

Decision No. 41341

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SACRAMENTO CITY LINES

for an Order authorizing applicant to issue its promissory note; to place a lien of chattel mortgage on certain of the applicant's properties to secure repayment of said note, and to use proceeds of said note for the purpose specified herein.

Application  
No. 29161

O P I N I O N

Sacramento City Lines has applied to the Public Utilities Commission for authority to execute a chattel mortgage and to issue a note for \$169,980 to finance in part the cost of equipment.

The application shows that Sacramento City Lines is a corporation organized under the laws of the State of California and now engaged in the operation of motor coaches for the transportation of passengers in and in the vicinity of the City of Sacramento. It has reported its revenues and expenses for the last two calendar years as follows:

	<u>1946</u>	<u>1947</u>
Operating revenues	\$1,169,008	\$1,106,754
Operating expenses, taxes and rents	<u>1,131,538</u>	<u>1,090,103</u>
Net income from operations	37,470	16,651
Other income	<u>6,774</u>	<u>3,934</u>
Gross income	44,244	20,585
Interest and other income charges	<u>2,512</u>	<u>8,527</u>
Net before federal income taxes	41,732	12,058
Federal income taxes	<u>13,925</u>	<u>5,000</u>
Net income	<u>\$ 27,807</u>	<u>\$ 7,058</u>

The company reports its assets and liabilities, as of December 31, 1947, as follows:

Assets

Current assets -		
Cash	\$123,392.40	
Accounts receivable	7,469.55	
Materials and supplies	<u>53,127.18</u>	\$ 183,989.13
Carrier operating property -		
Cost	1,143,391.47	
Reserve for depreciation	<u>328,459.22</u>	814,932.25
Intangible capital		6,692.14
Investments and advances		183.27
Special deposits and notes receivable		191,400.00
Deferred debits		<u>9,487.91</u>
	Total	<u>\$1,206,684.70</u>

Liabilities

Current liabilities -		
Accounts payable	\$ 59,866.62	
Accruals	<u>22,985.51</u>	\$ 82,852.13
Advances from associated companies		3,111.64
Long term obligations		446,499.56
Unearned revenues		38,658.76
Deferred credits		90,000.00
Capital stock		500,000.00
Deficit		<u>45,562.61</u>
	Total	<u>\$1,206,684.70</u>

By Decision No. 39449, dated October 1, 1946, the Commission authorized the company to execute a chattel mortgage and note for \$478,000, payable in sixty monthly installments with interest at the rate of 2% per annum, and by Decision No. 41016, dated December 17, 1947, it authorized the company to execute a chattel mortgage and note for \$68,000, payable in sixty monthly installments, with interest at the rate of 2½% per annum, for the purpose of financing in part the cost of equipment.

The Commission recently has reviewed applicant's operations and by Decision No. 40705, dated September 10, 1947,

in Application No. 28044, authorized it to increase rates for service. The record in that proceeding showed the need for improvement of the service and indicated that the company was planning for the acquisition of additional buses to meet the requirements of the public. Six units of equipment were purchased through the note issue authorized by said Decision No. 41016 in December, 1947.

The company now reports that it has purchased from G.M.C. Truck & Coach Division, General Motors Corporation, two new G.M.C. transit type diesel hydraulic 45-passenger motor coaches and twelve new G.M.C. transit type diesel hydraulic 36-passenger motor coaches to further improve its service. The 45-passenger coaches are reported to have cost \$16,643.13 each and the 36-passenger coaches \$13,882.55 each, making a total purchase price, F.O.B. Pontiac, Michigan, of \$199,876.86 for the fourteen units. It proposes to finance the purchase price in part through the issue of a note to The National City Bank of New York in the principal amount of \$169,980 to be payable in ninety-six equal consecutive monthly installments plus interest at the rate of 2-3/8% per annum. The payment of the note will be secured by a chattel mortgage covering the fourteen units of equipment. In addition, the note will be guaranteed by National City Lines, Inc., the owner of all applicant's outstanding stock.

A copy of the proposed note is filed in this proceeding as Exhibit "C" and a copy of the proposed chattel mortgage as Exhibit "D". The company has the right to prepay at any time or times prior to maturity thereof, any monthly installment of principal of the note, or any part thereof, with accrued interest,

provided, however, that each such prepayment made with funds obtained by refinancing otherwise than through the sale of stock shall be subject to the payment of a premium in an amount equal to one-quarter of one percent per annum on the amount of such prepayment, computed for the entire period between the prepayment date and the stated maturity date of the installment so prepaid.

From the information before the Commission it clearly appears that applicant has need for the additional equipment.

#### ORDER

The Public Utilities Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for by Sacramento City Lines through the issue of a note for \$169,980 is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Sacramento City Lines, after the effective date hereof and on or before July 31, 1948, for the purpose of financing in part the cost of the fourteen (14) motor coaches referred to in the foregoing opinion, may issue at its face amount a note for the principal amount of not exceeding \$169,980, payable in ninety-six (96) equal consecutive monthly installments plus interest at the rate of 2-3/8% per annum, payable monthly, and may execute a chattel mortgage to secure the payment of said note,

said note and said chattel mortgage to be in, or substantially in, the same form as the note and chattel mortgage filed in this proceeding as Exhibits "C" and "D", respectively.

2. The authority herein granted will become effective when Sacramento City Lines has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred seventy (\$170.00) dollars.

3. Sacramento City Lines shall file with the Commission a report, or reports, of the issue of the note herein authorized and of the disposition of the proceeds, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

Dated at San Francisco, California, this 23<sup>rd</sup> day of March, 1948.

*A. J. [Signature]*  
*Justice J. Coakley*  
*Robert H. [Signature]*  
*Harold H. [Signature]*  
*Samuel [Signature]*  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
PAID  
P. 9578  
MAR 21 1948  
\$170.00  
*Virginia Fleming*