

## Audits-Payments

**Subject:** Local Bus Operating Assistance Advance

### **Information:**

- A. Occasionally, transit agencies need financial assistance to alleviate critical cash flow problems and request an advance of their local bus operating assistance. Cash flow problems arise as a result of various situations. For example, local funds are not available until collected and federal funds may be late due to federal grant procedures.
- B. Repayment of the advance is to be made in the same fiscal year as it is granted. This will be done by deduction from monthly local bus operating assistance payments or repayment. The lump sum repayment must be received before the remaining monthly operating assistance payments become less than the advance so the monthly payments can be applied to the advance to ensure repayment before the fiscal year end.
- C. Interest will be charged on the advance and generally will be deducted in total from the September operating assistance payment. The interest is adjusted quarterly and is based on the earning rate for the Treasurer's Common Cash Fund during the period that the advance is outstanding.
- D. Section 15(5) of Public Act 51 of 1951, as amended (Act 51), requires the Bureau of Passenger Transportation (BPT) to withhold funds for failure to comply with its mandates. If BPT cannot withhold a transit agency's funds because the transit agency received an advance, then the transit agency must actively communicate and work with BPT to get into full compliance with Act 51 mandates. Total disregard of withholding notices sent by BPT to a transit agency that received an advance, may result in the rejection of any future advance requests.
- E. Act 51 authorizes loans to be made from the Comprehensive Transportation Fund. While an advance of formula funding is paid back in the same state fiscal year, a loan can be made to a transit agency for a period longer than a fiscal year. If financing is needed for longer than the end of the state's fiscal year, the transit agency should be encouraged to borrow from a local financial institution before coming to the state.

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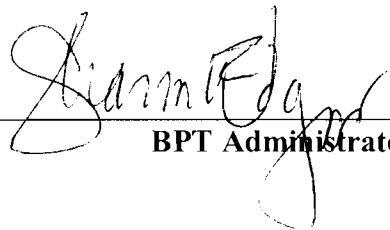
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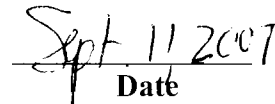
**Actions Needed:**

- A. Obtain a resolution from the governing body requesting the advance.
- B. Prepare a cash flow statement covering the local fiscal year for the period of the advance in a form prescribed by BPT (see Attachment A).
- C. Prepare a written statement of reason(s) for requesting the advance.
- D. Submit the above three documents to your BPT Project Manager.
- E. Supply BPT with any requested information or documentation.
- F. If the advance is approved, a letter will be sent to you indicating the dollar amount of the advance and the payback schedule (see Attachment B). The transit manager must sign the letter and return it to the BPT Project Manager before the advance can be processed.
- G. On the annual Operating Assistance Report (OAR) submitted on the PTMS, report interest charged on the advance under 51103 Interest on State Advances and under 58002 Ineligible Interest on State Advances.

**Contact:** If you have any questions on this procedure or need any assistance relating to this procedure, please contact your Project Manager.

**Approved:**

  
\_\_\_\_\_  
BPT Administrator

  
\_\_\_\_\_  
Date

Attachment A: Example – Cash Flow Statement

Attachment B: Example – Approval Letter Signed by Administrator

BPT:PAS:FMU:TD

March 15, 2007

**Attachment A**

Transit Agency Name  
Cash Flow Statement  
For the 12 Month Period Ending September 30, 200x

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Total
Beginning Cash Balance	\$**	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues													
Farebox													
Local Funds													
State Funds													
Charter													
Other													
TOTAL													
Expenses													
Wages													
Fringe Ben.													
Supplies													
Utilities													
Insurance													
Miscel.													
Interest													
Rent													
Other													
TOTAL													
Ending Cash Balance	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

\*\*The initial Beginning Cash Balance must be an actual figure.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

KIRK T. STEUDLE  
DIRECTOR

March 23, 2007

**Attachment B**

Dear \_\_\_\_\_:

A review of your cash advance request has been completed. Based upon your cash flow statement of March 15, 2007, an advance of \_\_\_\_\_ has been approved. The advance payment of \_\_\_\_\_ will be processed upon the department's receipt of this signed letter from you. The balance of your FY \_\_\_\_\_ state operating assistance payments will be distributed in reduced increments, starting with the \_\_\_\_\_ payment, to reflect deductions for this cash advance. As a result, the FY \_\_\_\_\_ monthly payment amounts will be as follows: \$\_\_\_\_\_ in (month), \$\_\_\_\_\_ in (month), \$\_\_\_\_\_ in (month), \$\_\_\_\_\_ in (month), and \$\_\_\_\_\_ in (month).

The department will be charging interest on the advance until the advance is repaid. The interest charged on advances of state formula funds is not an eligible expense for reimbursement of state formula funds. The interest will be adjusted quarterly to the earnings rate for the Treasurer's Common Cash Fund during the period the advance is outstanding. The interest will be deducted from your September formula operating assistance payment. Any adjustment to the interest charge will be reconciled during the regular year-end reconciliation.

If you agree with the above information, please sign below and return this original letter as soon as possible. As soon as we receive a faxed copy of the signed letter, we will process the advance payment. If you have any questions, please contact \_\_\_\_\_.

Sincerely,

Sharon L. Edgar, Administrator  
Bureau of Passenger Transportation

Acceptance by Transit Agency:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date