



5

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 109
915 I STREET
SACRAMENTO, CA
95814-2684

December 4, 1986

916-449-5704

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: 1) Review of Regional Transit and Light Rail Transit Cash Flow
2) Amendment of 1986-87 City Capital Improvement Project
Budget

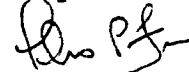
SUMMARY

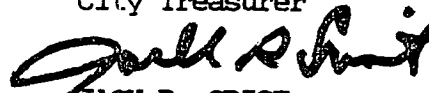
The attached report is submitted to you for review and recommendation prior to consideration by the full Council.

RECOMMENDATION

The staff recommends approval of the attached resolution recommending payment of \$2.942 million from the City LRT/RACS account to RT. Staff also recommends that the RT General Manager address the City Council in February or March of 1987, when 95% of the LRT contracts have been let and advise of the alternatives, including a review of the 5-year capital spending program and any impacts revisions to that plan would make to complete the LRT project without further LRT/RACS support.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer


JACK R. CRIST
Deputy City Manager

Attachments



OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASSISTANT TREASURER

CITY OF SACRAMENTO
CALIFORNIA

December 3, 1986
860338:TPFlv:cashflow

800 TENTH STREET
SUITE ONE
SACRAMENTO, CA
95814-2688

916-449-5318
OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

916-448-3139
DEX TRANSCEIVER

City Council
Sacramento, California

SUBJECT: 1) Review of Regional Transit and Light Rail Transit Cash Flow
2) Amendment of 1986-87 City Capital Improvement Project Budget

HONORABLE MEMBERS IN SESSION:

SUMMARY

In compliance with City Council Joint Transportation and Community Development and Budget and Finance Committee direction, we have reviewed the cash flows of both Regional Transit (RT) and the Light Rail Transit (LRT) project. Our review confirms our previous report to the joint committees to authorize the payment of \$2.942 million from the "LRT/RACS account" to meet a portion of the LRT project cost overruns. However, based on our recent cash flow review, we now recommend a payout schedule to R.T. that is slightly more accelerated than the 1/12 per month over the next 12 months previously recommended. Further, we believe the RT General Manager should address the City Council in February or March, 1987 when 95% of the project for the LRT contract have been awarded and apprise the Council of the impacts and alternatives to completing the LRT project without further Council assistance. A resolution authorizing the \$2.942 Million payment to RT is attached. Approval is recommended.

BACKGROUND

We reviewed the monthly LRT project cash flow and the overall RT cash flow through January 1988, which was contained in the November 12, 1986 LRT presentation to the City Council. As it pertains to the cash flows, we concluded:

- The LRT project cash flow was for the \$169 million LRT project budget not the \$176 million current approved project budget. Therefore, we had to increase the November RT project cash flow to reflect the \$7 million increase (see Attachment 1, Footnote 2) and have included \$3 million as the contingency reserve in December 1987.

Further, we concluded the LRT project budget cash flow included the receipt of \$900 thousand for safe harbor proceeds in September 1987, a \$1.450 million in proceeds from the City RACS account in October 1987 and an additional \$1.129 million in proceeds in October 1987 which was an unidentified revenue source but was suggested to be either TDA revenues or the City RACS account. Therefore, in total the LRT project cash flow included \$3.479 million in revenues which were not assured and these revenue sources were backed out of the cash flow schedules to ascertain only assured sources of revenue to complete the LRT project (see Attachment 1, footnotes 3 and 4).

Finally, the LRT cash flow schedules did not include the \$434 thousand in additional funding for certain line items recently secured by LRT staff nor the potential \$1.1 million of additional revenue LRT staff secured to offset design cost increases from Cal Trans. Therefore, these revenues were added to the LRT project cash flow (see Attachment 1, footnotes 1 and 5).

After making the above-described adjustments we believe the LRT project cash flow now more accurately reflects the assured revenue sources and disbursements associated with the project (see Attachment 1).

-- The overall RT cash flow appears reasonable and consistent with previous RT projections. Further, the cash flows did not include any operating assistance funds from the City and County of Sacramento. Should such funds be forthcoming, they would increase the operating funds of RT and thus improve the RT cash flow situation.

