

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 22-23, 2003

Reference No.: 5.1b.
Action Item

From: ROBERT L. GARCIA
Chief Financial Officer

Prepared by: Debbie Mah
Program Manager
Traffic Congestion Relief Program

Ref: **NORTH COAST RAILROAD AUTHORITY REQUEST TO WITHDRAW \$1,312,766 FROM THE Q-FUND TRUST ACCOUNT IN THE LOCAL AGENCY INVESTMENT FUND FOR LOAN REPAYMENT, RESOLUTION G-03- , AMENDING RESOLUTION G-00-27**

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) approve the attached Resolution to authorize the North Coast Railroad Authority (NCRA) to withdraw \$1,312,766 from the Q-Fund Trust Account in the Local Agency Investment Fund. The funds will be used to reimburse the Department for its repayment to the Federal Highway Administration (FHWA) for NCRA costs that are ineligible for reimbursement under Federal program funding guidelines. The Department's repayment to the FHWA has reduced the State Highway Account balance by \$1,312,766.

BACKGROUND:

In 1996, the NCRA obligated \$12 million from the FHWA under the Highway Planning and Construction Revolving Fund Loan Program (Q-Fund) to acquire portions of the Northwestern Pacific Railroad (NWP) right-of-way and station sites from the Southern Pacific (SP) Railroad. The Q-Fund is a zero-interest loan program that requires repayment by September 30, 2013. Approximately \$5,363,300 of the Q-Funds was used by NCRA for acquisition NWP right-of-way from Healdsburg (Sonoma County) to Willits (Mendocino County) and approximately \$6,635,700 as pass-through from NCRA to the Northwestern Pacific Railroad Authority (NWPRRA) for acquisition of the rail line from Healdsburg to Lombard (Napa County) and for station sites in Marin County.

To facilitate the fund transfer, the Department and NCRA executed an agreement (Program Supplement No. M001) that stipulated, in part, that NCRA establish a trust fund and make incremental payments to ensure repayment of the Q-Fund loan. Due to continuing financial circumstances, the NCRA was

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unable to establish and maintain its repayment plan. To assist the NCRA in repaying this debt, the Traffic Congestion Relief Program (TCRP) included \$5,500,000 under Section 14456.50(h) of the Government Code (TCRP Project 32.8) to fund repayment of the NCRA Federal loan obligations. On September 28, 2000, the Commission approved the TCRP application to use these funds to establish an interest bearing account that will generate the funds to retire the Q-fund loan obligation by September 30, 2013. Subsequent to this approval, the Executive Directors of the NCRA and the Commission signed a Memorandum of Understanding (MOU), under Commission Resolution G-00-27, whereby the NCRA would establish the Q-Fund Trust Account in the Local Agency Investment Fund with an initial contribution of \$6,401,000 consisting of \$5,500,000 from TCRP funds, \$811,000 in unallocated Transit Capital Improvement (TCI) funds, and \$90,000 in NCRA property revenue funds. This initial contribution was projected to generate sufficient funds to repay the FHWA loan obligation with an assumed 5.986% earned interest rate as documented in the MOU. The NCRA has committed to contribute future property revenue funds should the actual interest yield be insufficient to repay the loan. Actual yields have been significantly less than the assumed 5.986% with the November 2002 fund statement indicating a current balance of \$6,640,053. The new projected balance in year 2013 with a revised projected 5.22% interest yield (average of actual interest rates from 1991 to 2001) will result in a shortfall of \$407,803 to fully repay the \$12,000,000 of the original loan amount. See Attachment A for a projection of fund balance on September 30, 2013 with existing funding.

In the NCRA single year audit report for 1996, the independent auditor determined the NCRA received \$1,312,766 for costs that were ineligible for reimbursement under Federal program guidelines. Specifically, a pre-acquisition cost of \$166,266 was considered an ineligible reimbursement since the costs were incurred prior to the actual Federal authorization date. In addition, subsequent to the purchase, NCRA received debt forgiveness and cash payments from SP totaling \$1,146,500 that was not properly credited to the award. Department Audits staff had reviewed the relevant documents and, in May 2001, concurred with this finding. The Department has responsibility for (1) oversight of these FHWA funds as a pass-through entity, and (2) ensuring repayment of the ineligible costs to the FHWA as soon as the discrepancies are confirmed. As a result of these findings, the FHWA issues a Federal Ineligibility Notification (FIN) in January 2002. To address this finding, the Department's recoveries from the FHWA (Federal billings for all Federally eligible projects) were reduced by \$1,312,766. The reduced recoveries have resulted in a lower balance in the State Highway Account (SHA) by this amount. The Department immediately submitted an invoice to the NCRA to reimburse the SHA for repayment of the disallowed costs. With this credit to the FHWA, the current Q-Fund obligation is now \$10,687,234 due to the FHWA by September 30, 2013.

