

THIS PRINT COVERS CALENDAR ITEM NO. : 10.1

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Approving a Reimbursement Resolution related to the reimbursement of SFMTA expenditures incurred and paid prior to the City's issuance of general obligation bonds.

SUMMARY:

- In November 2014, the voters approved Proposition A, which authorized the issuance of up to \$500 million of general obligation bonds for transportation projects.
- The City is preparing to issue general obligation bonds to provide funds to finance the costs of certain SFMTA capital projects as approved by the voters.
- A Reimbursement Resolution adopted by the SFMTA Board of Directors will allow the City to reimburse the SFMTA for any capital expenditure paid prior to the issuance of the general obligation bonds, 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 may be spent to reimburse any expenditures incurred and paid related to the specific capital projects prior to the bond issuance.
- The Internal Revenue Code sets forth reimbursement rules which the adoption of this resolution satisfies.

ENCLOSURE:

1. Resolution

APPROVALS:

DATE

DIRECTOR _____ 1/9/15

SECRETARY _____ 1/9/15

ASSIGNED MTAB CALENDAR DATE: January 20, 2015

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PURPOSE

Approving a Reimbursement Resolution related to the reimbursement of SFMTA expenditures incurred and paid prior to the City's issuance of general obligation bonds.

GOAL

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

Goal 3: Improve the environment and quality of life in San Francisco

Objective 3.5: Reduce capital and operating structural deficits

DESCRIPTION

In November 2014, San Francisco voters approved Proposition A which includes the issuance of up to \$500 million of general obligation bonds by the City, a portion of which will provide the SFMTA with funds to finance certain capital projects.

Federal tax law requires that public agencies declare their official intent to reimburse any expenditures incurred or paid related to the approved capital projects prior to the issuance of the bond. To do so, a public entity must adopt a Reimbursement Resolution which allows the local jurisdiction to pay costs for a project out of existing funds and reimburse these payments 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 eighteen months after the later of the date of the expenditure or the date that the project was placed in service and in no event later than three years after the expenditure was paid. Once the bonds are issued and 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 incurred and paid for a project prior to the issuance of general obligation bonds from existing funds (i.e. the SFMTA operating budget) thereby reducing the availability of these funds for budgeted purposes.

FUNDING IMPACT

None. However, if the Reimbursement Resolution is not approved, the SFMTA will not be able to replace any funds advanced prior to the general obligation bond issuance for capital projects.

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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 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 by the City and County of San Francisco (City) of its general obligation bonds in an approximate amount of \$500 million 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 other available funds prior to the issuance of the Obligations; 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 hereby declares its official intent to reimburse the SFMTA with proceeds of the Obligations for capital project expenditures for certain projects funded by the proceeds of the City's sale of general obligation bonds incurred prior to the date of issue of such Obligations to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating thereto; 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, That 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 SFMTA 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 January 20, 2015.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency