



SunLine Transit Agency
July 27, 2022
11:20 a.m. – 11:50 a.m.

AGENDA

BOARD OPERATIONS COMMITTEE Regular Meeting

VIA VIDEOCONFERENCE

Pursuant to California Government Code section 54953(e), the Board of Directors regular meeting will be conducted remotely through Zoom. Please follow the instructions below to join the meeting remotely.

INSTRUCTIONS FOR ELECTRONIC PARTICIPATION

Join Zoom Meeting - from PC, Laptop or Phone

<https://us02web.zoom.us/j/85317374149>

Meeting ID: 853 1737 4149

Teleconference Dial In
888-475-4499 (Toll Free)
Meeting ID: 853 1737 4149

One tap mobile
+16699009128,,85317374149#

Phone controls for participants:

The following commands can be used on your phone's dial pad while in Zoom meeting:

- *6 - Toggle mute/unmute
- *9 - Raise hand

For members of the public wishing to submit comment in connection with the Board Meeting: public comment requests may be submitted via email to the Clerk of the Board at clerkoftheboard@sunline.org prior to July 26, 2022 at 5:00 p.m. with your name, telephone number and subject of your public comment (agenda item or non-agenda item). Members of the public may make public comments through their telephone or Zoom connection when recognized by the Chair. Those who have submitted a request to speak by the deadline above will be recognized first, then anyone else who wishes to speak will be provided an opportunity to make public comment. If you send written comments, your comments will be made part of the official record of the proceedings and read into the record if they are received by the deadline above.

ITEM

RECOMMENDATION

In compliance with the Brown Act and Government Code Section 54957.5, agenda materials distributed 72 hours prior to the meeting, which are public records relating to open session agenda items, will be available for inspection by members of the public prior to the meeting at SunLine Transit Agency's Administration Building, 32505 Harry Oliver Trail, Thousand Palms, CA 92276 and on the Agency's website, www.sunline.org.

In compliance with the Americans with Disabilities Act, Government Code Section 54954.2, and the Federal Transit Administration Title VI, please contact the Clerk of the Board at (760) 343-3456 if special assistance is needed to participate in a Board meeting, including accessibility and translation services. Notification of at least 48 hours prior to the meeting time will assist staff in assuring reasonable arrangements can be made to provide assistance at the meeting.

ITEM

RECOMMENDATION

1. **CALL TO ORDER**

2. **FLAG SALUTE**

3. **ROLL CALL**

4. **PRESENTATIONS**

5. **FINALIZATION OF AGENDA**

6. **PUBLIC COMMENTS**

RECEIVE COMMENTS

NON AGENDA ITEMS

Members of the public may address the Committee regarding any item within the subject matter jurisdiction of the Committee; however, no action may be taken on off-agenda items unless authorized. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Comments may be limited to 3 minutes in length.

7. **COMMITTEE MEMBER COMMENTS**

RECEIVE COMMENTS

8. **PROCUREMENT POLICY RECOMMENDED CHANGES**
(Staff: Gloria Salazar, Finance Consultant)

INFORMATION
(PAGE 3-4)

9. **REVOLVING FUND AND STATE OF GOOD REPAIR
FUND POLICY**
(Staff: Luis Garcia, Controller/Assistant Chief Financial
Officer and Gloria Salazar, Finance Consultant)

INFORMATION
(PAGE 5-14)

10. **ADJOURN**

SunLine Transit Agency

DATE: July 27, 2022 **INFORMATION**

TO: Board Operations Committee

FROM: Gloria Salazar, Finance Consultant

RE: Procurement Policy Recommended Changes

Background

On December 3, 2008, the SunLine Board of Directors approved an increase in the CEO/General Manager's purchasing authority from \$25,000 to \$100,000 for items included in an approved budget or plan. The rationale for this increase was to maintain consistency with the Federal Transit Administration (FTA) designations of procurement process requirements. A second reason was to maintain efficiency in the procurement process based on the risks associated with procurements at certain dollar values.

Staff will be bringing to the September Board meeting an item recommending that the CEO/General Manager's authority be increased to be commensurate with the increased thresholds included in FTA regulations. The federal regulations contain the following thresholds:

1. Micro Purchases at a value of \$10,000 or less.
2. Small Purchases at a value of more than \$10,000 and less than \$250,000.
3. Formal Purchases/Simplified Acquisition Threshold is at a value of \$250,000 or greater.

Staff will recommend that the Procurement Policy (No. B-160501) be changed to reflect these thresholds for processing procurement transactions. Moreover, staff will recommend that the CEO/General Manager's signature authority for contracts be tied to the Simplified Acquisition Threshold as established in the federal regulations. Consequently, the CEO/General Manager's signing authority will be raised from the current limit of \$100,000 to \$250,000. The aggregate threshold for change orders and amendments will also be changed to reflect the new \$250,000 threshold.

