

California Vanpool Authority  
CalVans

**AGENDA ITEM # D. 1**

**January 14, 2021**

**Prepared by**

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**SUBJECT:**

**Response to Public Comment:** Response to Riverside County Transportation Commission

**DISCUSSION:**

Staff prepared a response to the Riverside County Transportation Commission (RCTC) related to Public Comment questions received after the December 10<sup>th</sup>, 2020 Board meeting.

**FISCAL IMPACT:**

None.

**ATTACHMENT:**

1. Response to RCTC Financial Questions

**RECOMMENDATION:**

Questions and answers submitted for review by RCTC prior to moving forward with authorizing the final FY 19/20 financials.

## Follow up RCTC questions/clarifications to CalVans responses in December 2020 Agenda

### CalVans November Agenda Item D.1 – FINANCE COMMITTEE CPA MEMORANDUM AND 5 YR ANALYSIS

#### 1. Pg. 17, follow up to CalVans response to question #6 (below):

6. *(pg. 19-30) As noted on the bottom of page 21, it is concerning that CalVans did not have the matching requirement on hand. Please clarify if the intent for the financing of \$1,852,870.43 was done to generate cash for the match and explain how matching funds would be generated through such arrangement.*

The borrowing was done due to the fact that CalVans did not have available funds to pay the operating expenses that were used for the matching requirement. The original intent when entering into the grant agreement was not to borrow to meet the matching requirement.

- a. **How did CalVans originally plan to provide matching funds and did CalVans meet the match requirement? Additional clarification would be helpful, as it seems that the financing may have been part of the match although that's hard to determine since some of the sale/leaseback or loan was reimbursed.**

Attached is the "Breakdown showing match for 6 mil" document as information regarding how the agency originally intended to meet the match when the grant was written and how the costs changed. Due to the cost of the acquisition of vehicles, financing vans was the only way the agency could meet the match requirement and was how the previous director may have intended to meet the match.

- b. **What were the operating expenses related to the grant? Pgs 20-22 of 82 show non-admin project implementation costs totaling about \$434K but the match requirement was much more than that.**

Please see the attached "Grant Budget-\$6" to provide for all grant related costs. This document also provides dates with the costs providing a timeline as to how the grant funding was spent.

#### 2. Pg. 19, follow up to CalVans response to question #9 (below):

9. *(pg. 27) Regarding the Vanpools Pilot Project, please provide a complete summary of the project, including the following:*

*Actual total cost of the 154 vans compared to the \$7.5 million anticipated cost; and*

*Breakdown attached in the next several pages.*

*Actual total matching contributions compared to the \$1.5 million required match.*

*Breakdown attached in the next several pages.*

- a. **Can "actual" amounts be provided as opposed to "proposed" in Table 1? It would be helpful to understand total costs incurred in each year by proposed budget line item with amounts broken out by CARB grant funds and matching funds (and source of matching funds).**

Please see the attached "Grant Budget-\$6" for the actual costs.

## Follow up RCTC questions/clarifications to CalVans responses in December 2020 Agenda

3. Pg. 23, follow up to CalVans response to question #9 (below):

*If \$1.6 million of the grant funds remain and have not been paid to Merchants for the remaining 43 vans as of 6/30/2019, where are such funds?*

All Grant Funds have been received from CARB. The \$1.6 Grant funds were used to provide Matching Funds for the \$6.0 Grant.

- a. **Clarification needed on how grant funds can be used as a match for same grant?**

As funds were being reimbursed staff used any funding received towards operating expenses much as is done now.

*It appears that CalVans has submitted a final report to CARB and is awaiting final approval. What will the final approval be based on? Will CalVans have to return any grant funds received that were not used as intended or matched in accordance with the agreement?*

There have been several revisions to the final report for the Agricultural Worker Vanpool Pilot Project that ended in December 2019. The Air Pollution Specialist at CARB assigned to this project is noted below. The original grant agreement was not extended due to the zero-emission direction taken by CARB in October 2019. The XL Hybrid is not a zero-emission technology and as the same technology was to be used for the additional agricultural vans, the \$4.7 million of additional funds to purchase additional vehicles were not used and the project was ended two years earlier than expected.

- b. **Please address last question.**

Staff is simply working on providing the final edits regarding the grant and project progression. To our knowledge, no grant funding will be returned. Staff has not received funds that were used in a manner that would require the return of funds. All grant funds were used as intended.

### CalVans November Agenda Item D.4 – REVISED FINANCIALS AND REQUEST FOR APPROVAL

4. Pg. 24, follow up to CalVans response to question #1 (below):

*Will the auditors have to update their audit procedures considering the length of time between January 14, and current date in November?*

Events occurring after 6/30/19 to date of final report issuance will need to be evaluated and potentially result in additional disclosures in Note 14 (Subsequent Events).

- a. **Does this mean that the “draft” audited financial report that begins on pages 36 of 82 may be updated for subsequent events other than those already listed on page 71 of 82 and will that also need to go back to the board for approval?**

Staff will follow up with the first section of this question once they have discussed the matter with the CalVans CPA. As Financials have not been approved by the board, they will be revised as needed and taken back to the board for approval.

5. Pg. 24, follow up to CalVans response to question #3 (below):

3. *(pg. 86) Regarding Notes Payable in Note 5, what were the interest rates on these two loans?*

2018 note – 11.11%; 2019 note – 9.810%.

## Follow up RCTC questions/clarifications to CalVans responses in December 2020 Agenda

- b. Was this sole-sourced with Merchants or did CalVans get similar interest rate proposals from other banks?**

Merchant's Leasing is the only vendor CalVans has used prior and since inception of the agency. When the funding was needed to finance vehicles purchases, Merchant's Leasing was the only vendor CalVans had a history with and does not have credit with other financing vendors. Staff has always used the same vendor and has not seen the need to find other vendors. Since financials are what determine the creditworthiness, there have not been Financials that would put the agency in a position to qualify for credit, hence the decision to work with the only financing company that has been used historically.

6. Pg. 24-25, follow up to CalVans response to question #3 (below):

*Why was this loan necessary?*

To meet operating expense needs created by grant matching requirements.

- c. Please clarify if "operating expense" needs were the loan payments on the van financing?**

Payment to a variety of vendors were made over the course of time. As the agency acquired vehicles to put into operation, the costs associated with the purchase and upfitting of vans was occurring before the grant reimbursements were received. As the agency incurred unexpected delays in reimbursement it continued to pay vendors regardless of the vendors being specific to a loan payment or the other various operating costs the agency incurs annually. As all leases were grouped onto the same invoice, the agency simply paid the invoice separating grant leases from other agency leases at the time.

### CalVans November Agenda Item D.5 – RECOMMENDATIONS AND CORRECTIVE ACTION DRAFT PLAN

7. Pg. 25-26, follow up to CalVans response to question #2 (below):

*When considering financing for the purchase of vans, does CalVans consider proposals from more than one financing source or is the financing done on a sole source basis?*

CalVans prepares a Request for Proposals and providing public notice to the various vendors.

- a. Would it be possible to get a copy of the RFP (for the financing of vans) to reference and review the evaluation criteria?**

To correct the answer from staff to Q7, Merchants is sole source due to the previously mentioned reasons. Staff publishes the RFP to included the various vendors, however financing is not part of the RFP process, it is simply to select the best pricing. The financing has always been provided by Merchant's Leasing.