

AGENDA ITEM 2 A
Action Item

MEMORANDUM

DATE: April 5, 2018
TO: El Dorado County Transit Authority
FROM: Julie Petersen, Finance Manager
SUBJECT: Motor Coach Industries Procurement Funding

REQUESTED ACTION:
BY MOTION,

- 1. Approve the engagement of a five (5) year Lease Purchase option to partially fund the purchase of five (5) MCI Commuter Coaches**
- 2. Approve Revised Capital Improvement Project 17-02 (2) to reflect revised funding strategy**
- 3. Authorize the Executive Director, with Legal Counsel review, to execute all documents relating to the project up to the approved budget as presented in project 17-02 (2)**

BACKGROUND

On June 6, 2016 the El Dorado County Transit Authority (El Dorado Transit) Board adopted the Capital Improvement Plan for Fiscal Year 2016/17 (CIP). Included in the CIP is project 17-02 Vehicle Replacement 5 Year Plan – Commuter, which is to replace five (5) 40’ Bluebird buses.

The buses to be replaced are 2006 models and no longer supported by the manufacturer. Parts are difficult to source driving repair costs higher than expected. The intent is to replace these buses with the Motor Coach Industries (MCI) commuter coach.

El Dorado Transit is participating in a joint-procurement contract with the City of Fairfield and the Yolo County Transportation District. This agreement was approved by El Dorado Transit Board on November 7, 2017.

June 2018 is the expected delivery date for the five (5) commuter coaches.

DISCUSSION

Originally this replacement was planned as a five-year plan using a combination of Federal Transit Administration (FTA) Section 5307, 5339 and State Transit Assistance (STA) funds.

Using this timing strategy, El Dorado Transit would “bank” FTA Section 5307 annual allocations and purchase either two (2) or three (3) units in the first order with the final order of three (3) or two (2) depending on timing of the allocations; for a total of five (5) units.

It has come to our attention that the manufacturers’ understanding is that all five (5) buses are to be ordered at once. This planning/purchase change presents a negative cash flow issue. El Dorado Transit currently has the first two (2) allocations of Section 5307 for a total of \$693,430; Section 5339 of \$800,000 and STA allocated to the project in the amount of \$600,000. This creates a shortfall of approximately \$906,570 based on current cost estimates.

Funding capital projects using STA is a standard procedure for El Dorado Transit. If STA funds are not needed to supplement operating costs and the current years capital expenses; deferred funds are held.

Federal grant awards are on a reimbursable basis. Generally Federal grants require a formula of eighty (80) percent Federal and twenty (20) percent local matching funds. El Dorado Transit must have the funds available to fully pay for assets, then submit a request for reimbursement. This process can take months to receive reimbursement.

The Preliminary Capital Improvement Plan (CIP) Fiscal Year 2018/19 approved by the Board on March 1, 2018, reflected a preliminary budget amount of \$977,776 of STA. While this is true, these funds are not reimbursable through a grant and has taken years to build.

On February 12, 2018 El Dorado Transit was awarded an FTA Section 5310 grant for the replacement of five (5) minivans and five (5) cutaway buses; CIP project 19-04 is presented in this agenda as a separate item for adoption. The proposed budget for this project is \$825,000 meaning El Dorado Transit is responsible for the full payment to the vendor; with a reimbursable amount of FTA Section 5310 funds of \$610,000.

In August 2017 El Dorado Transit applied for an FTA Section 5339 grant to fund five (5) replacement Gillig type buses for Local Route service. If successful the estimated total cost will be 2,800,000 of which \$2,380,000 will be reimbursed.

All but one (1) project in the CIP FY 2018/19 are partially funded with STA.

The original five (5) year funding plan for the five (5) MCI buses was designed to integrate with all other purchases

Due to the unforeseen circumstances management staff has suspended progress on the following non-essential CIP projects;

- 13-05 Maintenance Facility Equipment
- 14-03 Metal Fabrication Tools
- 15-08 Park-and-Ride Parking Lot Maintenance
- 17-05 Maintenance Facility – Safety and Equipment

- 18-01 Moderate Improvements to Administration Building
- 18-02 Bus Shelter Amenities
- 19-02 Pollock Pines Safeway Bus Stop Improvements
- 19-03 Administration Building Safety Improvements

CIP projects that are active and require local match funding or are fully funded with STA include;

- 12-06 Western Placerville Interchange
On March 1, 2018 Board approved the advancement of \$335,000 of STA funds to the City of Placerville
- 16-01 Passenger Security Surveillance & Lighting – Bus Stops
Construction on this project is complete; final billing pending
- 18-05 Collision Avoidance System
- 18-06 Radio System
- 18-07 Fare Boxes
- 19-01 IT Upgrade and Replacement 5-Year Plan

A comprehensive review of the capital program has been completed with the following conclusions;

- The unanticipated delivery schedule for the MCI commuter coaches has negatively affected the procurement of all CIP projects from a cash flow perspective.
- Three cycles of FTA Section 5307 grant funds originally scheduled for MCI commuter coaches will be reallocated to either Preventative Maintenance (PM) or other eligible capital projects as they are realized; no loss of future grant funding from 5307 (approx. \$1,000,000).
- Federal grants require proof of payment when a Request for Reimbursement is filed; these grants are on a reimbursable basis.
- El Dorado Transit will not have the capital cash flow needed to successfully pre-pay for the three (3) vehicle procurement projects currently in the CIP under the revised delivery schedule of the five (5) MCI commuter coaches.

❖ 17-02 Vehicle Replacement 5-Year Plan – Commuter	\$3,000,000
❖ 18-04 Vehicle Replacement – Local Fixed Route Buses	\$2,800,000
❖ 19-04 Vehicle Replacement – Demand Response	\$ 825,000

El Dorado Transit staff is looking at options to fund MCI commuter bus purchase.