The CEO/General Manager's authority for change orders and amendments will be raised to \$50,000 with an aggregate threshold of \$250,000.

The construction individual change order threshold will be changed from \$100,000 to \$150,000 and will still require the Chairperson or Vice-Chairperson of the Board of Directors to approve the changes in advance of execution by the CEO/General Manager.

If appropriate, staff will bring forward an action item for approval on the policy revisions in September. A discussion item regarding these proposed revisions is being presented at the July Finance/Audit Committee. Any pertinent discussion and questions at the Finance/Audit Committee will be discussed with the Board Operations Committee when requesting approval in September.

SUMMARY OF PROPOSED CHANGES

Provision	Now	Proposed
CEO/General Manager Contract Authority for:		
Purchases not itemized in an approved plan or budget	\$ 25,000	\$ 100,000
Items itemized in an approved plan or budget	\$ 100,000	\$ 250,000
Change Orders and Amendments	\$ 25,000	\$ 50,000
Construction Change Orders with approval from Chair or Vice Chair	\$ 100,000	\$ 150,000
The aggregate value of amendments and change orders on any contract	\$ 100,000	\$ 250,000
Purchasing authority in the event of an emergency	\$ 100,000	\$ 250,000
Providing a list of executed contracts to the Board of Directors	\$ 25,000-\$100,000	\$ 50,000 -\$250,000

SunLine Transit Agency

DATE: July 27, 2022 **INFORMATION**

TO: Board Operations Committee

FROM: Luis Garcia, Controller/Assistant Chief Financial Officer
Gloria Salazar, Finance Consultant

RE: Revolving Fund and State of Good Repair Fund Policy

Background

Staff is seeking the Board's opinion and input regarding the establishment of two (2) Board-restricted funds to improve the liquidity and financial condition of SunLine. The two (2) Board-restricted funds for discussion are as follows:

- a) Establish a Revolving Fund up to \$2,000,000 to help advance projects and pay for operating and capital expenses with committed and allocated funding that have been delayed. The Revolving Fund would be replenished upon receipt of the appropriate reimbursement, and;
- b) Establish a State of Good Repair Fund that is annually funded up to a maximum of \$25,000,000. When the cap is reached, staff may recommend revisiting the adequacy of the maximum limit with the Board of Directors.

Most of SunLine's funding sources are received on a reimbursement basis. This means that SunLine must advance use of funds for both operating and capital expenses and then submit reimbursement requests to the appropriate funding agency. There have been situations when staff had to defer activities because of lack of cash on hand. This results in delays to project schedules which may impair total project funding. While other local, state, and federal funding sources will not permit application of funds for setting up a Revolving Fund to help regulate SunLine's cash flow, SunLine has specific funds from the following sources that the SunLine Board of Directors has authority to allocate:

- a) Advertising Revenue
- b) Bus Stop Maintenance Fees
- c) SRA Overhead Revenues
- d) Outside Fuel Sales
- e) Sale of Fuel Credits

Staff recommendation is to set up a Revolving Fund for up to \$2,000,000 that staff can use for expenditures that have approved allocated funding, including projects with pre-award authority, subject to replenishment upon receipt of reimbursement from the

appropriate funding agencies. This fund will help to protect SunLine's ability to meet its payroll, pay bills, and advance projects that have approved funding.

In addition, to put SunLine in a more competitive position when it is time to replace its assets, staff recommend establishing a State of Good Repair Fund. The State of Good Repair Fund will be funded on an annual basis and will help assist in the replacement of a variety of assets such as buses, fueling infrastructure, buildings, and bus stops. The State of Good Repair Fund will also assist in meeting the state's requirement in the Innovative Clean Transit (ICT) regulation which requires all public transit agencies to transition to a 100% zero-emission bus fleet by 2040. Having available local match for state and federal grants make grant applications more competitive. In addition, during unforeseen circumstances, including failure to receive competitive grants and unforeseen shortfall in revenues, it is prudent to have funds readily available for asset replacement, expansion, major repair and/or overhaul to avoid any disruption to SunLine's operation. This action supports the Board's commitment of keeping SunLine's assets in a state of good repair and is also consistent with SunLine's Transit Asset Management Plan.

Expenditures exceeding \$10,000 using the State of Good Repair Fund will need board approval by a majority vote. Emergencies, such as fueling infrastructure repairs, may be approved by the CEO/General Manager without Board approval. Emergency use of the State of Good Repair Fund will require an information item be brought to the Board of Directors at the next possible Board meeting.

