals. The Board finds and determines that the foregoing recitals are true and correct.

Section 2. Amendment No. 1 to Amended and Restated Credit Agreement. The proposed form of the Amendment No. 1 to Amended and Restated Credit Agreement, pursuant to which the Bank will extend and continue to provide the Line of Credit Facility to the Issuer, with a maturity date of September 30, 2023 and in a not to exceed principal amount of \$20,000,000 outstanding at any one time, in the form on file with the Board as of the date of this meeting, is hereby approved.

The General Manager/CEO of the Issuer (including any written designee of the General Manager/CEO of the Issuer, the “Authorized Representative”) is hereby authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver the Amendment No. 1 to Amended and Restated Credit Agreement, in substantially said form, with such changes therein as the Authorized Representative may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Pledged Revenues. The Board hereby agrees that the obligations of the Issuer under the Credit Agreement, the Note and the other Loan Documents (as defined in the Credit Agreement), including the obligation to make all payments of the interest on and the principal of all advances outstanding under the Credit Agreement and the Note, shall be payable solely from and shall be secured solely by a pledge of, lien on and security interest in the Pledged Revenues (as defined in the Credit Agreement). The obligation of the Issuer to repay the aggregate principal amount of the Advances made under the Credit Agreement (including as amended by the Amendment No. 1 to Amended and Restated Credit Agreement) by the Bank and interest thereon continues to be evidenced by the Note.

Section 4. Opinions of General Counsel. The General Counsel of the Issuer or such officer's designee (the "General Counsel") is authorized and directed to provide such opinions, on behalf of the Issuer, as are required to consummate the transactions authorized by this Resolution.

Section 5. Additional Authorizations. The Authorized Representative and each other appropriate officer of the Issuer, each acting alone, are authorized and directed, for and in the name and on behalf of the Issuer, to execute and deliver any and all agreements, certificates, notices, documents and instruments and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Issuer has approved in this Resolution (including, to secure advances under the Credit Agreement and the Note).

The Authorized Representative may appoint in writing a designee to perform any of the actions that the Authorized Representative may take under this Resolution.

Section 6. Prior Actions. All actions heretofore taken by the members of the Board, the Authorized Representative, the General Counsel or any other officers, agents or employees of the Issuer, with respect to the Extension, are hereby ratified, confirmed and approved.

Section 7. Severability. If any section, paragraph, clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph or clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 8. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and approval.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary