

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
11	08/12/13	Open	Action	07/31/13

Subject: Authorize the Use of Designated Operating Reserve Funds to Meet Cash Flow Needs on an Interim Basis

## ISSUE

Whether or not to authorize the use of Designated Operating Reserve Funds to meet cash flow needs on an interim basis.

## RECOMMENDED ACTION

Adopt Resolution 13-08-\_\_\_\_, Authorizing the Use of Designated Operating Reserve Funds to Meet Cash Flow Needs on an Interim Basis.

## FISCAL IMPACT

This action would allow the use of designated FY 2012 operating reserve funds in the amount of \$5,248,448 on an interim basis until Federal funds held by the US Department of Labor (DOL) due to the ATU Section 13(c) protest are restored.

## DISCUSSION

At the end of each fiscal year, RT Finance Staff compiles RT's financial results and determines if undesignated net assets remain that the Board can designate as reserves. This process takes place during the annual audit and the results are then presented to the Board. In accordance with the RT's adopted Comprehensive Reserve Policy (Reserve Policy) adopted on September 27, 2010, Staff will make a recommendation to the Board to designate such funds to either the operating, capital, or claims reserves. Reserves that are identified at the end of the fiscal year are not available as cash or investments until all the receipts of revenues have been collected. However, by the time a recommendation is made to designate reserves when the audit for the previous fiscal year is presented to the Board in late October or November, revenues for that year have usually been collected. Thus far, \$5.248 million from FY 2012 has been designated by the Board as Operating Reserves.

RT has historically experienced delays in receipt of all non-operating revenues, defined as Measure A, LTF, STA and Federal funds. State and Local funds are transferred to RT on a monthly basis with the final annual apportionment being received in July of the new fiscal year. The process for receiving Federal funds normally involves a delay in receipt until late August or September of the new fiscal year. This year, however, RT's FY 2013 Federal funding has been indefinitely delayed because of the 13(c) objection the ATU filed with the US DOL.

RT has addressed this delay by using a \$25 million line of credit (LOC), which, until recently was annually renewed with Wells Fargo Bank. Historically, this has allowed RT to manage its cash flow needs without incurring significant interest costs to the operating budget. As the level of

Approved:

Presented:

General Manager/CEO

Chief Financial Officer

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expected Federal funds has increased over time; RT has become more reliant on the LOC to meet its short term cash flow needs. Because it is unclear when the US DOL will resolve the ATU 13 (c) objection delaying receipt of RT's Federal funds, Wells Fargo Bank has extended the LOC for only ninety days until September 30, 2013. This places additional pressure on RT to meet cash requirements beyond that date. As a result, Staff is requesting that the Board authorize the use of the designated Operating Reserve of \$5.248 million on an interim basis to address RT's short term cash flow needs. Once Federal funds are again flowing to RT, the designated reserve amount used will be set aside to continue to grow to meet the Reserve Policy minimum funding level for Operating Reserves of 1.5 months of operating expenses.

Staff requests that the Board authorize staff to use the designated operating reserve funds to meet RT's cash flow needs on an interim basis until the US DOL certifies RT's grants and issues a certificate of labor compliance which will allow the FTA to release RT's grant funds. As stated in the Reserve Policy adopted on September 27, 2010; a 2/3 vote of the Board is required to adopt the proposed resolution.

RESOLUTION NO. 13-08-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

August 12, 2013

**AUTHORIZE THE USE OF DESIGNATED OPERATING RESERVE FUNDS TO MEET  
CASH FLOW NEEDS ON AN INTERIM BASIS**

WHEREAS, Sacramento Regional Transit District ("RT") receives Federal funds annually that are designated as operating funds.

WHEREAS, to receive such funds from the Federal government, the US Department of Labor ("US DOL") must certify RT's compliance with its obligations under 49 U.S.C. 5333(b)(2)(B) of the Federal Transit Act, commonly referred to as Section 13(c)(2).

WHEREAS, pursuant to the certification process, any union that represents employees at RT may file an objection with the US DOL, objecting to the issuance of a compliance certificate for any grant application RT files with the US Department of Transportation, through the Federal Transit Agency ("FTA"), if the union believes that RT is not complying with its Section 13(c)(2) obligations.

WHEREAS, the ATU has filed a 13(c)(2) objection against the grant application RT has before the US DOL, and based on the ATU's objection, the US DOL has not certified RT's compliance with its Section 13(c)(2) obligations to date, effectively indefinitely delaying issuance of RT's grant funds, particularly its operating grant number 5307 and 5337.

WHEREAS, the indefinite delay of issuance of RT's Federal grant funds is causing cash flow problems for RT that have historically been addressed through use of a Line of Credit from Wells Fargo Bank.

WHEREAS, pursuant to its Comprehensive Reserve Policy, RT has an Operating Reserve Fund that requires a 2/3 vote by the Board before staff can access the funds.

NOW, THEREFORE BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby authorizes the General Manager/CEO or his designee to use funds designated as Operating Reserve funds, up to the full reserve balance, to meet RT's cash flow deficiencies caused by the indefinite delay in receiving 5307 and 5337 Federal grant funds, until such time as RT receives such funds from the FTA.

THAT, upon receipt of the Federal grant funds, the General Manager/CEO or his designee must set aside sufficient 5307 and 5337 Federal grant funds to replace any Operating Reserve funds expended by RT pursuant to the authorization set forth herein, until such time as the Operating Reserve Funds balance is restored to its current level.

The foregoing Resolution was introduced at a regular meeting of the Board of Directors of the Sacramento Regional Transit District held on August 12, 2013 by Director \_\_\_\_\_, who moved its adoption. The motion was seconded by Director \_\_\_\_\_, and a poll was taken and recorded as follows:

AYES:

NOES:

ABSTAIN:

ABSENT:

The motion, having passed by at least a two-thirds majority of votes, the Resolution was declared to have been adopted and it was so ordered.

\_\_\_\_\_  
PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary