

March 26, 2026

To: Fresno COG Policy Board
From: Les Beshears, Finance Director
Robert Phipps, Executive Director
RE: CalVans Financial Condition Update

In September 2025 FCOG staff provided the board a summary of CalVans Financial Condition subsequent to a “going concern” finding on the CalVans June 30, 2024 financial audit. That report is again provided in the agenda for the benefit of new members.

On the March 12, 2026 Board agenda, CalVans Executive Director Sidd Nag provided the following memorandum to preface a PowerPoint presentation regarding the agency’s financial position.

Item 4-1 Executive Director’s Report

EXECUTIVE SUMMARY

In its first two months of 2026, California Vanpool Authority (CalVans) experienced a historic nadir in revenue performance, in contrast to historically high operation and structural costs, leading the agency to an unprecedented financial position.

Due to these factors, the agency sits at a critical juncture likely requiring extraordinary intervention in order to stave off insolvency and potential subsequent legal actions necessary in response.

Because of the urgency of the agency’s financial situation, in lieu of a traditional director’s report, a PowerPoint presentation will be given to the board of directors that outlines specifics about: (1) CalVans’ running costs and revenues (2) State of current accounts (3) Emergency measures taken and proposed (4) Revenue & mileage reporting benefits to member agencies, non-member agencies, and state agencies, put at stake (5) Potential additional emergency measures the board may wish to consider.

In order to appreciate the immediacy of this issue, a critical look at CalVans’ unaudited balance sheet and statement of revenues and expenses is required.

An initial look at the agency’s statement of revenues and expenses appears to indicate no immediate cause for concern as the annual budget is running a surplus of \$162,804 year to date. However, Mr. Nag noted in his presentation that Calvan’s revenue cycle is seasonally based on agriculture, and while revenues are positive for the year, from November 2025 through February 2026, CalVans incurred a cash deficit of \$777,846 leading to an emergency drawdown of \$800,000 in restricted funds.

Drilling deeper into CalVans financial difficulties, the balance sheet identifies a cash balance of \$222,248, which is not only restricted but is insufficient to maintain a level cash flow in a \$13.7 million budget given the significant seasonal cash fluctuation described above. There is also \$251,021 in cash restricted for insurance purposes. Restricted funds are intended for specific grant purposes, hence the restriction, and technically unavailable to tide over cash flow.

More alarming, however, is that CalVans has \$3.7 million in unearned revenue on the balance sheet. This is the revenue side of the restricted cash that was 'borrowed' per the above discussion. In light of the current restricted cash balance of only \$222,248, it is clear CalVans' current solvency crisis would have begun in 2024 if the restricted funds had not been available to borrow.

The deferred revenue and restricted cash was the result of a cash advance of grant money from the State department of Housing and Community Development (HCD) that will ultimately need to be paid back. The State is no longer advancing cash to CalVans; however, the agency has 17 agreements with HCD, some of which go back to 2017/18, to provide electric vans to various affordable housing developments. These projects are currently infeasible given that the price of electric vehicles has skyrocketed since the grant documents were signed. CalVans estimates the cost of the electric vehicles now would exceed the grant revenues by \$18.9 million.

There is \$813,711 in receivables on the balance sheet that are a potential cushion for cash flow; however, the March 12 CalVans Board agenda includes a recommendation to implement stricter collections protocols, indicating that collection of some of those receivables may be problematic.

In addition to seasonal cash fluctuations, fuel costs have risen significantly. The 2025/26 budget anticipated a decrease in fuel cost, therefore CalVans' staff included on the March 12 agenda an emergency rate increase to offset fuel costs.

Fresno COG's September 2025 report on CalVans' financial position noted that the annual budget reporting does not reflect total vehicle capital replacement cost. CalVans has no dedicated grant source to buy vehicles, and typically reverts to debt financing, which includes interest expenses that increase the cost of owning the vehicles.

Fresno COG's previous report also noted that CalVans has a \$15 million Proposition 4 earmark in place; however, the Jan. 10, 2026 state budget did not include an appropriation for 2026/27. CalVans is working with a consultant who is approaching various Assembly members to propose legislation to appropriate the funding.

To deal with the current solvency issue, a variety of loan options are being considered, including applications to the State I-Bank and the Local Government Association. However, these applications take time, which CalVans may not have. A private loan from a local vendor is also being considered. CalVans earlier became embroiled with lease-back vendor loans in 2018 and 2020 that led to unsustainable debt levels and austerity measures.

