



RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

December 15, 2005

TO: BOARD OF DIRECTORS

THRU: Larry Rubio, Chief Executive Officer 

FROM: Craig Fajnor, Chief Financial Officer 

SUBJECT: Request for Fiscal Year 2006 Budget and Short Range Transit Plan (SRTP) Amendment to Draw Down Agency Local Transportation Fund (LTF) Reserves to Fund Potential Fiscal Year 2006 Operating Revenue Shortfall

Summary: The Agency is using Federal Section 5307 revenues of \$6,989,385 to fund the fiscal year 2006 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, Preventative Maintenance, and Capital Cost of Contracting provisions specified in Federal Transit Administration (FTA) Circular 9030.1C, Chapter III.

On August 10, 2005, the President signed into law the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU.) The bill provides guaranteed funding for federal surface transportation and transit programs through fiscal year 2009. Staff has completed input for the fiscal year 2006 grant request and is awaiting FTA direction for grant submission. The grant request is for full fiscal year 2006 Section 5307 funding. The projected approval date for the grant is unknown at this time.

Current cash flow forecasts show that if fiscal year 2006 Federal grant funding is not received by April 7, 2006, the Agency will need to temporarily use its capital project local match (deferred revenues) to meet operating expense obligations. All revenues will be exhausted by May 26, 2006. In order to not jeopardize capital project completion schedules, staff recommends that deferred revenues remain intact.

Staff developed a cash flow forecast that assumes no use of deferred revenues to temporarily fund operations, and maintenance of cash account minimum balances. The forecast shows that a temporary draw down of \$4,800,000 is needed to offset a potential operating revenue shortfall from April 7, 2006, through June 30, 2006. The \$4,800,000 will maintain current service levels and support

expenditures projected in the fiscal year 2006 midyear budget update approved by the Board in November 2005.

From a cash flow perspective, the full Federal funding of \$6,989,385 is not being requested for use during the April through June period. Staff estimates that the remaining \$2,189,385 of needed funding will be used for payment of expenses during July 2006.

Staff has tracked and verified the amount of allocated unclaimed LTF reserves (prepaid reserve amounts plus LTF reserves) on hand at the RCTC. A schedule is shown below:

FY2005 Year-End Balance		<u>\$ 5,685,950</u>
<u>FY2006 Activity (Up+/(Down))</u>		
Route 1 Limited	(412,599)	
Capital Project Match (Pending Approval)	(111,960)	
Draw Down for Operations (Pending Approval)	<u>(4,800,000)</u>	
Subtotal Adjustments		<u>(5,324,559)</u>
Balance After Draw Down (Available+/(Need))		<u>361,391</u>
Repayment of Temporary Draw Down		<u>4,800,000</u>
Balance After Repayment (Available+/(Need))		<u>\$ 5,161,391</u>

To date, fiscal year 2006 activity consists of a Board approved draw down for implementation of Route 1 Limited. A subsequent Board action postponed this implementation and directed that these funds be used to offset projected increases in operational expenditures. Other activity is related to a draw down to match Federal funding for capital projects. This action will be considered by the Board at their December 15, 2005, meeting. If the capital project match and this temporary draw down are approved, a balance of \$361,391 will remain until full repayment is recognized. After repayment of the draw down, the balance is \$5,161,391. This draw down is contingent upon approval by the RCTC Board of Commissioners.

As stated previously, staff has completed input of the fiscal year 2006 grant request and is awaiting FTA direction for grant submission. If the grant is approved before the need to draw down the LTF reserves, staff will discontinue pursuing this action.

Fiscal Impact:

At the end of fiscal year 2005, the Agency has \$5,685,950 of allocated unclaimed LTF reserves (prepaid reserve amounts plus LTF reserves) on hand at RCTC. If this and other draw downs are approved, an LTF reserve balance of \$361,391 will remain until full repayment is

recognized. After repayment of the draw down, the balance will be \$5,161,391.

Recommendation:

- Approve request to draw down \$4,800,000 of allocated unclaimed LTF reserves to fund potential fiscal year 2006 operating revenue shortfall, contingent upon approval by the RCTC Board of Commissioners
- Approve fiscal year 2006 budget and SRTP amendments to reflect these actions
- Discontinue pursuing this action if the fiscal year 2006 Federal grant request is approved prior to the need to draw down the LTF reserves