

RESOLUTION NO. R2013-25

Authorizing Declarations of Official Intent and Superseding Resolution R2010-18

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Board	10/24/2013	Final Action	Brian McCartan, CFO Tracy Butler, Treasurer Jim Block, Cash and Investment Administrator	206-398-5100 206-398-5146 206-689-4997

PROPOSED ACTION

(1) Authorizes the chief executive officer to make declarations of official intent on behalf of Sound Transit, and (2) supersedes Resolution No. R2010-18.

KEY FEATURES SUMMARY

- This Resolution is being requested based upon advice from bond counsel. The citation numbers within the U.S. Treasury Regulations referenced in Resolution No. R2010-18 have been changed and Build America Bonds are no longer authorized under the Internal Revenue Code.
- This action will authorize the chief executive officer to execute a "Declaration of Official Intent to Reimburse Expenditures from Proceeds of Bonds" (Declaration) attached as Exhibit A.
- This action allows for capital expenditures to be reimbursed by tax-exempt and/or tax-advantaged bonds.

BACKGROUND

On August 26, 2010 the Board adopted Resolution No. R2010-18 to allow Sound Transit to apply bond proceeds from Build America Bonds and other tax-advantaged bonds to capital outlays incurred prior to issuance of bonds. Since Resolution No. R2010-18 was adopted, the citation numbers within the U.S. Treasury Regulations referenced in the Resolution have been changed and Build America Bonds are no longer authorized under the Internal Revenue Code. This resolution supersedes Resolution No. R2010-18.

The U.S. Treasury has a series of regulations specifying when and how public entities must rebate the arbitrage earnings to the U.S. Government. ("Arbitrage earnings" is interest earned on the investment of unspent bond proceeds which exceeds the amount that would have been earned if the unspent proceeds had been invested at a rate equal to the yield on the outstanding bonds associated with those proceeds.) The regulations also specify under what conditions a public entity can reimburse itself from bond proceeds for prior capital outlays, therefore avoiding potential arbitrage liability, because the proceeds are treated as spent when allocated to reimburse the prior capital outlays. The regulations require that if a public agency wants to use tax-exempt or tax-advantaged bond proceeds to reimburse itself for funds already expended the public agency must adopt a "Declaration of Official Intent to Reimburse Expenditures from Proceeds of Bonds."

The Declaration must be made not later than 60 days after the actual capital expenditure(s). The Declaration will remain in effect until the Maximum Principal Amount has been reached. The public entity can be reimbursed from bond proceeds for a period of up to five years for long-term construction projects with respect to which a licensed architect or engineer certifies that at least five years is necessary to complete construction of the project.

It is advantageous for public entities to adopt a Declaration. By adopting a Declaration, public entities are able to reimburse themselves for prior capital expenditures when bond proceeds are received, reducing, or even eliminating unspent bond proceeds upon bond closing. It also is consistent with U.S. Treasury rules that are intended to ensure that state and local governments do not issue bonds earlier than necessary for the purposes of local government bond issues.

FISCAL IMPACT

This action provides no immediate fiscal impact to Sound Transit's projects, however, bond issues and reimbursements are the type of revenue components which significantly contribute to the flexibility and sustainability of Sound Transit's ongoing and future capital program.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

EQUAL EMPLOYMENT WORKFORCE PROFILE

Not applicable to this action.

PUBLIC INVOLVEMENT

Not applicable to this action.

TIME CONSTRAINTS

A delay in approval of this action will reduce the amount of eligible capital outlays that could qualify for reimbursement from bond proceeds.

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2010-18: (1) Authorizing the chief executive officer to designate certain capital outlays for potential reimbursement from Board-authorized bond issues and enable Sound Transit to apply future bond proceeds to capital outlays incurred prior to issuance of bonds, and (2) superseding Resolution No. R2003-11.

ENVIRONMENTAL REVIEW

JI 10/7/2013

LEGAL REVIEW

DLB 10/18/2013

RESOLUTION NO. R2013-25

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) authorizing the chief executive officer to make declarations of official intent on behalf of Sound Transit, and (2) superseding Resolution No. R2010-18.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under RCW Chapter 81.104 and 81.112 for the Pierce, King and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996 and November 8, 2008, voters approved local funding to implement a regional high-capacity transportation system for the central Puget Sound region; and

WHEREAS, Sound Transit issues tax-exempt or other tax-advantaged obligations from time to time for the purpose of financing capital expenditures for its regional transportation system facilities; and

WHEREAS, the United States Department of the Treasury has promulgated Treasury Regulations 1.150-2 imposing certain requirements in connection the ability of municipalities to use the proceeds of tax-exempt or other tax-advantaged obligations for reimbursement of prior expenditures; and

WHEREAS, those Treasury Regulations permit Sound Transit to appoint one or more officials for the purpose of identifying and qualifying capital projects for reimbursement purposes.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority as follows:

SECTION 1. Appointment of Chief Executive Officer. Pursuant to U.S. Treasury Regulation Section 1.150-2(e)(1), the Board hereby designates and appoints the chief executive officer of Sound Transit as the responsible official for the purpose of making declarations of official intent in compliance with Treasury Regulation Section 1.150-2.

