



For Agenda Of:

October 12, 2006

**ITEM # 10**

To: Sacramento Transportation Authority

***Subj: Executive Director's Report***

RECOMMENDATION

Receive and file this summary report of current STA activities.

DISCUSSION

**A. Measure A Transportation Sales Tax Program**

Richardson & Company, our independent auditors, have commenced the FY 2005-06 agency audit. They spent the last week of September reviewing materials at STA's administrative office. Later this month, they will begin field audits at each of the Measure A entities.

At the end of September, FY 2006-07 Measure A revenues were running approximately one percent below the forecasted pace.

Actual Measure A revenues during FY 2005-06 exceeded estimates by \$5,069,536. In addition, the Measure A entities earned a cumulative \$3,786,577 in interest from unexpended Measure A funds on deposit with the STA. Staff is recommending that these funds be distributed to the entities via supplemental allocations to their respective FY 2005-06 expenditure plans (Item #3). Staff is also proposing to distribute \$2.5 million from the Measure A revenue shortfall reserve. Reserve funds currently total slightly over \$8 million. This latter distribution continues your Board's direction from last year to distribute these reserves to the entities as we approach the expiration of the current Measure A program. The cumulative supplemental distribution is \$11,356,113.

The FY 2007-08 Measure A revenue estimate is presented in Item #4. Staff estimates that cumulative revenues will be \$117,019,250. The staff report includes the anticipated allocation to each entity according to the current Measure A distribution formula. The entities will use these estimates to prepare their FY 2007-08 Measure A expenditure requests for presentation to your Board next Spring.

**B. *New Measure A, 2009-2039***

2006 Series A & B Notes

The *New Measure A* Plan of Finance calls for an inaugural issue of up to \$115 million of notes to begin accelerating the delivery of capital projects set forth in the *New Measure A* expenditure plan. Our consulting financial advisors and bond counsel are proposing two series of notes to provide STA with greater flexibility in investing the proceeds prior to expenditure (Item #11). In addition to funding capital projects, the proceeds will be used to pay for the cost of issuance, the cost of executing three interest rate swaps, and capitalized interest on the notes. The completed documentation required for issuing the notes is bound separately and enclosed herein. These documents describe the terms of the debt, the security for the debt, the covenants of the borrower, the events of default and remedies, and related matters. At today's meeting, staff and our consulting team will make a detailed presentation on how the proposed note structure benefits the STA, and we will seek authorization to issue the notes. We will also explain each of the related documents.

As indicated, the bulk of the proceeds from the notes are earmarked for 11 capital projects in Citrus Heights, Elk Grove, Folsom, Rancho Cordova, Sacramento, and the unincorporated County area. Prior to submitting a reimbursement claim for *New Measure A* expenditures, each affected jurisdiction must execute a capital allocation and expenditure contract with the STA for each eligible project (Item #12). The contracts ensure that the note proceeds are expended exclusively on eligible project delivery and/or construction activities consistent with the *New Measure A* ordinance and Plan of Finance. They also set forth the necessary accountability and reporting controls, and they promote the expenditure of note proceeds at a rate required by securities and tax law.

Interest Rate Swaps

At the last meeting, your Board selected three investment banking firms—Banc of America Securities, Goldman Sachs & Company, and UBS Investment Bank—with which to negotiate interest rate swap counterparty agreements. UBS has since determined that it cannot execute an agreement on the terms desired by STA. In Item #7, staff recommends that Bear Stearns & Company be selected to replace UBS. Bear Stearns has considerable experience with municipal agency swap agreements, and has committed to favorable terms to execute an agreement with the STA. UBS will remain in the pool of firms eligible to compete for future financings.

In June, your Board approved a contract with Orrick Herrington & Sutcliffe, LLP for bond counsel services through June 30, 2011. The contract provides for Orrick to receive a payment of \$65,000 upon successful execution of an initial (2006) single series fixed rate note or bond. Our finance team now recommends that the initial notes be

**B. New Measure A, 2009-2039 (continued)**

bifurcated into two series and that we execute three interest rate swaps to lock-in today's low interest rate for a future (2009) series of sales tax revenue bonds. The swaps require detailed document preparation, review, and negotiation on the part of bond counsel. In Item #8, staff recommends that the Orrick contract be amended to provide additional payments of \$50,000 for each successfully executed swap agreement and an additional \$15,000 for the second series of 2006 notes for a total compensation of \$230,000.

The interest rate swaps will help the STA manage interest rate risk associated with the issuance of approximately \$320 million of revenue bonds in 2009. The swaps will effectively lock in today's historically low interest rates ( $\approx 4\%$ ) for that future issue. While the swap concept is fairly simple, they are very complex financial instruments. Our consulting team introduced your Board to its proposal to pursue swap agreements with three counterparties at our last meeting. At today's meeting, we will quantify the cost, benefits, and risks to the STA over time, and seek authorization to execute the swap agreements (Item #11).

**C. Countywide Transportation Planning and Programming**

On November 16, 2006, SACOG will continue its public outreach and consultation on the pending Metropolitan Transportation Plan (MTP) for 2035 with a region-wide workshop. The event will take place simultaneously at eight venues around the region. All of the venues will be linked electronically so that discussions and perspectives at each individual site can be shared with the others. Citizen planners in Sacramento County can participate at one of four sites: Elk Grove, Folsom, Sacramento (North City); Sacramento (Midtown). Pre-registration is required ([www.sacog.org/mtp/2035/tallorder](http://www.sacog.org/mtp/2035/tallorder)).

**D. Sacramento Abandoned Vehicle Service Authority (SAVSA)**

There is no new information to report on this work element.

**E. Sacramento Metropolitan Freeway Service Patrol (FSP)**

At today's meeting, your Board will recognize tow operator *Louis Lubenko* for his contributions to the FSP program. He will be presented the Safe Driver award for the 3<sup>rd</sup> quarter of 2006.

The tow operator contract for FSP Beats 1 and 2 (SR99/Bus80/I-80: Grantline Road to Placer County line) expires at the end of November. As directed by your Board, staff solicited requests for proposals (RFPs) from private tow companies interested in providing this service. Two formal bids were received. In Item #6, staff recommends that your Board retain *Sierra Hart Auto Center* as the preferred contractor. Sierra Hart's

**E. Sacramento Metropolitan Freeway Service Patrol (FSP) (continued)**

bid price was significantly lower than the other proposal, and it has provided exemplary service to the FSP program for several years.

During July, 3,057 motorists were assisted by Freeway Service Patrol operators, an average of 153 per day. In August, 3,233 assists were performed, a daily average of 141. The monthly performance statistics are attached hereto.

**F. Administrative Matters**

Meeting Schedule

Please note that your Board will not meet in November. Our next meeting is December 14<sup>th</sup>. There will also be no meeting in January 2007.

**G. Upcoming Events 2006/2007**

<u>Date</u>	<u>Event</u>	<u>Comments</u>
<del>Nov 9</del>	<i>No meeting</i>	
Nov 16	SACOG MTP workshop	6-9 pm; multiple venues
Dec 3-5	Focus on the Future	Self-Help Counties annual conference
Dec 14	STA Board	
<del>Jan 11</del>	<i>No meeting</i>	
Feb 8	STA Board	

Respectfully Submitted,

Brian A. Williams  
Executive Director

Attachments