Further, we were informed by RT staff that approximately \$14.3 million has been scheduled for capital expenditures of RT from TDA funds for FY 1986/87 (see Attachment 2, footnote 1). Of this amount, approximately \$6.3 million (\$700 thousand per month, October 1986 through June 1987) of a \$30 million 5-year capital spending budget has been approved by SACOG and budgeted by the

RT Board for expenditures associated with the peer review recommendations of \$1.4 million, acquiring spare LRT vehicles and double tracking. However, RT staff has not let any contracts to proceed with double tracking at this time. While it would be possible to reconsider capital spending plans of RT to raise monies for the LRT project, it is pointed out that although RT staff has not let any contracts at this time for proceeding with double tracking, nonetheless, RT staff in December 1986 (see Attachment 2, Capital Budget - Receipts - TDA {LTF}) has requested and SACOG approved \$4.389 million of these monies to be paid to RT to offset the cash flow shortages of the LRT starter project. Therefore, any change to the capital spending plans of

RT for FY 1986/87 will not result in any appreciable gain in cash flow to meet the substantial and impending cash flow problems of the district through the present fiscal year. Finally, it would be advisable for the General Manager of RT to address the City Council on the entire capital spending plans of the district prior to considering any changes to the capital spending programs since they impact RT overall and have consequences of losing federal or state grant monies.

FINANCIAL

Having completed our review and adjustments to the RT and the LRT project cash flows as explained in the "Background" section of this paper, we have prepared an overall composite cash flow (see Attachment 2, Footnote 1). We refer to this composite cash flow as Case I and describe this scenario as "100% of completion of LRT project by RT with no LRT/RACS account support". A review of this Case I scenario reveals that it will be impossible for RT to complete the LRT project without additional sources of revenue. Clearly, RT will be unable to meet payroll by April 1987 when the composite resources of RT are negative (\$1.153 million). Further, after April 1987, the negative composite cash flow grows greater each month until August 1987 when the composite reaches a maximum negative (\$10.592 million) only to improve thereafter to a negative (\$3.325 million) in January 1988. Finally, it should be considered that the cash flow picture of RT is presently serious as the LRT project at this date is now consuming approximately \$1.9 million of RT operating reserves.

Having described the Case I scenario, we have developed a Case II scenario. The Case II scenario assumes the City Council will authorize the \$2.942 payment from the City LRT/RACS account to RT to meet a portion of the LRT Project cost increases (see Attachment 3, Footnote 2). This scenario assumes that the payments will be made as follows:

Proposed Payment from LRT/RACS Account
to RT For LRT Cost Increase

\$1.042 Million	December 1986
.500 Million	January 1987
.700 Million	February 1987
<u>.700 Million</u>	March 1987
\$2.942 Million	

A review of the Case II scenario reveals that it still may be impossible or certainly difficult for RT to complete the LRT project given a \$2.942 million contribution from the City LRT/RACS account to meet a portion of the cost overruns. The Case II scenario extends to May 1986 when on a cash flow basis RT would be unable to meet payroll. The Case II scenario permits, however, a more fiscally prudent approach to continuation of the LRT project without a major revision to the operating condition of RT. It is anticipated that by March 1987, 95% of the dollar amount of contracts

for the LRT project will have been let. Further, by February or March 1987 it will be possible to review the progress and assess the reliability of the estimates that have been developed at this time to complete the project. In February or March 1987 RT staff should again advise Council on the status of the LRT project as well as RT itself. At that time Council could again consider whether or not it might approve any additional funding for the LRT project on the assumption that the maximum amount of any such additional funding not exceed \$2.042 million.

At the February or March presentation, the RT General Manager should be prepared to discuss any and all possible resources, including the Capital Spending Budget over the next 5 years to assess alternatives and their impacts to complete the LRT project without additional LRT/RACS support. We bring to Council's attention that the current 5 year capital spending RT Board approved budget appears to be a potential prime alternative to meeting the LRT project cost increase.

