Transit Authority of River City

MEMORANDUM

To: TARC Board of Directors

From: Ozzy Gibson, Executive Director

Date: January 22, 2025

Re: Resolution 2025-02 Line of Credit Renewal

TARC relies on formula funding from the federal government to reimburse eligible operating expenses each year. For the last several years, federal funding has been unpredictable and TARC is sometimes faced with uncertainty on when we can receive or accrue for these funds. Delayed funding puts a strain on cash flow and while TARC continues to work very hard to manage cash flow efficiently and effectively, TARC needs to be prepared for any unforeseen disruptions to our business processes.

To reduce the likelihood of unforeseen disruptions, TARC has sought to maintain a line of credit with their provider of Banking Services, Fifth Third Bank. This line of credit was originally made available to TARC in 2009 and has continued to be renewed, with the current line of credit of $4,000,000 set to expire at the end of January 2025. TARC strives to only use this funding in the event of emergencies once all other funding options have been exhausted and has only drawn on the line of credit once since 2009. That occurred prior to TARC receiving CARES funding and all funds were paid back in FY20.

Fifth Third has advised that they can accommodate up to a $4,000,000 line of credit at a floating rate of 1-month SOFR + 1.50%. That rate today is 5.80%. Fifth Third will not charge TARC a fee on the unused portion of the line of credit. Fifth Third would set the line of credit for a one-year term. In keeping with historical precedence, TARC would use this line of credit as a last resort and only until TARC is able to draw down federal funding. The line of credit is unsecured. If TARC were to draw down $1,000,000 at a 5.80% rate, it would cost roughly $161.11 per day ($1,000,000 x 0.058 / 360 days = $161.11).

This resolution requests authorization for the Executive Director to have authority to authorize and execute any documents, advances, and pay downs on the $4,000,000 revolving line of credit with Fifth Third Bank.

Please call me at 561-5100 if you have any questions. Thank you.

Transit Authority of River City

RESOLUTION 2025-02
LINE OF CREDIT RENEWAL

This resolution requests authorization for the Executive Director, Ozzy Gibson, to have authority to authorize and execute any documents, advances, and pay downs on the $4,000,000 revolving line of credit with Fifth Third Bank.

WHEREAS, TARC entered into this agreement in 2009 and has only used funds in FY20 to assist with cash flow during the pandemic; and

WHEREAS, TARC may require a line of credit to finance operating activities to assist with cash flow; and

WHEREAS, TARC will renew the contract with Fifth Third Bank to provide a line of credit up to $4,000,000 for a one-year term; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Transit Authority of River City that:

The Executive Director has authority to authorize and execute any documents, advances, and pay downs on the $4,000,000 revolving line of credit with Fifth Third Bank.

ADOPTED THIS 22nd DAY OF JANUARY 2025

_____

Ted Smith, Chair of the TARC Board of Directors