At its meeting on September 18, 2002, the NCRA Board of Directors and Finance Committee directed NCRA staff to seek formal approval from the Commission to withdraw \$1,312,766 from the Q-Fund Trust Account to reimburse the SHA for repayment of the disallowed costs. The NCRA acknowledges that the account may run short of monies needed to repay the Q-Fund loan in 2013. The NCRA will formally address the status of the projected Q-Fund balance through 2013 on an annual basis through

NCRA's single year audit process. If the Q-Fund shows a projected deficit, the NCRA Finance Committee will make formal recommendations to the NCRA Board to address the shortfall. Contemplated action could be the commitment of future revenue streams, restructuring the current debt, sale of assets, administrative cost reductions, or other revenue generating or cost saving measures. Current calculations, again assuming a continuous future interest yield of 5.22%, indicate the balance in 2013 would result in a shortfall of \$1,357,353 to fully repay the \$10,687,234 of the remaining loan amount. See Attachment B for a projection of fund balance on September 30, 2013 with the \$1,312,766 withdrawn.

The MOU between the Commission and the NCRA requires approval by both the NCRA Board and the Commission to withdraw funds from the Q-Fund Trust Account. As noted above, the NCRA Board has approved the proposed withdrawal and is requesting approval from the Commission. The Department recommends Commission approval of this action.

Attachments

Q-Fund Principal and Interest -- Projected Revenues by September 30, 2013

DATE	BEGIN BALANCE	CONTRIBUTIONS	INTEREST	END BALANCE	% RATE	NOTES
4/1/2001		0	0	0		
7/1/2001		0	0	0		
8/1/2001		0	0	0		
10/1/2001	6,401,000	0	46,084	6,447,084	4.47	* Initial Deposit of \$6,401,000
1/1/2002	6,447,084	0	57,142	6,504,226	3.52	*
4/1/2002	6,504,226	0	47,362	6,551,588	2.96	*
7/1/2002	6,551,588	0	44,819	6,596,407	2.75	*
10/1/2002	6,596,407	0	43,647	6,640,054	2.63	*
1/1/2003	6,640,054	0	86,605	6,726,659	5.22	**
4/1/2003	6,726,659	0	87,734	6,814,393	5.22	**
7/1/2003	6,814,393	0	88,878	6,903,271	5.22	**
10/1/2003	6,903,271	0	90,038	6,993,309	5.22	**
1/1/2004	6,993,309	0	91,212	7,084,521	5.22	**
4/1/2004	7,084,521	0	92,402	7,176,922	5.22	**
7/1/2004	7,176,922	0	93,607	7,270,529	5.22	**
10/1/2004	7,270,529	0	94,828	7,365,357	5.22	**
1/1/2005	7,365,357	0	96,065	7,461,421	5.22	**
4/1/2005	7,461,421	0	97,317	7,558,739	5.22	**
7/1/2005	7,558,739	0	98,587	7,657,326	5.22	**
10/1/2005	7,657,326	0	99,873	7,757,198	5.22	**
1/1/2006	7,757,198	0	101,175	7,858,373	5.22	**
4/1/2006	7,858,373	0	102,495	7,960,868	5.22	**
7/1/2006	7,960,868	0	103,832	8,064,700	5.22	**
10/1/2006	8,064,700	0	105,186	8,169,886	5.22	**
1/1/2007	8,169,886	0	106,558	8,276,443	5.22	**
4/1/2007	8,276,443	0	107,948	8,384,391	5.22	**
7/1/2007	8,384,391	0	109,356	8,493,746	5.22	**
10/1/2007	8,493,746	0	110,782	8,604,528	5.22	**
1/1/2008	8,604,528	0	112,227	8,716,755	5.22	**
4/1/2008	8,716,755	0	113,690	8,830,445	5.22	**
7/1/2008	8,830,445	0	115,173	8,945,619	5.22	**
10/1/2008	8,945,619	0	116,675	9,062,294	5.22	**
1/1/2009	9,062,294	0	118,197	9,180,491	5.22	**
4/1/2009	9,180,491	0	119,739	9,300,230	5.22	**
7/1/2009	9,300,230	0	121,301	9,421,531	5.22	**
10/1/2009	9,421,531	0	122,883	9,544,414	5.22	**
1/1/2010	9,544,414	0	124,485	9,668,899	5.22	**
4/1/2010	9,668,899	0	126,109	9,795,008	5.22	**
7/1/2010	9,795,008	0	127,754	9,922,762	5.22	**
10/1/2010	9,922,762	0	129,420	10,052,182	5.22	**
1/1/2011	10,052,182	0	131,108	10,183,290	5.22	**
4/1/2011	10,183,290	0	132,818	10,316,108	5.22	**
7/1/2011	10,316,108	0	134,550	10,450,659	5.22	**
10/1/2011	10,450,659	0	136,305	10,586,964	5.22	**
1/1/2012	10,586,964	0	138,083	10,725,047	5.22	**
4/1/2012	10,725,047	0	139,884	10,864,931	5.22	**
7/1/2012	10,864,931	0	141,709	11,006,640	5.22	**
10/1/2012	11,006,640	0	143,557	11,150,197	5.22	**
1/1/2013	11,150,197	0	145,429	11,295,626	5.22	**
4/1/2013	11,295,626	0	147,326	11,442,952	5.22	**
7/1/2013	11,442,952	0	149,248	11,592,199	5.22	**
9/30/2013	11,592,199					