However, we caution that because of the complexities of the RT budget process, the fact the budget considers the bus as well as the LRT system, the fact that in many instances the state and federal transit monies available to RT to complete certain capital projects often equals or exceeds the required local contribution, no hasty assumptions be made at this time to meet the LRT project shortfall. Further, as an example of these complexities, consider the 5 year RT Board approved budget for double tracking. This item, double tracking, includes the purchase of 6 LRT spare vehicles, the \$1.4 million peer review recommendations including changes for the downtown line and double tracking itself. Further, while the 5-year budget is for \$30 million, \$11 million will be provided by state grants, \$3 million will be provided by federal monies and \$16 million will be required from local TDA revenues.

CONCLUSION

On the assumption that 100% of the LRT project would have to be completed by RT without any assistance from the City LRT/RACS account, we have concluded that it is not possible to do so without a short-term loan from some outside source combined with major revisions to the RT Board approved capital spending program to repay the loan. We do not believe as a result of the cash flow position of RT combined with the LRT project cost increase that a loan could be paid back without capital spending revisions and/or a severe reduction to the working capital reserve of RT. We believe at best the cash flow condition of RT at this time is perilous and has been impacted as a result of both cash flow problems associated with construction of the LRT project and cost overruns.

We believe as previously described the cost overruns at this time are not a result of mismanagement and are within the guidelines for City Council consideration to use the LRT/RACS account. Further, we believe it is prudent to pay \$2.942 million from the LRT/RACS account since \$900 thousand was envisioned to be paid for safe harbor benefits and only

\$2.042 million of the \$8 million LRT project cost overrun would be covered by this amount. Further, we believe it is important for RT to approach the City Council and County Board of Supervisors and inform them of their need for operational support. At this time such operational support would improve the cash flow condition of RT.


Finally, we believe it is important that the RT General Manager address Council in February or March 1987 to inform Council of the alternative to complete the LRT project without any further RACS funding. Such presentation should include the RT 5-year capital spending program and address the impacts of the revisions if such are implemented. At that time City Council can make its final decision as to whether to provide any additional LRT/RACS support.


RECOMMENDATION

It is recommended that:

- City Council authorize the payment of \$2.942 million from the City LRT/RACS account to RT in compliance with the Case II scenario presented in this report by adoption of the attached resolution
- The RT General Manager address the City Council in February or March 1987, when 95% of the LRT contracts have been let and advise of the alternatives, including a review of the 5-year capital spending program and any impacts revisions to that plan would make to complete the LRT project without further LRT/RACS support.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer


JACK R. CRIST
Deputy City Manager

Attachments (4)

RECOMMENDATION APPROVED:

WALTER J. SLIPE, City Manager

December 9, 1986
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AMENDING THE CITY BUDGET
FOR FISCAL YEAR 1986-87
BY APPROPRIATING \$2.942 MILLION
FROM THE CITY GENERAL FUND (LRT/RACS ACCOUNT)
TO THE LIGHT RAIL TRANSIT PROJECT

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

- 1) The fiscal year 1986-87 City of Sacramento Capital Improvement Project budget is hereby amended by the appropriation increase of \$2.942 million to the Sacramento Light Rail Transit starter line project.
- 2) The above appropriation increase is to be funded from available funds in the City's General Fund account known as the "LRT/RACS Account".
- 3) The \$2.942 million will be paid to the Sacramento Regional Transit District as follows:

December 1986	\$1.042 million
January 1987	.500 million
February 1987	.700 million
March 1987	<u>.700 million</u>
Total Payments	\$2.942 million

Said payments will be processed by the City Finance Department upon receipt of a formal billing invoice from the Regional Transit District.

MAYOR

ATTEST;

CITY

CLERK

LIGHT RAIL CASH FLOW
11/3/86
(000's OMITTED)

ATTACHMENT I
Page 1 of 2
Friday

Note - This RT Cash Flow was prepared for the 169 million Project Budget. They're, it must be amended to update the amount RT Board 176 million Project Budget.

