

Date of Hearing: March 23, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
AB 422 (McCarty) – As Amended March 17, 2015

SUBJECT: Sacramento Regional Transit District: line of credit

SUMMARY: Authorizes the Sacramento Regional Transit District (RT) to obtain a short-term revolving line of credit for operating purposes. Specifically, **this bill:**

- 1) Authorizes RT to seek and obtain a short-term revolving line of credit for operating purposes in anticipation of receipt of operating grants, with the extension of credit evidenced by a note.
- 2) Authorizes RT to pledge anticipated grants and any other funds available, including fare revenues and any other revenues, income, or receipts, as security for repayment of the note, the interest on the note, and the related obligations evidenced by the note.
- 3) Requires the note to have a maturity date of not more than 60 months from the date of issuance.
- 4) Authorizes RT to pledge anticipated operating grants and other available funds over a multiyear period.
- 5) Caps the maximum indebtedness under the note at 85% of the amount of the anticipated grants and other funds pledged to repay the note, the interest on the note, and the related obligations evidenced by the note.

EXISTING LAW: Authorizes local agencies, including transit districts, to engage in short-term borrowing, but generally requires full repayment by the end of the fiscal year in which the note was issued, and in some cases allows repayment within 15 months of the date of issuance of the note.

FISCAL EFFECT: Unknown.

COMMENTS: Like most transit agencies in California, RT receives a significant percentage of its operating budget from the Federal Transit Administration (FTA). The FTA dollars arrive on a reimbursement basis. RT begins spending the money at the start of its fiscal year (July 1), but has to wait for congressional action on the FTA budget before it can receive the funds. In the past, this meant receiving the FTA funds within 12 months of the start of RT's fiscal year. More recently, the receipt of funds has taken as long as 18 months.

State law allows local governments to use short-term borrowing to bridge funding gaps under what is typically referred to as the temporary revenue anticipation note (TRAN) statute. Under this law, a local agency takes out a line of credit at the start of the fiscal year and must pay the note in full by the end of the same fiscal year, although in some cases the maturity date can be extended from 12 to 15 months. RT has relied on the TRAN statute to address the cash flow

issue created by the FTA funding process for the last decade, but banks are now hesitant to lend to RT under TRAN because the gap between the start of RT's fiscal year and the actual receipt of FTA funds continues to grow and there is no guarantee that the FTA dollars will come in within the necessary 12 to 15 months to meet statutory requirements for repayment.

This bill would give RT greater flexibility to negotiate a short-term line of credit with banks that reflects the reality of its financial situation. The bill allows RT to borrow through a revolving line of credit with a maturity date of up to 60 months from the date of issuance. This longer-term credit line will enable RT to obtain the best possible interest rate and, according to RT, "will result in budgetary improvements and will save RT in costs over time."

REGISTERED SUPPORT / OPPOSITION:

Support

Sacramento Regional Transit District (Sponsor)

Opposition

None on file

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