\$	12,000,000	Original loan amount	* Actual quarterly yield
\$	-	Early repayment	** Rate based on average actual rates for last 10 years (1991-2001)
\$	12,000,000	Amount due in 2013	
\$	11,592,199	2013 Q-Fund Trust Account balance	
\$	407,801	Additional payment due	

Q-Fund Principal and Interest -- Projected Revenues by September 30, 2013

DATE	BEGIN BALANCE	CONTRIBUTIONS	INTEREST	END BALANCE	% RATE	NOTES
4/1/2001		0	0	0		
7/1/2001		0	0	0		
8/1/2001		0	0	0		
10/1/2001	6,401,000	0	46,084	6,447,084	4.47	* Initial Deposit of \$6,401,000
1/1/2002	6,447,084	0	57,142	6,504,226	3.52	*
4/1/2002	6,504,226	0	47,362	6,551,588	2.96	*
7/1/2002	6,551,588	0	44,819	6,596,407	2.75	*
10/1/2002	6,596,407	0	43,647	6,640,054	2.63	*
1/1/2003	6,640,054	-1,312,766	86,605	5,413,893	5.22	** Withdraw \$1,312,766 to repay SHA
4/1/2003	5,413,893	0	70,612	5,484,505	5.22	**
7/1/2003	5,484,505	0	71,533	5,556,038	5.22	**
10/1/2003	5,556,038	0	72,466	5,628,504	5.22	**
1/1/2004	5,628,504	0	73,411	5,701,915	5.22	**
4/1/2004	5,701,915	0	74,369	5,776,283	5.22	**
7/1/2004	5,776,283	0	75,339	5,851,622	5.22	**
10/1/2004	5,851,622	0	76,321	5,927,943	5.22	**
1/1/2005	5,927,943	0	77,317	6,005,260	5.22	**
4/1/2005	6,005,260	0	78,325	6,083,585	5.22	**
7/1/2005	6,083,585	0	79,347	6,162,932	5.22	**
10/1/2005	6,162,932	0	80,382	6,243,313	5.22	**
1/1/2006	6,243,313	0	81,430	6,324,743	5.22	**
4/1/2006	6,324,743	0	82,492	6,407,235	5.22	**
7/1/2006	6,407,235	0	83,568	6,490,803	5.22	**
10/1/2006	6,490,803	0	84,658	6,575,461	5.22	**
1/1/2007	6,575,461	0	85,762	6,661,223	5.22	**
4/1/2007	6,661,223	0	86,881	6,748,104	5.22	**
7/1/2007	6,748,104	0	88,014	6,836,118	5.22	**
10/1/2007	6,836,118	0	89,162	6,925,280	5.22	**
1/1/2008	6,925,280	0	90,325	7,015,604	5.22	**
4/1/2008	7,015,604	0	91,503	7,107,107	5.22	**
7/1/2008	7,107,107	0	92,696	7,199,803	5.22	**
10/1/2008	7,199,803	0	93,905	7,293,709	5.22	**
1/1/2009	7,293,709	0	95,130	7,388,839	5.22	**
4/1/2009	7,388,839	0	96,371	7,485,209	5.22	**
7/1/2009	7,485,209	0	97,628	7,582,837	5.22	**
10/1/2009	7,582,837	0	98,901	7,681,738	5.22	**
1/1/2010	7,681,738	0	100,191	7,781,929	5.22	**
4/1/2010	7,781,929	0	101,498	7,883,427	5.22	**
7/1/2010	7,883,427	0	102,822	7,986,248	5.22	**
10/1/2010	7,986,248	0	104,163	8,090,411	5.22	**
1/1/2011	8,090,411	0	105,521	8,195,932	5.22	**
4/1/2011	8,195,932	0	106,897	8,302,830	5.22	**
7/1/2011	8,302,830	0	108,292	8,411,122	5.22	**
10/1/2011	8,411,122	0	109,704	8,520,826	5.22	**
1/1/2012	8,520,826	0	111,135	8,631,961	5.22	**
4/1/2012	8,631,961	0	112,585	8,744,545	5.22	**
7/1/2012	8,744,545	0	114,053	8,858,598	5.22	**
10/1/2012	8,858,598	0	115,540	8,974,139	5.22	**
1/1/2013	8,974,139	0	117,047	9,091,186	5.22	**
4/1/2013	9,091,186	0	118,574	9,209,760	5.22	**
7/1/2013	9,209,760	0	120,121	9,329,881	5.22	**
9/30/2013	9,329,881					