SECTION 2. Declarations of Official Intent. Upon a determination by the chief executive officer that the costs of a particular capital project may be reimbursed from the proceeds of tax-exempt or other tax-

advantaged obligations of Sound Transit, the chief executive officer is authorized and directed to execute a declaration of official intent substantially in the form attached hereto as Exhibit A. Each declaration so executed shall become a part of the official records of Sound Transit available for public inspection and review.

No capital projects will be undertaken unless such projects have been previously approved in the customary manner by the Board, and the execution of any declaration of official intent shall not obligate Sound Transit to issue any debt.

SECTION 3. Resolution No. R2010-18 Superseded. This resolution supersedes Resolution No. R2010-18.

SECTION 4. Ratification and Confirmation. Any actions of the Board of Sound Transit or its officers prior to the date thereof and consistent with the terms of this resolution are ratified and confirmed.

SECTION 5. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of The Central Puget Sound Regional Transit Authority at a regular meeting thereof held on October 24, 2013.


Pat McCarthy
Board Chair

ATTEST:



Marcia Walker
Board Administrator

RESOLUTION NO. R2013-25

EXHIBIT A

Declaration of Official Intent to Reimburse Expenditures from Proceeds of Bonds

I, the undersigned Joni Earl, am the duly appointed and qualified Chief Executive Officer of the Central Puget Sound Regional Transit Authority ("Sound Transit"), and, as such, have been designated by the Board of Sound Transit to make declarations of official intent on behalf of Sound Transit when necessary or appropriate for any purpose under, and in compliance with, the requirements of U.S. Treasury Regulation Section 1.150-2 (the "federal reimbursement regulations") relating to the use of proceeds of tax exempt or other tax-advantaged bonds or other obligations ("bonds") to reimburse Sound Transit for capital expenditures (and certain extraordinary working capital expenditures) made by Sound Transit before the issue date of the bonds. On behalf of Sound Transit, I make the following declaration of official intent under the federal reimbursement regulations:

1. Description of Project for Which Expenditures are to be Made. Sound Transit intends to make (and/or, not more than 60 days before the date of this declaration, has made) expenditures, and reasonably expects to reimburse itself for those expenditures from proceeds of bonds, for Sound Transit's high-capacity regional transportation system, including the following components (the "Project"):

As confirmed by the attached certificate of a licensed professional engineer, at least five years is necessary to complete construction of the project.

Link Light Rail

400007 First Hill Streetcar
400008 Tacoma Link Expansion
400009 Link Operations and Maintenance Satellite Facility
4X100 Northgate Link Extension
4X115 Lynnwood Link Extension
4X199 Northgate Link Extension Project Reserve
4X200 University Link Extension
4X300 Initial Segment
4X400 Airport Link
4X420 S 200th Link Extension
4X445 Federal Way Transit Extension
4X600 East Link Extension
4X620 Overlake Village Bridge
XXXXX Other Board-approved Link Light Rail capital outlays

Sounder Commuter Rail

300001 Station Access and Demand Study
300004 Sounder Yard and Shops Facility
300017 Puyallup Station Improvements
300018 Sumner Station Improvements
300019 Lakewood Station Improvements

300021 Tacoma Trestle Track and Signal
300026 Sounder Yard Expansion
3X101 Willow Creek Environmental Mitigation
3X130 M Street-Lakewood Track and Signal
3X131 Permitting/Environmental Mitigation
3X135 D Street to M Street Track and Signal
3X140 Layover
3X206 Mukilteo Station South Platform
3X209 Edmonds Station
3X236 Tukwila Station
3X251 South Tacoma Station
3X253 Lakewood Station
3X510 Sounder South Expanded Service
7X755 Sounder ST2 Fleet Expansion
XXXXX Other Board-approved Sounder Commuter Rail capital outlays

ST Express

500005 ST Express Bus Base
500020 ST Express Mid-Day Bus Storage
5X000 Regional Express Program Reserve
5X105 Ash Way Transit Access
5X125 Federal Way HOV Access/S 317th
5X140 Totem Lake Freeway Station
5X141 85th Corridor, Kirkland
5X142 Kirkland Transit Center/3rd
5X150 Renton HOV Access
5X151 Rainier Avenue Arterial Improvements
5X152 Strander Boulevard Extension
5X312 Mountlake Terrance Freeway Station
5X319 S. Everett Freeway Station
5X321 Federal Way Transit Center
5X324 Canyon Park Freeway Station
5X326 Issaquah Transit Center/SR900
5X328 Totem Lake Transit Center
5X382 I-90 2-Way Transit and HOV Operations, Stage 1
5X385 SR 522 HOV Enhancement/Bothell
5X386 I-90 2-Way Transit and HOV Operations, Stage 2
5X387 I-90 2-Way Transit and HOV Operations, Stage 3
XXXXX Other Board-approved ST Express capital outlays