CalVans estimates it needs an immediate \$200,000 to \$400,000 to tide things over as a stop-gap measure; however, the total requirement could exceed \$1 million. That doesn't include the obligation to pay back HCD. There must also be resources available to pay back the loan. With depleted cash accounts and CalVans' diminished capacity to increase user fees being tapped by increased fuel costs, there doesn't appear to be a lot to leverage for additional debt service. CalVans' staff is therefore proposing a discussion to seek loans or outright grants from member agencies. Also being proposed is the potential to establish a member dues structure.

Also noted in the previous report on financial condition, CalVans formed a Captive Insurance Corporation – a blanket policy that is largely self-insured up to a huge deductible. The initial optimism surrounding the Captive Insurance Corporation touted CalVans' spotless record of safety and led to the expectation that hundreds of thousands of dollars could be saved from CalVans' bottom line. While this may be true in the long term, there are deposit set-asides in the initial years to build a reserve. The minimum deposit to activate the Captive is \$750,000. As noted above, CalVans only has \$251,021 on deposit, so the agency needs to deposit another \$500,000 before reaping any benefits from reduced insurance premiums. Recently, CalVans experienced a significant occurrence – currently in litigation – over an \$800,000 claim. It is presently unknown what CalVans out-of-pocket expenses for that incident will be.

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that CalVans suffered significant financial damage with lease-back vendor loans in 2018 and 2020 that led to unsustainable debt levels and austerity measures.

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Furthermore, with depleted cash accounts and CalVans' capacity to increase user fees being tapped by increased fuel costs, there doesn't appear to be leverage for additional debt service. CalVans staff is therefore proposing a discussion to seek loans or outright grants from member agencies. Also proposed is establishing a member dues structure. When CalVans modified the JPA to reflect Kings County withdrawing, it added provisions that allow members to make voluntary contributions.

CalVans is also exploring applying to various State agencies such as California Air Resources Board and the Caltrans Division of Mass Transportation for access to grants, such as Federal Transit Administration (FTA) 5311. The March 12 PowerPoint presentation includes tables for FTA 5307 and FTA 5311 that prorates CalVans' vehicle revenue miles reported to the National Transit Database across the total apportionment with the implication that CalVans' proportional contribution of vehicle revenue miles represents a fair share of the FTA apportionments.

The table shows an FTA 5307 contribution of \$732,539 for the Fresno Urbanized Area Apportionment, so this invites an explanation of Federal transit apportionments.

The Fresno region is divided into an urbanized area (UZA) of population greater than 50,000 and a non-urbanized area (small area apportionment) with population less than 50,000. The UZA apportionment goes to FTA and Fresno COG as the regional metro, determines how these funds are divided between our respective urbanized transit operators, FAX and Clovis Transit. Vehicle Revenue Miles are part of the calculation FCOG uses to make this determination but there are other factors that must be considered such as total operating cost, population, and square miles served. The formula is quite convoluted. However, a key point is the UZA apportionments are intended for use in the urbanized area. The case has not been made that Fresno COG should apply vehicle revenue miles incurred serving the unincorporated area to the urbanized area apportionment.

The small area FTA 5311 apportionments are sent to Caltrans Division of Mass Transportation, which conducts a statewide competitive process. Therefore FCRTA, which serves the rural unincorporated area in Fresno County, applies to Caltrans for operations grants. Revenue vehicle hours may only be one factor that Caltrans considers when distributing the grants. So, while CalVans may reap some benefit from applying to Caltrans, it must consider 5311 funds a competitive, statewide pot that is already heavily oversubscribed.

In summary, CalVans current solvency crisis is real and not totally unexpected. The trend has been obvious and in place for years. The problem is structurally built into CalVans' business model and can be explained simply. **Fully 92.4% of CalVans' operations cost are covered with service fare revenue.** This business model leaves little room for replacing vans as they age out or extraordinary events. That point cannot be overemphasized.

Using Measure C dollars, Fresno COG is one of the few member agencies that subsidizes ag worker vanpools. Through February, Fresno COG has reimbursed CalVans \$103,000. In the fiscal year ended June 30, 2025 Fresno COG reimbursed CalVans \$185,000. The trend appears to be tapering down. These transactions represent reimbursement for actual costs incurred, so there is no question of the money being diverted to solve cash flow problems. Membership in the CalVans JPA is not a condition of making these reimbursements. Fresno COG could continue the program even if it were not a member of the JPA. However, Measure C is set to sunset in June 2027 and continuation of Measure C beyond that date cannot be not guaranteed.

The CalVans JPA provides that a member may withdraw with a 180-day notice. Withdrawal will not discharge, impair, or modify any voluntary obligation the withdrawing member has agreed to, nor affect the remaining members. A withdrawing member shall not be entitled to the return of any funds or assets.