\$	12,000,000	Original loan amount	* Actual quarterly yield
\$	(1,312,766)	Early repayment	** Rate based on average actual rates for last 10 years (1991-2001)
\$	10,687,234	Amount due in 2013	
\$	9,329,881	2013 Q-Fund Trust Account balance	
\$	1,357,353	Additional payment due	

CALIFORNIA TRANSPORTATION COMMISSION
Traffic Congestion Relief Program
NCRA Withdrawal of \$1,312,766 from Q-Fund for Debt Repayment

RESOLUTION G-03- , Amending Resolution G-00-27

- 1.1 WHEREAS the Traffic Congestion Relief Act of 2000 (herein after referred to as “statute”), which was established by Chapters 91 (AB 2928) and 656 (SB 1662) of the Statutes of 2000, establishes the Traffic Congestion Relief Program, providing \$5.39 billion for projects throughout the State of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity; and
- 1.2 WHEREAS in accordance with Government Code Section 14556.11 the California Transportation Commission (Commission) has adopted guidelines, in consultation with the Department of Transportation (Department) and regional agencies, to implement the Traffic Congestion Relief Program (TCRP); and
- 1.3 WHEREAS the statute and guidelines require applicants to specify full and complete project applications, including scope, cost and schedule, financial plans and funding sources; and
- 1.4 WHEREAS in 1996, the North Coast Railroad Authority (NCRA) obligated \$12 million from the Federal Highway Administration (FHWA) under the Highway Planning and Construction Revolving Fund Loan Program (Q-fund) to acquire portions of the Northwestern Pacific Railroad right of way and station sites; and
- 1.5 WHEREAS on September 28, 2000, the Commission passed Resolution TA-00-01 approving TCRP Sub-project #32.8 – North Coast Railroad; Sub-paragraph (h) fund repayment of federal loan obligations, for \$5,500,000 to the North Coast Railroad Authority (NCRA); and
- 1.6 WHEREAS the Executive Directors of the NCRA and the Commission, on behalf of their respective agencies, signed a Memorandum of Understanding (MOU), under Resolution G-00-27, whereby the NCRA would establish the Q-Fund Trust Account in the Local Agency Investment Fund to retire NCRA’s Federal Q-fund loan; and
- 1.7 WHEREAS the \$5,500,000 in TCRP funds were deposited in an interest bearing account, along with \$810,550 in Transit Capital Improvement Program funds and \$90,000 in NCRA property revenue funds, to generate funds to retire the Q-fund loan obligation; and
- 1.8 WHEREAS the MOU established under Resolution G-00-27 stipulates that funds withdrawn from the Q-fund account may only be used by NCRA as directed by the Commission; and
- 1.9 WHEREAS in the NCRA single year audit report for 1996, the independent auditor determined the NCRA received \$1,312,766 for costs that were ineligible for the reimbursement under Federal program guidelines; and