ACTUAL	AUG 1986	SEP 1986	OCT 1986	NOV 1986	DEC 1986	JAN 1987	FEB 1987	MAR 1987	APR 1987	MAY 1987	JUN 1987	JUL 1987	AUG 1987	SEP 1987	OCT 1987	NOV 1987	DEC 1987	JAN 1988	TOTAL	
CASH BALANCE	11443	11706	4962	1926	-394	-1329	-1271	-4305	-3438	-6461	-8619	-9288	-9746	-10268	-9662	321	143	105		
RECEIPTS																				
FEDERAL BUDGET	59355	5483	4674	3984	3129	2210	2100	1462												68144
VARI	630																			630
FBI	430																			430
FAD	1545			300				300			172									1545
HLA	38																			38
OTHER	10544					3														10544
STATE																				
PUC-03	2400																			2400
03-5	5500								55											5500
R/R XING	1009																			1009
SA	600																			600
03-4	1401								442			463								1401
ART 19	1323																			1323
OTHER	18162																			18162
LOCAL																				
CITY	2325																			2325
CITY PUMP	105																			105
SHRA	293																			293
SO. PAC.	347																			347
OTHER	3955																			3955
CULICAM	90																			90
MARRIS	6																			6
SAFE H.	908																			908
SAC. BEE	358																			358
COOE	85																			85
PARR 100H	240																			240
COP	22004																			22004
RIS.	297																			297
RESERVE	1350																			1350
UTILITY	3215																			3215
10A	554																			554
3111	25307	1055	0	757	69	612	772	633	0	900	140	110	0	0	970	4871	0	0	0	34216
R/R XING	180																			180
CITY PUBL	30																			30
ADD DISC.	1129																			1129
TOTAL	168980	123015	3142	5483	5431	4473	4697	4826	2741	1942	1617	190	203	463	0	990	9392	0	0	169685

① 485
① 167

③ 908

③ 1350

① 180

④ 1129

Page

RT CASH FLOW
FY 1986-87
OPERATING & CAPITAL
(000'S OMITTED)

	JUL 1986	AUG 1986	SEP 1986	OCT 1986	NOV 1986	DEC 1986	JAN 1987	FEB 1987	MAR 1987	APR 1987	MAY 1987	JUN 1987	TOTAL
OPERATING													
BEG. BALANCE	1867	277	53	735	4375	4384	5171	4824	4798	4969	4159	3779	1367
RECEIPTS													
PASSENGER FARES	487	725	811	849	811	753	811	811	868	820	877	715	9538
TDA (LTF)	557	1501	2303	1204	1623	2478	1254	1588	2087	1134	1518	209	17458
TDA (STAI)													0
INTEREST	116												116
CONTRACT SERVICE			18	6	6	6	6	6	6	6	6	6	72
FEDERAL (8-9-10)				4001	19			19	10		19		4068
OTHER				30			30			30			90
CAPITAL LOAN													0
TOTAL OPERATING RECEIPTS	1360	2226	3132	6090	2459	3297	2103	2424	2971	1990	2420	930	21342
DISBURSEMENTS													
PAYROLL	2450	2450	2450	2450	2450	2450	2450	2450	2800	2800	2800	2800	30800
OTHER													
CAPITAL LOAN													
TOTAL OPERATING DISB.	2450	2450	2450	2450	2450	2450	2450	2450	2800	2800	2800	2800	30800
ENDING BALANCE OPERATIONS	277	53	735	4375	4384	5171	4824	4798	4969	4159	3779	1909	1909
CAPITAL													
BEGINNING BALANCE	6672	6341	6106	6672	5702	4204	7851	4991	4061	4542	3565	4524	6672
RECEIPTS													
TDA (LTF)	59	155	239	125	168	4389	131	165	205	118	158	22	3934
TDA (STAI)			618			353							971
FEDERAL			99		800				1371		1894		4164
CAPITAL LOAN													0
TOTAL CAPITAL RECEIPTS	59	155	954	125	968	4742	131	165	1576	118	2054	22	11071
DISBURSEMENTS													
CAPITAL EXPEND	390	390	390	1095	2466	1095	2991	1095	1095	1095	1095	1095	14292
CAPITAL LOAN													0
TOTAL DISBURSEMENTS	390	390	390	1095	2466	1095	2991	1095	1095	1095	1095	1095	14292
ENDING CAPITAL BALANCE	6341	6106	6672	5702	4204	7851	4991	4061	4542	3565	4524	3451	3451
TOTAL CASH BALANCE	6618	6159	7407	10077	8580	13022	9815	8859	9511	7724	8303	5360	5360