Option #1 - Use STA Deferred Revenue to fund the shortfall.

- El Dorado Transit has available approximately \$977,000. If this option is chosen, while possible, would adversely affect capital cash flow and could affect the implementation schedule of other active capital projects.

Option #2 - Lease Purchase

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- El Dorado Transit has requested leasing option quotes. Quotes are to include lease amount of \$1,200,000 to provide funding for the entire amount of STA funds of the project.

Staff has contacted several financial institutions for information on a potential Lease Purchase to fund the MCI vehicle procurement.

Under this scenario El Dorado Transit would enter into a lease purchase in the amount of \$1,200,000. The remaining funds of \$1,800,000 of STA will be used to pay for the purchase. Upon vehicle receipt a Request for Reimbursement will be filed for reimbursement of Section 5307 funds in the amount of \$693,430 and Section 5339 in the amount of \$800,000. Therefore all but \$306,570 of STA funds will be recouped and available for payment of CIP 18-04 and 19-04.

Revenue (estimate)		Reimbursement (estimate)		
\$1,200,000	Lease Purchase	\$1,800,000	STA Float	
<u>\$1,800,000</u>	STA funds	-\$ 693,430	5307 Reimbursed	
\$3,000,000	Total Project cost	<u>-\$ 800,000</u>	5339 Reimbursed	
		\$ 306,570	Actual STA Expended	

Initial lease quotes received for a five (5) year lease purchase were in the range of 4.76% with total interest paid of \$150,826. Revised quotes are now at 3.35% with total interest paid of \$104,975. Actual rates will be determined at the time of execution.

<u>Original Quote</u>	<u>Revised Quote</u>
Lease Purchase of \$1,200,000	Lease Purchase of \$1,200,000
Term – 60 months	Term – 60 months
Rate – 4.76%	Rate – 3.35%
Monthly Payment = \$22,513.77	Monthly Payment = \$21,749.58
Interest Expense = \$150,826.20	Interest Expense = \$104,974.80
Total Cost = \$1,350,826.20	Total Cost = \$1,304,974.80
Annual Capital expense = \$270,165.24	Annual Capital expense = \$260,994.95

The goal of financing is to preserve local funding for capital projects. Staff will make every effort to realize the least expensive lease purchase product available.

Staff is requesting Board approve the commitment to engage in a five (5) year lease purchase to supplement the future Section 5307 funds no longer obtainable for the MCI commuter coach purchase.

Vehicle Replacement 5 Year Plan - Commuter

Project No. 17-02 (2)

The El Dorado County Transit Authority (El Dorado Transit) ~~participated in a joint procurement contract with the Yolo County Transportation District (YCTD). The contract expired in March 2014.~~ **is part to a joint-procurement contract with the city of Fairfield and Yuba-Sutter Transit.**

El Dorado Transit currently has five (5) 40' Bluebird commuter buses that are no longer being supported by the manufacturer.

~~As the YCTD contract has expired, staff is currently working on a joint procurement to replace the existing Bluebird buses with the Motor Coach Industries (MCI) buses. The contract will require a commitment to funding in a five year plan.~~

El Dorado Transit is participating in a joint-procurement contract with the City of Fairfield and the Yolo County Transportation District. This agreement was approved by El Dorado Transit Board on November 7, 2017.

FIVE (5) 40' BLUEBIRD BUSES

EDCTA #	Vehicle Type	Mileage	Mileage
		As of 02/19/16	As of 03/16/18
0601	2006 BlueBird Bus	219,571	226,154
0602	2006 BlueBird Bus	250,538	276,738
0603	2006 BlueBird Bus	238,217	245,813
0604	2006 BlueBird Bus	182,094	193,250
0605	2006 BlueBird Bus	181,921	185,418

FRAMEWORK FOR 5 YEAR FUNDING PLAN

	Year 1	Year 3		Year 5	
	1	2	3	4	5
FY 2015/16 FTA Section 5307	\$308,771	-	-	-	-
FY 2015/16 FTA Section 5339	\$171,229	-	-	-	-
State Transit Assistance	\$120,000	-	-	-	-
-	-	-	-	-	-
FY 2016/17 FTA Section 5307	-	\$308,771	-	-	-
FY 2015/16 FTA Section 5339	-	\$171,229	-	-	-
State Transit Assistance	-	\$120,000	-	-	-
-	-	-	-	-	-
FY 2017/18 FTA Section 5307	-	-	\$308,771	-	-
FY 2016/17 FTA Section 5339	-	-	\$171,229	-	-
State Transit Assistance	-	-	\$120,000	-	-
-	-	-	-	-	-
FY 2018/19 FTA Section 5307	-	-	-	\$308,771	-
FY 2016/17 FTA Section 5339	-	-	-	\$171,229	-
State Transit Assistance	-	-	-	\$120,000	-
-	-	-	-	-	-
FY 2019/20 FTA Section 5307	-	-	-	-	\$308,771
FY 2016/17 FTA Section 5339	-	-	-	-	\$115,084
State Transit Assistance	-	-	-	-	\$176,145
	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000

COST SUMMARY (ESTIMATE)

	<u>Proposed Budget</u>
Five (5) MCI Commuter Coaches	<u>\$3,000,000</u>
<i>Total Project Estimate</i>	<u>\$3,000,000</u>

FUNDING SOURCES

Five (5) Year Lease Purchase	\$1,200,000
Federal Transit Administration (FTA) Section 5307	\$ 693,430
Federal Transit Administration (FTA) Section 5339	\$ 800,000
State Transit Assistance (STA)	<u>\$ 306,570</u>
<i>Total Revenue</i>	<u>\$3,000,000</u>