- 1.10 WHEREAS the Department Audits staff concurred with the findings of the independent auditor and initiated an accounts receivable in May 2001, and
 - 1.11 WHEREAS the Department has responsibility for ensuring repayment of ineligible costs to the FHWA as soon as the discrepancies are confirmed and has since repaid the FHWA through a reduction in Federal recoveries, bringing the Q-fund obligation down to \$10,687,234 due to the FHWA by September 30, 2013; and
 - 1.12 WHEREAS the reduced Federal recoveries has resulted in a lower State Highway Account (SHA) balance; and
 - 1.13 WHEREAS in January 2002, the Department submitted an invoice to the NCRA for reimbursement to the SHA of \$1,312,766 in disallowable costs; and
 - 1.14 WHEREAS the NCRA is requesting to withdraw \$1,312,766 from the Q-fund Trust Account to reimburse the SHA for repayment to the FHWA for NCRA costs that were ineligible for reimbursement under Federal program guidelines; and
 - 1.15 WHEREAS the NCRA acknowledges that the Q-fund Trust Account may run short of monies needed to repay the Q-fund loan in 2013; and
 - 1.16 WHEREAS the NCRA will formally address the status of the projected Q-fund balance through 2013 on an annual basis through NCRA's single year audit process.
- 2.1 NOW THEREFORE BE IT RESOLVED the Commission does hereby approve the withdrawal of \$1,312,766 from the Q-fund Trust Account in the Local Agency Investment Fund to repay the Department for its repayment to the FHWA for NCRA costs that were ineligible for reimbursement under Federal program guidelines; and
 - 2.2 BE IT FURTHER RESOLVED that if the Department is required to make any additional early partial or total repayments to the FHWA due to provisions for use of the Federal Right-of-Way Revolving Funds (Q-Fund Loan), NCRA agrees to reimburse the Department that same amount; and
 - 2.3 BE IT FURTHER RESOLVED as stipulated in Resolution G-00-27, the Commission expects NCRA to work with local and regional agencies, such as the Sonoma Marin Area Rail Transit Commission (now referred to as the Sonoma Marin Area Rail Transit District per Assembly Bill 2224 (Nation), Statutes of 2002), to ensure that the Q-fund loan is retired should subsequent activity by the local and regional agencies and/or NCRA triggers a request by the federal government for a partial or total repayment of the loan before September 30, 2013; and
 - 2.4 BE IT FURTHER RESOLVED as stipulated in Resolution G-00-27, the Department must have authorization from the Commission and authorization from the NCRA before disbursing funds from the Q-fund Trust Account. Signatories on the disbursement check shall be the Commission's Executive Director and the NCRA's Executive Director; and
 - 2.5 BE IT FURTHER RESOLVED as stipulated in Resolution G-00-27, the NCRA shall provide a quarterly report to the Department regarding deposits to, withdrawals from, balances of, and performance (rate of return) of the Q-fund Trust Account, as well as actions taken by NCRA to adhere to a payment schedule; and
 - 2.6 BE IT FURTHER RESOLVED as stipulated in Resolution G-00-27, the Department shall provide a quarterly report to the Commission regarding deposits to, withdrawals from, balances of, and performance (rate of return) of the Q-fund Trust Account, as well as actions taken by NCRA to adhere to a payment schedule.

