



Memorandum

AGENDA ITEM 10

DATE: June 20, 2024
TO: Transportation Authority Board
FROM: Cynthia Fong - Deputy Director for Finance and Administration
SUBJECT: 07/09/24 Board Meeting: Approve a New Declaration of Official Intent to Reimburse Certain Expenditures from the Proceeds of Indebtedness

<p>RECOMMENDATION <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>SUMMARY</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 debt and wishes to preserve the option to use debt (including, for example, bonds, commercial paper and borrowings under credit facilities) to cover expenditures paid prior to issuing debt. This helps us to size debt appropriately and to ensure compliance with requirements to spend down proceeds of the debt within three years of the issue date. Adoption of a Reimbursement Resolution does not obligate our agency to issue additional debt. The general description of projects to be covered by the recommended Reimbursement Resolution includes but is not limited to the construction, acquisition, and improvement of certain transit, street, freeway, traffic and transportation system facilities, and similar expenditures as more fully described in the 2022 Transportation Expenditure Plan (Prop L). Issuing debt facilitates delivery of projects and benefits to the public sooner than would be possible using pay-as-you-go funding.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input type="checkbox"/> Capital Project Oversight/Delivery <input checked="" type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: _____
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BACKGROUND

The reimbursement with debt of amounts that were not borrowed and that were used 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 debt to reimburse expenditures paid prior to issuing debt (including, without limitation, by drawing funds under a bank facility).

DISCUSSION

Plan of Finance. Based on our analysis of the major cash flow drivers (e.g. projects like the San Francisco Municipal Transportation Agency's Light Rail Vehicles procurement, Motor Coaches procurement, Paratransit, L-Taraval Transit; the Transbay Joint Powers Authority's The Portal/Caltrain Downtown Extension; and BART's Next Generation Fare Gates), we are allowed to borrow an amount not to exceed \$1,910,000,000, as indicated in the 2022 Transportation Expenditure Plan, but we do not anticipate this maximum amount to be borrowed. Issuing debt facilitates delivery of 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, freeway, traffic and transportation system facilities, and similar expenditures as more fully described in the 2022 Transportation Expenditure Plan (Prop L). Additionally, this reimbursement resolution does not supersede any prior adopted reimbursement resolutions such as Resolution 18-15 (September 26, 2017), with respect to the projects described therein, and such prior reimbursement resolutions remain in full force and effect.

FINANCIAL IMPACT

Adoption of the new Reimbursement Resolution does not obligate the Transportation Authority to issue additional debt and has no impact on the agency's proposed FY 2024/25 budget, which is scheduled for final approval on June 25, 2024. As noted above, a Reimbursement Resolution provides the administrative flexibility to use tax-exempt debt to reimburse expenditures paid prior to raising



funds. 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 June 26, 2024 meeting.

SUPPLEMENTAL MATERIALS

None.