

## Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: June 7-8, 2006

Reference No.: 4.11  
Action Item

From: CINDY McKIM  
Chief Financial Officer

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Chief  
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Subject: **TERMINATION OF LOAN PROGRAM UNDER AB 1012  
RESOLUTION G-06- , REPLACING RESOLUTION G-06-01**

### **RECOMMENDATION:**

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) terminate the loan program established under Assembly Bill (AB) 1012 (Chapter 783, Statutes of 1999), as permitted under Government Code Section 14529.6(c).

### **ISSUE:**

In the nearly six years since the initiation of the loan program established under AB 1012, no agency has applied for a loan. As required by law, the loans are short-term, only up to four years, which could make it difficult for a potential borrower to repay large balances. Also, interest rates are tied to the Pooled Money Investment Account (PMIA) rates and are generally higher than comparable interest rates available elsewhere. The most recent quarterly PMIA interest rates were 4.04 percent, whereas rates for commercial paper loans for agencies with good debt ratings are around 3 percent.

### **BACKGROUND:**

AB 1012 (Chapter 783, Statutes of 1999) established a program to loan unallocated funds from the State Highway Account (SHA) to transportation planning agencies, county transportation commissions, transit districts, city and county governments, and local transportation authorities. These loans are to be made available for the advancement of projects eligible under the State Transportation Improvement Program (STIP) and that are included within an adopted Regional Transportation Plan. Government Code Section 14529.6 (c) states that the loan program is to automatically commence on a first-come, first-served basis whenever the SHA cash balance exceeds \$400 million and will suspend whenever the commission determines the SHA cash balance is less than \$400 million. Loan amounts are limited, with a maximum of \$500 million to be outstanding at any one time, and a maximum loan of \$100 million per county. Loans are to be repaid within four years. Government Code Section 14529.6 (c) also allows the Commission to terminate this program at any time it deems termination to be the most prudent course of action.

Estimates of funding availability were presented to the Commission at the March 2006 meeting. The Commission adopted Resolution G-06-01, recommending that certain loans be considered based on the projected cash balances.

In recent months, however, the cash balance briefly dipped below the prudent cash balance level of \$340 million, due a delay in collection of federal reimbursements. While the dip was temporary, a moderate cash balance, paired with aggressive allocation of SHA resources, means that continuing the AB 1012 loan program may not be consistent with the prudent management of transportation funds. Suspension of the program is mandated if the SHA cash balance falls below \$400 million, however, any funds loaned prior to that point would not be available to the SHA until repaid under the terms of the loan agreement.

In nearly six years, the Department has not received any loan requests under the program. There is little or no demand; the loan program is non-competitive and other financing options are more attractive. Termination of the AB 1012 loan program will eliminate unproductive workload, and the program itself is not consistent with current funds management practice.

Attachment

**CALIFORNIA TRANSPORTATION COMMISSION**  
**State Highway Account Loan Program**  
**Termination of loan program under AB 1012**

**Resolution G-06-\_\_**

- 1.1 WHEREAS, Section 14529.6 of the Government Code (GC) was added by Chapter 783 of the Statutes of 1999 (AB 1012, Torlakson), hereinafter referred to as “the act”; and
- 1.2 WHEREAS, GC Section 14529.6 establishes a loan program to advance unallocated funds from the State Highway Account (SHA) for the advancement of projects eligible under the State Transportation Improvement Program (STIP) that are included within an adopted regional transportation plan; and
- 1.3 WHEREAS, GC Section 14529.6 (c) permits the California Transportation Commission (Commission) to terminate the loan program at any time it deems termination to be the most prudent course of action; and
- 1.4 WHEREAS, the Department of Transportation (Department) has not received any loan applications since the adoption of the act; and
- 1.5 WHEREAS, the AB 1012 loan program does not appear to be a viable and attractive option for local STIP project financing.
- 2.1 NOW THEREFORE BE IT RESOLVED that the Commission does hereby terminate the AB 1012 loan program in accordance with GC Section 14529.6 (c).