REGIONAL TRANSIT
CASH FLOW
FY 1986-87
11/3/86
(000'S OMITTED)

Approved Budget

ATTACHMENT VI-11

①

① Includes RT Board approved expenditure of approximately 6.3 Mn for double tracking & spare cars. The money for this is not physically being disbursed by policy pending Bay Area Area Resolution.

REGIONAL TRANSIT
CASH FLOW
FY 1987 - JAN. 1988
11/3/86
(000's OMITTED)

ATTACHMENT II
Page 2 of 2

RT CASH FLOW FY 1987-88 OPERATING & CAPITAL (000's OMITTED)	JUL 1987	AUG 1987	SEP 1987	OCT 1987	NOV 1987	DEC 1987	JAN 1988	TOTAL
OPERATING	1909	474	100	889	3121	3059	3892	1909
BEG. BALANCE								
RECEIPTS								
PASSENGER FARES	739	774	866	907	866	805	866	5817
TDA (LIFI)	635	1712	2626	1979	1850	2825	1432	12453
TDA (STAI)								0
INTEREST								0
CONTRACT SERVICE		12	6	6	6	6	6	42
FEDERAL (U-Y-10)		19			19			2763
OTHER				30			30	60
CAPITAL LOAN								0
TOTAL OPERATING RECEIPTS	1368	2517	3498	3041	2741	3636	2394	21135
DISBURSEMENTS								
PATROLL	2809	2809	2809	2809	2809	2809	2809	19621
OTHER								
CAPITAL LOAN								
TOTAL OPERATING DISB.	2809	2809	2809	2809	2809	2809	2809	19621
ENDING BALANCE OPERATIONS	474	100	889	3121	3059	3892	3429	3429
CAPITAL								
BEGINNING BALANCE	3451	3245	3038	2863	2663	2472	2289	3451
RECEIPTS								
TDA (LIFI)	6	15	27	14	19	29	15	125
TDA (STAI)								0
FEDERAL								0
CAPITAL LOAN								0
TOTAL CAPITAL RECEIPTS	6	15	27	14	19	29	15	125
DISBURSEMENTS								
CAPITAL EXPEND.	212	212	212	212	212	212	212	1404
CAPITAL LOAN								
TOTAL DISBURSEMENTS	212	212	212	212	212	212	212	1404
ENDING CAPITAL BALANCE	3245	3040	2863	2663	2472	2289	2092	2092
TOTAL CASH BALANCE	3719	3256	3166	2976	2772	2561	2381	2381

ATTACHMENT III

July

REGIONAL TRANSIT/LIGHT RAIL
COMBINED CASH FLOW

11/3/86
(000'S OMITTED)

CASE I
Assumes Budget 176MM E and RT Budgeted RACS, SAFE HARBOR on Discretionary Reserve Funds ARE AVAILABLE.

RT BALANCE	1986	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	1988
RT BALANCE	11785	7407	10077	8588	13022	9915	8959	9511	7724	8388	3310	3119	8276	8744	3786	3531	6181	5515	
LRT BALANCE																			
COMBINED BALANCE	11785	7407	10077	8588	13022	9915	8959	9511	7724	8388	3310	3119	8276	8744	3786	3531	6181	5515	

8,254 11,123 7,656 3,096 2,255 (1,153) (3,302) (1,114) (1,573) (1,059) (1,382) (9,338) (1,367) (2,651) (3,325)

CASE II
Assumes 2.942 million of LRT/RACS Payment

RT BALANCE	1986	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	1988
RT BALANCE	8,588	13,022	9,915	8,891	9,511	7,724	8,303	5,360	3,719	3,236	3,746	5,186	5,531	6,181	5,515	
LRT BALANCE																
Proposed LRT/RACS Payment																
Accumulated Payment																
Adjusted LRT																
COMBINED																

1

2