Q-Fund Principal and Interest -- Projected Revenues by September 30, 2013

DATE	BEGIN BALANCE	CONTRIBUTIONS	INTEREST	END BALANCE	% RATE	NOTES
4/1/2001		0	0	0		
7/1/2001		0	0	0		
8/1/2001		0	0	0		
10/1/2001	6,401,000	0	46,084	6,447,084	4.47	* Initial Deposit of \$6,401,000
1/1/2002	6,447,084	0	57,142	6,504,226	3.52	*
4/1/2002	6,504,226	0	47,362	6,551,588	2.96	*
7/1/2002	6,551,588	0	44,819	6,596,407	2.75	*
10/1/2002	6,596,407	0	43,647	6,640,054	2.63	*
1/1/2003	6,640,054	-1,312,766	86,605	5,413,893	5.22	** Withdraw \$1,312,766 to repay SHA
4/1/2003	5,413,893	0	70,612	5,484,505	5.22	**
7/1/2003	5,484,505	0	71,533	5,556,038	5.22	**
10/1/2003	5,556,038	0	72,466	5,628,504	5.22	**
1/1/2004	5,628,504	0	73,411	5,701,915	5.22	**
4/1/2004	5,701,915	0	74,369	5,776,283	5.22	**
7/1/2004	5,776,283	0	75,339	5,851,622	5.22	**
10/1/2004	5,851,622	0	76,321	5,927,943	5.22	**
1/1/2005	5,927,943	0	77,317	6,005,260	5.22	**
4/1/2005	6,005,260	0	78,325	6,083,585	5.22	**
7/1/2005	6,083,585	0	79,347	6,162,932	5.22	**
10/1/2005	6,162,932	0	80,382	6,243,313	5.22	**
1/1/2006	6,243,313	0	81,430	6,324,743	5.22	**
4/1/2006	6,324,743	0	82,492	6,407,235	5.22	**
7/1/2006	6,407,235	0	83,568	6,490,803	5.22	**
10/1/2006	6,490,803	0	84,658	6,575,461	5.22	**
1/1/2007	6,575,461	0	85,762	6,661,223	5.22	**
4/1/2007	6,661,223	0	86,881	6,748,104	5.22	**
7/1/2007	6,748,104	0	88,014	6,836,118	5.22	**
10/1/2007	6,836,118	0	89,162	6,925,280	5.22	**
1/1/2008	6,925,280	0	90,325	7,015,604	5.22	**
4/1/2008	7,015,604	0	91,503	7,107,107	5.22	**
7/1/2008	7,107,107	0	92,696	7,199,803	5.22	**
10/1/2008	7,199,803	0	93,905	7,293,709	5.22	**
1/1/2009	7,293,709	0	95,130	7,388,839	5.22	**
4/1/2009	7,388,839	0	96,371	7,485,209	5.22	**
7/1/2009	7,485,209	0	97,628	7,582,837	5.22	**
10/1/2009	7,582,837	0	98,901	7,681,738	5.22	**
1/1/2010	7,681,738	0	100,191	7,781,929	5.22	**
4/1/2010	7,781,929	0	101,498	7,883,427	5.22	**
7/1/2010	7,883,427	0	102,822	7,986,248	5.22	**
10/1/2010	7,986,248	0	104,163	8,090,411	5.22	**
1/1/2011	8,090,411	0	105,521	8,195,932	5.22	**
4/1/2011	8,195,932	0	106,897	8,302,830	5.22	**
7/1/2011	8,302,830	0	108,292	8,411,122	5.22	**
10/1/2011	8,411,122	0	109,704	8,520,826	5.22	**
1/1/2012	8,520,826	0	111,135	8,631,961	5.22	**
4/1/2012	8,631,961	0	112,585	8,744,545	5.22	**
7/1/2012	8,744,545	0	114,053	8,858,598	5.22	**
10/1/2012	8,858,598	0	115,540	8,974,139	5.22	**
1/1/2013	8,974,139	0	117,047	9,091,186	5.22	**
4/1/2013	9,091,186	0	118,574	9,209,760	5.22	**
7/1/2013	9,209,760	0	120,121	9,329,881	5.22	**
9/30/2013	9,329,881					

\$	12,000,000	Original loan amount	* Actual quarterly yield
\$	(1,312,766)	Early repayment	** Rate based on average actual rates for last 10 years (1991-2001)
\$	10,687,234	Amount due in 2013	
\$	9,329,881	2013 Q-Fund Trust Account balance	
\$	1,357,353	Additional payment due	