If appropriate, staff will bring forward an action item for approval on the new policy in September. A discussion item regarding this new policy is being presented at the July Finance/Audit Committee. Any pertinent discussion and questions at the Finance/Audit Committee will be discussed with the Board Operations Committee when requesting approval in September.

Attachments:

- [Item 9a](#) – Revolving Fund And State of Good Repair Fund Policy Presentation
- [Item 9b](#) – Revolving Fund And State of Good Repair Fund Policy



Revolving Fund and State of Good Repair Fund Policy

July 27, 2022

Gloria Salazar, Finance Consultant

Luis Garcia, Controller/Assistant Chief Financial Officer

Background

- Previously discussed by an Ad Hoc Committee
 - Future-proof SunLine

Considerations

- Core business: transit services
- Infrastructure and capital assets
- Unforeseen events
- Funding opportunities
- Compliance
- Culture of SunLine – “operate like a business”

Proposal

- Establish two funds
 - Revolving Fund
 - \$2,000,000 for cash flow purposes
 - State of Good Repair Fund
 - \$25,000,000 cap for capital replacement/emergency operating needs
- Funding Sources
 - Unrestricted revenues generated by SunLine
 - Not covered by state, federal, and local regulations

Next Steps

- No action is required today
- Will need guidance from Finance/Audit Committee
- Present to Board Operations Committee in September to recommend for Board approval

**Thank
You**



**SunLine Transit Agency
Revolving Fund and State of
Good Repair Fund Policy
Policy No: B-180122**

Adopted:

REVOLVING FUND AND STATE OF GOOD REPAIR FUND POLICY

PURPOSE

The purpose of this policy is to allocate specific funding sources for restricted use, establish a Revolving Fund, and establish a State of Good Repair Fund to support SunLine's strategic financial planning, Innovative Clean Transportation (ICT) Plan, and Transit Asset Management (TAM) Plan.

This Policy document will lay out the appropriate procedures, including approval.

POLICY

The Finance Department is responsible for adhering to the procedures and approval process as described in this Policy. Any deviation from this Policy requires approval by a majority vote of SunLine's Board of Directors.

Policy Statements

- 1) The Board is establishing a Revolving Fund up to \$2,000,000;
- 2) The Board is establishing a State of Good Repair Fund to be funded annually up to a maximum of \$25,000,000. At the time that the cap is reached, staff may recommend revisiting the adequacy of the maximum limit with the Board of Directors, and;
- 3) The Board is committing and allocating restricted use of the following revenues to fund the Revolving Fund and State of Good Repair Fund:
 - a. Advertising Revenue
 - b. Bus Stop Maintenance Fees
 - c. SRA Overhead Revenues
 - d. Outside Fuel Sales
 - e. Sale of Fuel Credit

Any revenues earned on the disposal of surplus property which have financial restrictions from the funding agency, will not be allocable to the two (2) funds.

PROCEDURE

Revolving Fund

- a) Finance will establish a Revolving Fund for \$2 million.
- b) Finance will establish a separate account code to ensure appropriate accounting.
- c) Finance may use this Revolving Fund as part of its cash flow management, for operating and capital expenses that have approved funding.
- d) Finance will replenish this Fund as soon as the appropriate reimbursement is received.
- e) Finance will prepare a semi-annual report of activities of this Fund to the Finance/Audit Committee of the Board of Directors.
- f) If there is a need to increase the Revolving Fund, the Finance Department, with the approval of the CEO/General Manager, may present a request to the Board of Directors.

State of Good Repair Fund

- a) Once the Revolving Fund (\$2,000,000) is established, Finance will establish a State of Good Repair Fund using whatever is left of the restricted funds stated above. Thereafter, these revenues will be used to fund the State of Good Repair Fund.
- b) Finance will credit funds to the State of Good Repair Fund as soon as revenues are received from the funding sources committed by the Board as stated above, up to the annual depreciation expense, whichever is less.
- c) Expenditures exceeding \$10,000 using the State of Good Repair Fund will need Board approval by a majority vote. Emergency use of the State of Good Repair Fund may be approved by the CEO/General Manager without Board approval. Emergency use will require an information item be brought to the Board of Directors at the next scheduled Board meeting.
- d) Use of State of Good Repair Fund is limited to the following:
 - a. Match for other funding sources, if there are no other funds are available, asset replacement, expansion, acquisition, and major overhaul. This includes formula and discretionary grants;
 - b. 100% use of this funding for the same purpose as (a); and/or
 - c. Any unforeseen and urgent situations that may need immediate funding, provided it is approved by the Board.
- e) Staff will prepare a semi-annual report of activities of this Fund to the Finance/Audit Committee.

Changes/Waivers to the Policy

Staff may review this Policy, as deemed necessary. The majority vote of the Board of Directors may amend, revise, terminate, or temporarily waive the provisions of this Policy.