

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

July 28, 2005

TO: BOARD OF DIRECTORS

THRU: Larry Rubio, Chief Executive Officer *L. Rubio*

FROM: Chris Gallanes, Chief Financial Officer *C.G.*

SUBJECT: Request for Fiscal Year 2006 Budget and Short Range Transit Plan (SRTP) Amendment to Draw Down Allocated Unclaimed Local Transportation Fund (LTF) Reserves to Fund Debt Service Payment

Summary: In February 2003, the Agency executed a capital lease agreement with the California Transit Finance Corporation (CTFC) to refund a prior Agency bond issuance for the purchase of (57) forty-foot transit buses and related equipment. Given a change in market conditions, this advance refunding and re-issuance reduced total Debt Service interest payments.

The capital lease agreement reflects an amortization schedule from October 2003 through October 2013. Semi-annual payments are due on April 1st and October 1st of each calendar year. An interest-only installment is transmitted on March 15th in time for the April 1st payment. The annual principal payment and annual remaining interest is transmitted on September 15th in time for the October 1st payment. These Debt Service payments are funded each year from a combination of Federal and local funds. The payment schedule and related capital dollars needed are included in the Agency's Capital Improvement Plan (CIP), fiscal year capital budget, and Federal grant request.

The Agency's October 1st installment consists of a principal payment of \$1,585,000 and an interest payment of \$241,000. The installment total is \$1,826,000. Due to a delay in Transportation Equity Act of the 21st Century (TEA-21) reauthorization, the Agency's fiscal year 2005 Federal grant request for Debt Service is currently under review by the Federal Transit Administration (FTA) and has not been approved. The Agency has \$1,236,000 available for the payment; a balance of \$590,000 is needed to pay this installment. Staff requests that this amount be drawn down from allocated unclaimed LTF reserves currently held at the Riverside County Transportation Commission (RCTC.)

Fiscal Impact:

At fiscal year 2004 year-end, the Agency had \$7,825,197 of allocated unclaimed LTF reserves (prepaid reserve amounts plus LTF reserves) held at RCTC (source: RCTC Comprehensive Annual Financial Report (CAFR), June 30, 2004.) Board actions that impact these reserves were approved in fiscal year 2005. The actions are broken down into the following elements:

- Draw downs that are temporary and will be subsequently reimbursed from other funding sources (Temporary Actions)
- Draw downs that are permanent, resulting in a permanent adjustment to the LTF reserve balance (Permanent Actions)

Temporary Actions are shown below:

<u>Temporary Actions to Date</u>		
Drawdown for Potential Operating Shortfall (Jan-05)	\$ 5,830,000	
Drawdown for Potential CNG Station Shortfall (Jan-05)	<u>97,136</u>	
Subtotal: Temporary Actions to Date		<u>\$ 5,927,136</u>

These temporary actions total \$5,927,136. The reserves will be fully reimbursed upon approval and receipt of Federal funding, and subsequent adjustment of the LTF disbursement schedule.

Permanent Actions are as follows:

Beginning Balance		\$ 7,825,197
<u>Permanent Actions to Date</u>		
Drawdown for Route 1 Limited (May-05)	412,599	
Drawdown for Operating Fund Deficit (May-05)	<u>1,683,838</u>	
Subtotal: Permanent Actions to Date		<u>2,096,437</u>
Estimated LTF Reserve Balance (Beginning Balance - Permanent Actions)		<u>\$ 5,728,760</u>

Permanent actions total \$2,096,437. The LTF reserve balance to date is estimated to be \$5,728,760.

This Board action to draw down LTF reserves for Debt Service is classified as Temporary. Reimbursement of the \$590,000 will occur upon approval and receipt of the Federal funding, and subsequent adjustment of the LTF disbursement schedule. The estimated LTF reserve balance of \$5,728,760 will be unchanged.

As stated above, the Federal grant request for Debt Service is currently under review by the FTA and has not been approved. If

the grant is approved before the need to draw down the LTF reserves, staff will discontinue pursuing this action.

Committee Recommendation:

This item was discussed at the Board Budget and Finance Committee meeting of July 6th. The Committee members unanimously approved recommending this item to the full Board of Directors for their consideration.

Recommendation:

- Approve request to draw down \$590,000 of allocated unclaimed LTF reserves to fund an October 1, 2005, Debt Service payment, contingent upon approval by the RCTC Board of Commissioners
- Approve fiscal year 2006 budget and SRTP amendments to reflect this action
- Discontinue pursuing this action if the fiscal year 2005 Federal grant request is approved prior to the need to draw down the LTF reserves