System Expansion – Other

600025 Environmental Mitigation, Monitoring and Maintenance

802000 Administrative Capital
803800 Information Technology Program
804500 Surplus Property Disposition
809100 ST3 Planning
809101 Ballard to Downtown Seattle HCT Planning Study
809102 HCT Corridor Planning Studies
809103 Central and East HCT Study
809104 Lynnwood to Everett HCT Study
809105 South King County HCT Study
3X212 Ticket Vending Machines
3X216 Passenger Information System
5X405 Fare Administration
5X410 Research and Technology
4X446 South Corridor Alternatives Planning
6X668 STart
XXXXX Other Board-approved capital outlays for expansion of the high-capacity regional transportation system

Enhancement Projects

300011 Positive Train Control
700772 ST Express Camera Retrofit
700773 Central Link HVAC for Traction Power
700774 Central Link HVAC-Instrument House and UPS Room
700775 Central Link Card Readers
700776 Central Link OMF UPS Room Improvement
700777 Central Link Overhead Catenary System Tie Switch
700778 Central Link Benchtest Equipment
700779 Security Radio
700780 Federal Way TC Lighting Retrofit
700781 Non-Revenue Support Vehicles
700782 Auburn Garage Lighting Retrofit
700784 Regional Parking Pilot Project
700790 Pierce Transit Radio System Upgrade
804100 Transit Oriented Development Property Disposition
4X210 LRV On Board Energy Storage
4X320 DSTT South Access Security
4X340 Noise Abatement
5X261 Bus Maintenance Facility
7x743 Security Enhancement
7X745 ST Express Mobile Communications
7X746 Parking Enhancement
7X753 Bike Locker Program

7X763 Central Link Radio Upgrade
8X100 Transit Oriented Development Planning
XXXXX Other Board-approved capital outlays for enhancement projects

Rehabilitation and Replacement Projects

700770 Sounder Commuter Rail Vehicle Overhaul Program
700771 Station Midlife Refurbishment Program
4X360 Beacon Avenue Paving
4X370 Link Station Paver Replacement
7X356 Tacoma Dome Station
7X701 ST Express Fleet Replacement
7X740 Small Project Program
7X758 Tacoma Link Announcement/Sign System
7X761 Central Link Control Center Phone Network
7X768 Federal Way Post Tension Cable Repair
XXXXX Other Board-approved capital outlays for rehabilitation and replacement projects

2. Maximum Principal Amount of Obligations Expected to be Issued for the Project. Sound Transit expects that the maximum principal amount of bonds that will be issued to finance the Project will be \$7,000,000,000.00.

3. Declaration Reasonable. I have reviewed the existing and reasonably foreseeable budgetary and financial circumstances of Sound Transit, and have determined that Sound Transit reasonably expects to reimburse itself for expenditures for the Project from proceeds of bonds.

4. Limitations on Uses of Reimbursement Amounts. Sound Transit will not, within 1 year after the expected reimbursement, use amounts corresponding to proceeds received from bonds issued in the future to reimburse Sound Transit for previously paid expenditures for the Project in any manner that results in those amounts being treated as replacement proceeds of any tax exempt bonds, i.e., as a result of being deposited in a reserve fund, pledged fund, sinking fund, or similar fund (other than a bona fide debt service fund) that is expected to be used to pay principal of or interest on tax exempt bonds. Nor will Sound Transit use those amounts in any manner that employs an abusive arbitrage device to avoid arbitrage restrictions.

5. Date of Declaration. This declaration of official intent is dated October 24,
2013.

By


Joni Earl
Chief Executive Officer

CERTIFICATE OF LICENSED PROFESSIONAL ENGINEER
CONCERNING COMPLETION OF PROJECT CONSTRUCTION

I, the undersigned James Edwards, certify as follows in connection with the period necessary for Sound Transit to complete construction of its long-term construction project consisting of the expansion of Sound Transit's high-capacity regional transportation system:

1. I am a professional engineer licensed to practice engineering under the laws of the State of Washington, P.E. No. 22 680.

2. I have reviewed that certain "Declaration of Official Intent to Reimburse Expenditures from Proceeds of Bonds" dated October 24, 2013, and executed by the Chief Executive Officer of Sound Transit to which this certificate is attached (the "Official Intent Declaration"), including the description therein of Sound Transit's long-term construction project consisting of the expansion of Sound Transit's high-capacity regional transportation system, including the Link Light Rail, Sounder Commuter Rail, ST Express and System Expansion – Other components thereof (the "Project").

3. In my professional opinion, at least five years will be necessary to complete construction of the Project described in the Official Intent Declaration.

DATED this 24th day of October, 2013.


James B. Edwards, P.E. 22 680