

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

January 27, 2005

TO: BOARD OF DIRECTORS

THRU: Larry Rubio, Chief Executive Officer

FROM: Chris Gallanes, Chief Financial Officer

SUBJECT: Request for Fiscal Year 2005 Budget and Short Range Transit Plan (SRTP) Amendment to Draw Down Allocated but Unclaimed Local Transportation Fund (LTF) Reserves to Fund Potential Fiscal Year 2005 Operating Revenue Shortfall

Summary: The Agency is using Federal Section 5307 Operating Assistance revenues of \$6,675,861 to fund the fiscal year 2005 operating budget. These revenues are available for draw down upon submission and approval of a Federal grant requesting that the funds be used for Operating Assistance and Capital Cost of Contracting provisions specified in Federal Transit Administration (FTA) Circular 9030.1C, Chapter III.

On September 30, 2004 the President signed into law H.R. 5183, which extends the Transportation Equity Act of the 21st Century (TEA-21) through May 31, 2005. The bill authorizes transit programs at a level equal to eight-twelfths of the \$7.758 billion fiscal year 2005 appropriations bill. Agency staff has submitted a Federal grant request for the full \$6,675,861 Section 5307 funding based on the eight-twelfths authorization. This grant is currently under review by the FTA. The projected approval date and funding amount is unknown at this time.

Staff has presented cash flow forecasts as part of the Agency's monthly Board cycle. These forecasts consistently showed that if there is a delay in Federal funding, the Agency would need to begin to draw down its capital project local match (deferred revenues) in February 2005 in order to meet operating expense obligations, with all funds being exhausted in April 2005. In order for capital projects to move forward, deferred revenues initially shown in the cash flow forecast to temporarily fund operating expenses must now remain intact.

As stated above, the approval date and amount of Federal Section 5307 Operating Assistance funding is unknown. Staff has developed a cash flow projection that assumes no use of deferred

revenues to fund operating expenditures. Without the Federal Operating Assistance funding, the Agency will be out of operating revenues on March 18, 2005. Staff analysis shows that \$5,830,000 is needed to offset an operating revenue shortfall for the period of March 18, 2005 through June 30, 2005. This estimate is based on an aggressive cash flow analysis that allows for a very low tolerance level. The \$5,830,000 amount includes a staff recommendation to have an additional \$530,000 available to offset unforeseen expenditures (rise in Compressed Natural Gas (CNG) fuel prices, large workers' compensation/liability insurance payout, etc.) that may arise during the (4) month period that the draw down will cover. The \$5,830,000 will maintain current service levels, and does not include service enhancements.

From a "budget to actual" performance standpoint, staff is not requesting the full Federal funding of \$6,675,861 because the Agency is currently under running its budget. The \$5,830,000 staff projection will be sufficient to cover expenses through the end of the fiscal year.

The Agency currently has \$7,825,197 of Allocated but Unclaimed LTF reserves (prepaid reserve amounts plus LTF reserves) held at RCTC (source: RCTC Comprehensive Annual Financial Report (CAFR), June 30, 2004). To continue operating at current service levels, staff recommends that a draw down of these LTF reserves be initiated in order to cover the \$5,830,000 operating revenue shortfall projected above. This draw down is contingent upon approval by the RCTC Board of Commissioners.

The Board of Directors approved an Agency reserve policy in May 2002. This policy earmarked \$4,000,000 for BRT implementation, \$2,200,000 for future land acquisition, and the balance formula based, predicated upon annual LTF allocations.

As stated above, the Agency's fiscal year 2005 Federal grant request is currently under review by the FTA. If the grant is approved before the need to draw down the LTF reserves, staff will discontinue pursuing this action.

Fiscal Impact:

The Agency currently has \$7,825,197 of Allocated but Unclaimed LTF reserves (prepaid reserve amounts plus LTF reserves) held at RCTC. If this draw down is approved, there will be an LTF reserve balance of \$1,995,197, until the full repayment is recognized.

Committee Recommendation:

This item was discussed at the Board Budget and Finance Committee meeting of January 5, 2004. The Committee members unanimously approved recommending this item to the full Board of Directors for their consideration.

Recommendation:

- Approve request to draw down \$5,830,000 of allocated but unclaimed LTF reserves to fund potential fiscal year 2005 operating revenue shortfall, contingent upon approval by the RCTC Board of Commissioners
- Approve fiscal year 2005 budget and SRTP amendments to reflect these actions
- Discontinue pursuing this action if the fiscal year 2005 Federal grant request is approved prior to the need to draw down the LTF reserves