



# Memorandum

**Date:** September 6, 2017  
**To:** Transportation Authority Board  
**From:** Cynthia Fong – Deputy Director for Finance and Administration  
**Subject:** 09/12/17 Board Meeting: Approval of a New Declaration of Official Intent to Reimburse Certain Expenditures from the Proceeds of Indebtedness

<p><b>RECOMMENDATION</b>    <input type="checkbox"/> Information    <input checked="" type="checkbox"/> Action</p> <p>Approve a new Declaration of Official Intent to reimburse certain expenditures from the Proceeds of Indebtedness</p> <p><b>SUMMARY</b></p> <p>A Declaration of Official Intent to Reimburse Certain Expenditures from the Proceeds of Indebtedness (also called a Reimbursement Resolution) is adopted when a government anticipates financing projects with a tax-exempt debt issue and wishes to preserve the option to use tax-exempt bond funding to cover expenditures incurred prior to issuing debt. This helps the issuing agency to size debt appropriately and to ensure compliance with requirements to spend down bond proceeds within three years of the issuance date. Adoption of a Reimbursement Resolution does not obligate the adopting government agency to issue additional debt. In a parallel agenda item, we are seeking authority to issue tax-exempt debt in an amount not to exceed \$255 million in order to advance funds for Prop K capital projects to deliver the benefits sooner to the public than pay-as-you-go would allow.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Allocation</li> <li><input type="checkbox"/> Fund Programming</li> <li><input type="checkbox"/> Policy/Legislation</li> <li><input type="checkbox"/> Plan/Study</li> <li><input type="checkbox"/> Capital Project Oversight/Delivery</li> <li><input checked="" type="checkbox"/> Budget/Finance</li> <li><input type="checkbox"/> Contract/Agreement</li> <li><input type="checkbox"/> Other:</li> </ul> <hr/>
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**DISCUSSION**

**Background.**

The reimbursement with tax-exempt debt proceeds of amounts advanced to pay costs of eligible projects is governed by U.S. Treasury Regulations Section 1.150-2. To be effective, a Reimbursement Resolution must have, among other things, two parts: 1) a general, functional description of the project(s) to be financed; and 2) a statement of the maximum dollar amount of anticipated borrowing for the projects. Adoption of a Reimbursement Resolution does not obligate the adopting government agency to issue additional debt. It simply provides administrative flexibility to use tax-exempt bond funding to cover expenditures incurred prior to issuing debt.

**Plan of Finance.**

As previously discussed with the CAC and Board, and as presented in a parallel Board item (Item 7), based on our analysis of the Prop K major cash flow drivers (e.g. projects like the San Francisco Municipal Transportation Agency’s (SFMTA’s) vehicle procurements), we are currently working on

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plan to issue a long-term bond in Fiscal Year (FY) 2017/18. At this point in time, we anticipate the issuance of tax-exempt debt in an amount not to exceed \$255 million if the pace of project delivery and reimbursement requests ramp up as currently expected. Issuing debt facilitates delivery of Prop K projects and benefits to the public sooner than would be possible using pay-as-you go funding.

The general description of projects to be covered by the Reimbursement Resolution includes but is not limited to the construction, acquisition, and improvement of certain transit, street and traffic facilities, including the SFMTA's Radio Replacement Project; associated Central Control and Communications Projects (C3); and the purchase of new motor coaches, trolley coaches and light-rail vehicles. A list of the Prop K bond-eligible project categories is attached.

### **FINANCIAL IMPACT**

Adoption of the new Reimbursement Resolution does not obligate the Transportation Authority to issue any additional debt and has no impact on the agency's adopted FY 2017/18 budget. As noted above, a Reimbursement Resolution provides the administrative flexibility to use a tax-exempt bond financing option for expenditures incurred prior to issuing debt. Further, it helps to size debt appropriately and facilitates compliance with requirements to spend down bond proceeds within three years of the issuance date.

### **CAC POSITION**

The CAC will consider this item at its September 6, 2017 special meeting.

### **SUPPLEMENTAL MATERIALS**

Attachment 1 – Prop K Bond Eligible Project Categories

## Attachment 1

Prop K Bond Eligible Project Categories
BART State of Good Repair (vehicles, facilities, guideways)
BART Vehicles
Bicycle Safety/Circulation
Bus Rapid Transit - Curb and roadway improvements
Caltrain Communications Based Overlay Signal System (CBOSS)
Caltrain Electrification - Components (e.g. poles, substations)
Caltrain Electrification - Electric Multiple Units
Caltrain State of Good Repair (vehicles, facilities, guideways)
Central Control and Communications (C3)
Curb Ramps
Ferry Terminal
Muni Fixed Guideways (e.g. rail replacement, overhead catenary systems)
Muni Forward, including bulbouts and boarding islands (new and extended)
Muni Historic Streetcars
Muni Light Rail Vehicles
Muni Motor Coaches
Muni Trolley Coaches
Pedestrian Safety/Circulation
Radio Replacement
SFgo (e.g. interconnect and traffic signal controller technology)
Signals and Signs (new and upgraded)
Station Area Improvements
Street Improvements (e.g. streetscape)
Street Resurfacing
Traffic Calming
Transbay Transit Center
Transit Facilities (e.g. stations, maintenance facilities) and Facilities-Related Equipment (e.g. escalators, faregates)
Underground Rail Extension