



**Massachusetts Bay
Transportation Authority**

**Federally Mandated Bond Proceeds Usage Resolution
("Reimbursement Resolution")**

June 2017

Reimbursement Resolution Defined



A reimbursement resolution is a board action that allows an agency to reimburse itself for expenditures made before issuance of tax-exempt debt.

Federal tax law prohibits agencies from reimbursing themselves for capital expenditures made prior to the issuance of debt unless certain procedures have been followed.

Many agencies adopt a reimbursement resolution annually alongside approval of their Capital Investment Program (“CIP”).

Important Notes:

- The resolution does not obligate an agency to act.
- At any point during the fiscal year, an agency that passes a resolution has the option, but not the obligation, to reimburse itself.
- An agency that does not pass a resolution forgoes, with few exceptions, the option to reimburse itself.

FMCB recommendation and MassDOT approval required to adopt Resolution

Reimbursement Procedure



Step 1

- Reimbursement Resolution adopted through FMCB recommendation and MassDOT Board approval.

Step 2

- During the fiscal year, the Authority's CFO and Treasurer identify a capital expenditure to be reimbursed and declare Official Intent of Reimbursement.

Step 3

- Capital expenditure made using cash on hand. Note, declaration of Official Intent may be made after an expenditure occurs, but no later than sixty (60) days after a transaction.

Step 4

- Reimbursement occurs through debt issuance. Reimbursement must take place within eighteen (18) months of the project being "placed in service" and no later than three (3) years from the date of the expenditure.



Reimbursement Resolution provides financial flexibility without an obligation to act

- MBTA may wish to cash-front projects to expedite deployment.
- Formal debt issuance process takes time, and the MBTA would not want to delay projects to issue debt.
- At the same time, debt has obvious costs, and the MBTA does not want to borrow in excess of expected capital needs.
- If reimbursement needs do not arise, the MBTA is under no obligation to act.

Rules around MBTA Debt Issuance are Unchanged

- The Reimbursement Resolution does not change the approval process for debt issuance.
- FMCB recommendation and MassDOT approval is still required for debt issuance.
- Any capital expenditures being reimbursed will be identified in debt issuance presentation to the boards.



MASSACHUSETTS BAY TRANSPORTATION AUTHORITY FISCAL AND MANAGEMENT CONTROL BOARD

VOTED: To authorize the Chief Financial Officer and the Treasurer of the Massachusetts Bay Transportation Authority (the “MBTA”) to adopt on behalf of the MBTA one or more written statements of official intent with respect to the making by the MBTA of expenditures from internal loans and/or advances (including expenditures made within the 60 days prior to the adoption of each such statement of official intent) from the general funds or other available funds of the MBTA for the projects and in the maximum amounts set forth in the 2018 Capital Investment Program of the MBTA, each such statement to include a general description of the project, to provide that said loans and advances are to be made (a) in anticipation of reimbursement from proceeds of tax-exempt debt obligations of the MBTA or another issuer of such obligations and (b) from funds authorized within MBTA’s budget, and to set forth a maximum principal amount of any debt to be incurred for the project.