

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/13/16	Open	Action	06/08/16

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

ISSUE

Whether or not to authorize temporary inter-fund borrowing from the Developer Fee Trust Account to cover any cash flow needs as a result of potential delays in receiving RT's Operating Funds.

RECOMMENDED ACTION

Adopt Resolution 16-06-____, Authorizing Temporary Inter-fund Borrowing from the Developer Fee Trust Account to Cover Any Cash Flow Needs as a Result of Potential Delays in Receiving RT's Operating Funds

FISCAL IMPACT

This action will enable staff to temporarily borrow \$8,200,000 of Developer Fee Trust Account Funds to cover any portion of a temporary cash shortfall as a result of not timely receiving Federal Operating and some local funds. The interest cost associated with the borrowing is anticipated to be less than \$10,000. Interest expense for borrowing purposes is included in the FY 2016 and FY 2017 budget.

The repayment of all principal borrowed would be completed upon receipt of the Federal Funds. Interest will accrue at the FY 2015 annual CalTRUST rate.

DISCUSSION

Recently, the Federal Transit Administration (FTA) upgraded its grant management system. The new system has resulted in procedural changes that may impact the timing of the receipt of Federal Preventative Maintenance funds. A positive outcome from the Federal Transit Administration's (FTA) change is that RT will now receive both 5307 and 5337 funds on the same grant which reduces the administrative burden and improves the overall timeliness of cash receipts. However, because this is the first year of the implementation, there could potentially be unforeseen delays in the grant certification process which could slow down the receipt of funds.

In addition, there has been a delay in the receipt of other operating funds including Measure A funds and State Transportation Assistance (STA) funds from the Sacramento Transit Authority and the State of California, respectively. These delays are temporary, however, staff believes it is prudent to maintain a minimum cash balance on hand to insure that RT does not need to exceed its borrowing capacity with US Bank.

Approved:

Presented:

Final 06/08/16

General Manager/CEO

Director of Finance and Treasury

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Developer Fees:

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

Authorizing temporary inter-fund borrowing from the Developer Fee Trust Account to cover any cash flow needs as a result of potential delays in receiving RT's Operating Funds 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 for the loaned funds.

RT originally met with County of Sacramento staff and determined the requirements for establishing an inter-fund borrowing plan when the need arose to use these funds for the Downtown-Natomas-Airport Minimal Operating Segment – Phase 1 (DNA MOS 1). At that time, County Counsel staff and County Planning 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 inter-fund 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 to develop a plan for the repayment terms. After consulting with RT's Chief Counsel, RT staff determined that these funds can be borrowed. Thus, staff is proposing to borrow the funds again pursuant to the same model used for the original DNA MOS 1 inter-fund borrowing.

Currently these funds are invested in a CalTRUST Account yielding .51%. Therefore, a reasonable lending interest rate would be an amount equivalent to the foregone interest earnings. Staff would recommend a borrowing interest rate of .51%, which is consistent with expected returns.

Staff hereby requests that the Board authorize the General Manager/CEO to temporarily borrow Developer Fees to address any short term cash flow needs as the result of potential delays in Federal and State funding.

RESOLUTION NO. 16-06-_____

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

June 13, 2016

AUTHORIZING TEMPORARY INTER-FUND BORROWING FROM THE DEVELOPER FEE TRUST ACCOUNT TO COVER ANY CASH FLOW NEEDS AS A RESULT OF POTENTIAL DELAYS IN RECEIVING RT'S 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 \$8.2 million of such funds are not immediately needed for transit projects; and

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

WHEREAS, in the interim, RT desires to borrow up to \$8.2 million in uncommitted developer fees to help temporarily bridge the funding gap created by the delay in receipt of RT's Federal Operating Funds, section 5307 and 5337, Measure A, and State Transit Assistance (STA).

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

THAT, up to \$8,200,000 currently held in the developer fee trust account(s) may be borrowed by RT to bridge the gap in receipt of Federal Operating Funds, section 5307 and 5337, Measure A funds, and STA funds resulting from the delay in the issuance of cash receipts, 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 Governing Accounting Standards Board (GASB).

JAY SCHENIRER, 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 Cover Any
Cash Flow Needs as a Result of Potential Delays in Receiving RT's Operating
Funds

Loan Amount: \$8,200,000

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

Issuance Fees: No issuance fees

Term: 12 months

Interest Rate: 0.51% per annum, or the actual rate earned on RT's investments in CalTRUST, whichever is greater.

Effective Date of Interest: Interest will begin accruing at the time of the first borrowing of funds.

Repayment Schedule: The loan is to be repaid within one year of the first borrowing.

Prepayment: The loan may be prepaid at any time.

Other Terms: None