



Item #8

June 1, 2016

TO: Gold Coast Transit District Board of Directors

From: Steve L. Rosenberg   
Director of Finance and Administration

RE: Consider Approval of FY 2015-16 Budget Change to Defer GCTD's FY 2015-16 Capital Reserve Contribution

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## I. EXECUTIVE SUMMARY

GCTD's FY 2015-16 budget includes \$1,657,000 in capital reserve contributions that the District would normally make prior to June 30, 2016. As the result of an extraordinary delay in Federal grant processing affecting nearly \$4 million in grant reimbursements already due to GCTD, staff recommends a budget change to the FY 2015-16 budget to defer this contribution until these grant funds become available for drawdown, at which time the \$1,657,000 capital reserve contribution will be made in its entirety.

## II. DISCUSSION

GCTD's FY 2015-16 budget includes \$1,107,000 originally intended for debt payments if the Certificates of Participation (COPs) had been issued in FY 2015-16 but otherwise earmarked for the new Administration and Operations Facility. GCTD also budgeted \$500,000 in other capital reserve contributions and \$50,000 for member project capital reserve, for a total of \$1,657,000. Historically GCTD makes its capital reserve contributions at year end; this allows the use of these funds throughout the fiscal year for cash flow purposes. This is particularly useful since Federal transit funds are typically not available until near the end of the District's fiscal year.

During the last two years processing of Federal grants has been particularly slow for two different reasons. First, California transit agencies were for an extended period of time precluded from successfully submitting grant applications as the result of the standoff between the State of California and the U.S. Department of Labor over the USDOL's objection to California's PEPR statute and the subsequent legal decision. While that disagreement persists to this day, between July and September 2015 a process evolved that would allow agencies such as GCTD to gain DOL approval required on all Federal transit grants. This would have allowed GCTD to submit its FY

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2014-15 grant for costs from January 2015 to June 2015 as well as its FY 2015-16 grant and its CMAQ grant to support the new Route 22.

Also in September 2015 the Federal grant management computer system, known as TEAM, was scheduled to be shut down and replaced by a new system, known as TRAMS. Grantees were told that if a grant could not be processed to completion by September 25, 2015, all work to that point would have to start again from the beginning. No new grants could be entered. Subsequently there were two 30-day delays, each with the same caveat, until the system finally did close on November 30, 2015.

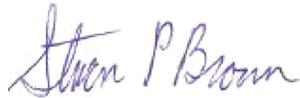
Eventually the new system opened on February 16, 2016, but it took many weeks for the normal system start-up issues to be resolved. GCTD has completed the submission of one grant, and the other two are nearly complete. Still, there is a backlog from the extended closure and it appears processing is slow. As a result of delayed grant processing, by the end of FY 2015-16, GCTD will have approximately \$4.3 million in reimbursable grant funds eligible and waiting to be drawn.

To be clear, GCTD does not have a cash flow issue and does not foresee one in the immediate future. As of April 2016 month-end GCTD had \$5.27 million cash in money market and LAIF available to fund ongoing operations. The District's other (non-Federal) revenue streams have allowed us to operate comfortably on a month-to-month basis throughout this situation and should continue to do so. This recommendation is simply that the District maintain its current cash position until such time as most or all of the \$4.3 million in backlogged reimbursable grant funds are able to be drawn down, at which time the District expects to make the deferred \$1,657,000 capital reserve contribution in its entirety.

### III. SUMMARY AND RECOMMENDATIONS

**IT IS RECOMMENDED that the Board approve the FY 2015-16 Budget Change, to Defer GCTD's FY 2015-16 Capital Reserve Contribution until GCTD's Presently Delayed Federal 5307 and CMAQ Grants are Available for Drawdown.**

Concurrence:



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Steven P. Brown  
General Manager