

THIS PRINT COVERS CALENDAR ITEM NO. : 13

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Approving a Reimbursement Resolution related to upcoming debt issuances for the San Francisco Municipal Transportation Agency.

SUMMARY:

- The SFMTA is preparing to issue debt to fund capital projects.
- A Reimbursement Resolution adopted by the SFMTA Board of Directors will allow the SFMTA to reimburse itself for any expenditure paid for with cash prior to the issuance of the debt associated with the funded projects, subject to the limitations of tax law.
- Approval of a Reimbursement Resolution is a routine step for any bond financing and is used by most public agencies, including the City, to ensure that bond proceeds are used to pay for appropriate related costs incurred prior to the bond issuance.

ENCLOSURE:

1. Resolution

APPROVALS:

DATE

DIRECTOR OF DIVISION
PREPARING ITEM

FINANCE

DIRECTOR

SECRETARY

ADOPTED RESOLUTION Sonali Bose
BE RETURNED TO

ASSIGNED MTAB CALENDAR DATE: _____

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PURPOSE

This calendar item recommends approval of a Reimbursement Resolution related to upcoming debt issuances for the SFMTA.

GOAL

This item will meet the following goal and objectives of the SFMTA Strategic Plan:

- Goal 4, Financial Capacity: To ensure financial stability and effective resource utilization.

DESCRIPTION

With the passage of Proposition A, the SFMTA has the authority to issue its own debt. The SFMTA is now preparing to issue bonds to fund capital projects which will require approval by the SFMTA Board of Directors and the Board of Supervisors.

Federal tax law requires that public agencies declare their reasonable official intent to reimburse prior expenditures with bonds proceeds issued to acquire or improve capital projects. To do so, a public entity must pass a Reimbursement Resolution which allows the local jurisdiction to pay costs for a project out of current cash flow and reimburse that initial account with bond proceeds sold at a later date. Once adopted, a Reimbursement Resolution would permit reimbursement from bond proceeds for cash expenditures made no earlier than 60 days prior to the adoption of the Reimbursement Resolution and no later than three years after the expenditure has been paid. Once the bond proceeds are received, the actual reimbursement should occur within 30 days.

ALTERNATIVES CONSIDERED

The alternative to approving this Reimbursement Resolution is to fund expenditures associated with a bond issue from the operating budget.

FUNDING IMPACT

None. However, if the Reimbursement Resolution is not approved, the SFMTA will not be able to replenish operating budget funds spent to acquire or improve the capital projects.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None. The City Attorney's Office has reviewed this calendar item.

RECOMMENDATION

Approval of the Reimbursement Resolution.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The Board of Directors of the San Francisco Municipal Transportation Agency (SFMTA) desires to finance and refinance the costs of certain projects including, but not limited to, streetcars, modern light rail vehicles, buses, alternative fuel vehicles, trolley coaches, cable cars, railway cars and trolleys and construction projects related thereto; roads and related improvements, bus stations and related improvements, traffic signs and related improvements, and parking meters, garages and lots and related improvement, all as more fully described in the SFMTA's Capital Investment Program (Project); and,

WHEREAS, The SFMTA intends to finance the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (Obligations); and,

WHEREAS, Prior to the issuance of the Obligations, the SFMTA may pay for the costs of certain capital expenditures (Expenditures) with respect to the Project from available moneys of the SFMTA; and,

WHEREAS, The SFMTA Board of Directors has determined that the moneys to be advanced on and after the date hereof to pay such Expenditures are available only for a temporary period and it is necessary to reimburse the SFMTA for such Expenditures from the proceeds of the Obligations; now, therefore, be it

RESOLVED, The San Francisco Municipal Transportation Agency Board of Directors adopts this resolution related to upcoming debt issuances for the San Francisco Municipal Transportation Agency as official action of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of SFMTA expenditures incurred prior to the date of issue of the Obligations; and be it

FURTHER RESOLVED, That the SFMTA hereby states its intention and reasonably expects to reimburse certain capital costs of the Project paid from available moneys of the SFMTA prior to the issuance of the Obligations with proceeds of the Obligations; and be it

FURTHER RESOLVED, This resolution is being adopted no later than 60 days after the date on which the SFTMA will expend moneys for certain capital costs of the Project to be reimbursed from proceeds of the Obligations; and be it

FURTHER RESOLVED, The SFMTA will make a reimbursement allocation, which is a written allocation that evidences the SFMTA's use of proceeds of the Obligations to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid; and be it

FURTHER RESOLVED, The limitations described in the third and fourth Resolved clauses above do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred; and be it

FURTHER RESOLVED, Each Expenditure will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the Agency so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the SFMTA; and be it

FURTHER RESOLVED, This resolution is consistent with the budgetary and financial circumstances of the SFMTA, as of the date hereof and no moneys from sources other than the Obligation issue are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the SFMTA (or any related party) pursuant to their budget or financial policies with respect to the Project costs.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of _____.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency