

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
7	11/11/13	Open	Action	11/05/13

Subject: Approve Inter-Fund Borrowing Due to Delay in Receipt of Federal Operating Funds

## ISSUE

Whether or not to authorize the short-term, inter-fund borrowing from the Restricted Cash/Investment Trust Account for Developer Fees to cover operating cash flow needs resulting from the delay in receiving RT's 5337 and 5309 federal operating funds.

## RECOMMENDED ACTION

Adopt Resolution 13-11-\_\_\_\_, Authorizing the Short-Term, Inter-Fund Borrowing from the Restricted Cash/Investment Trust Account for Developer Fees to Cover Operating Cash Flow Needs Resulting from the Delay in Receiving RT's 5337 and 5309 Federal Operating Funds.

## FISCAL IMPACT

The estimated maximum fiscal impact of this action would be \$8,750 over the course of six months, if the maximum amount available is borrowed for the full term.

Repayment of this note would be made immediately upon receipt of the Federal funds, with interest accruing at the current monthly Local Agency Investment Fund (LAIF) rate in effect over the course of the borrowing. The fiscal impact of the action would be determined at that time.

## DISCUSSION

RT continues to struggle with an operating cash flow shortfall due to the delay in receiving Federal Preventive Maintenance grants that were held by the FTA because the US Department of Labor (DOL) decline to issue a Certificate of Labor Compliance because of RT's required compliance with PEPRA, a California pension reform law. For much of 2013 transit agencies like RT have sought a solution to the 13(c)/PEPRA impasse. In September, Governor Brown signed AB 1222 which provides a temporary exemption from PEPRA for transit agencies like RT. In light of the enactment of AB 1222, RT expects to begin receiving its federal funding soon. However, while DOL has assured RT and others that it will work through the backlog of grants as soon as possible, the cash flow shortfall resulting from the delay remains leaving RT with almost no other options to relieve the financial pressure.

On September 09, 2009, the Board approved Resolutions 09-09-0155 and 09-09-0156 which authorized the borrowing of the Developer Fees and Environmental Counsel of Sacramento (ECOS) funds to bridge the shortfall on the Downtown-Natomas-Airport Corridor Rail Minimal Operable Segment (DNA MOS 1) project. During 2011, the Board issued a series of reach back resolutions allowing for the reimbursement of Greenline costs with newly issued bond funds, with the anticipation that RT would issue a Fare Box Revenue Bond and would be able to use those funds to reimburse itself for costs incurred.

Approved:

Presented:

Final 11/06/13

General Manager/CEO

Chief Financial Officer

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On November 14, 2012, RT issued Fare Box Revenue Bonds which allowed RT to seek reimbursement for a portion of current and prior DNA MOS 1 project expenses. On August 16, 2013, RT swapped Sacramento Transportation Authority revenues, originally programmed for the South Line project, with Bond proceeds which enabled the pay off of the initial borrowing with interest to the Developer Fee internal fund. Now that these funds have been restored to their pre-borrowing, on deposit state, they could again be made available for this temporary internal borrowing.

The following recap illustrates the initial creation and purpose of the Developer Fee funds:

***Developer Fees Background:***

The developer fees were collected pursuant to Sacramento County Ordinance No. 0742 (August 31, 1988), as amended, which established transit impact fees for new development. RT was named as the trustee of the funds and is authorized to expend the funds for specified transit purposes.

Table 2 provides a summary of RT developer fees on deposit. Those already designated for specific projects are noted and are unavailable for interfund borrowing. The balance remaining for which projects are not imminent is approximately \$7.8 Million.

Table 2  
**Regional Transit Developer Impact Fees**

<u>Description</u>	<u>Amount</u>	<u>Descriptions</u>
District 1	\$ 2,827,694	<sup>1</sup> Roseville road area
District 2	1,070,361	<sup>1</sup> Watt avenue
District 3	503,748	<sup>1</sup> Sunrise and Folsom area
District 4	2,394,055	<sup>1</sup> Elk Grove related ( bus etc.)
District 5	64,336	
District 7	108,393	
Elk Grove West Vineyard	1,406,900	
Rancho Cordova	800,537	
North Vineyard	465,609	
Subtotal	<u>\$ 9,641,633</u>	
Less:		
<i>Elk Grove West Vineyard - for SLP2</i>	(1,406,900)	
<i>North Vineyard - SLP2</i>	<u>( 465,609)</u>	
<b>Maximum potential available</b>	<b><u>\$ 7,768,985</u></b>	

<sup>1</sup>Based on review of the improvement plans for the above districts, except as noted these districts have no capital expenditures planned for the next 1 years.

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RT originally met with County of Sacramento staff and determined the requirements for establishing an interfund borrowing plan when the need arose to use these funds for DNA MOS 1. At that time, County planning and legal staff verbally indicated that they did not see any obstacles to such borrowing under the Fee Ordinance (and in fact provided an example of a past interfund loan from a similar County developer fee account), but deferred to RT, as trustee of the funds, to make a final decision regarding the propriety of the borrowing and the terms. Staff is proposing to borrow the funds again pursuant to the same model used for the original DNA MOS 1 inter-fund borrowing.

Inter-fund borrowing, if structured appropriately, has no net impact on the lending fund. It provides an alternative investment for the idle funds with the same return on the investment that would have been earned otherwise. The Government Accounting Standards Board (GASB) provides clear guidance on accounting for inter-fund loan transactions. RT will comply with the GASB standards in accounting for the borrowed funds.

Staff is seeking authorization to borrow up to \$7.7 million in Developer Fee Loans to enable the short-term use of the funds due to the delay in Federal Funds. The terms of the arrangement are set out below.

Terms and Sources of Repayment:

Staff is proposing a repayment interest rate equal to the actual monthly rate earned on RT's funds on deposit in the LAIF, which is currently averaging around .25% per year. Interest will accrue from the date of the first draw down of these funds. The term of the inter-fund loan will be based on receipt of the Federal Funds 5337 and 5309. RT anticipates that these funds should be made available no later than June 30, 2014.

RT staff will not undertake a draw down of the Developer Fee funds under this agreement unless there is no alternative for funding the cash flow shortage. This effort is undertaken to make it possible to borrow these funds if no other funds are available.

Staff recommends the Board authorize the short-term, inter-fund borrowing from the Restricted Cash/Investment Trust Account for Developer Fees to cover operating cash flow needs resulting from the delay in receiving RT's 5337 and 5309 Federal operating funds. The loan term would be effective beginning November 12, 2013 and end on June 30, 2014. The interest shall accrue monthly and is due on June 30, 2014.

RESOLUTION NO. 13-11-\_\_\_\_\_

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

November 11, 2013

**AUTHORIZING THE SHORT-TERM INTER-FUND BORROWING FROM THE RESTRICTED CASH/INVESTMENT TRUST ACCOUNT FOR DEVELOPER FEES TO COVER OPERATING CASH FLOW NEEDS RESULTING FROM THE DELAY IN RECEIVING RT'S 5337 AND 5309 OPERATING FUNDS**

WHEREAS, pursuant to Sacramento County Ordinance No. 0742, the Sacramento Regional Transit District (RT) is the trustee of transit development fees assessed against new development in the unincorporated areas of Sacramento County; and

WHEREAS, approximately \$7.7 million of such funds are not needed for transit projects within the next 7 months; and

WHEREAS, RT has identified and is working to implement solutions to eliminate this funding shortfall; and

WHEREAS, in the interim, RT desires to borrow up to \$7.7 million in uncommitted developer fees to help temporarily bridge RT's operating cash flow needs that result because of Section (13)(c) related issues that have delayed the receipt of Federal Funds.

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

THAT, RT may borrow up to \$7,700,000 currently held in the developer fee trust account(s) to provide temporary short term cash flow relief on the terms set forth in Exhibit A to this Resolution, provided that the loan and its proceeds are accounted for in accordance with the standards established by the Government Accounting Standards Board.

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PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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

**INTER-FUND LOAN FROM COUNTY DEVELOPER FEES ON DEPOSIT  
TO RT TO PROVIDE SHORT TERM CASH FLOW RELIEF  
DUE TO THE DELAY IN RECEIPT OF FEDERAL FUNDS**

Loan Amount: \$7,700,000

Pledge: The Loan shall be secured by a pledge of Measure A funds.

Issuance Fees: No issuance fees

Term: 7 months

Interest Rate: 1.5% per annum, or the actual rate earned on RT's investments in the Local Agency Investment Fund (LAIF), whichever is greater.

Effective Date of Interest: Date of First Draw Down of Funds

Repayment Schedule: The loan is to be repaid by July 1, 2014.

Prepayment: The loan may be prepaid at any time.

Other Terms: None