

Decision No. 41956

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

RICHMOND & SAN RAFAEL FERRY
& TRANSPORTATION CO.

for authority to issue its promissory
note and to secure the payment there-
of by a mortgage on certain property
and to use the proceeds thereof for
specified purposes.

Application
No. 29576

O P I N I O N

Richmond & San Rafael Ferry & Transportation Co., a corporation, hereinafter referred to as Applicant, has applied to the Public Utilities Commission for permission to execute a loan agreement, a note in the principal amount of \$400,000, and a preferred mortgage on its four ferryboats.

Applicant is engaged in the business of owning and operating a service for the transportation of vehicles, passengers and limited freight, by ferryboat across the waters of San Francisco Bay from Castro Point in Contra Costa County to Marin County near San Quentin Point at a place known as Agnes Island. In its financial reports filed with the Commission, Applicant has reported its revenues at \$628,362.58 in 1945, at \$795,229.87 in 1946 and at \$688,977.31 in 1947, and its net profit available for dividends at \$61,587.36 in 1945, at \$151,005.40 in 1946, and at \$40,342.12 in 1947. In 1945, it paid dividends of \$25,000, being at the rate of 5% on its outstanding stock, and in 1946 and 1947, of \$30,000 in each year, being at the rate of 6% on such stock. It reports its assets and liabilities as of December 31, 1947, as follows:

<u>Assets</u>	
Property and equipment	\$1,199,447.82
Other property	4,005.59
Securities	1,300.00
Cash	163,828.27
Accounts receivable	14,131.20
Materials and supplies	6,619.22
Prepayments	50,924.76
Total	<u>\$1,440,256.86</u>

<u>Liabilities</u>	
Capital stock	\$ 500,000.00
Accounts payable	83,037.51
Accrued liabilities	49,053.93
Reserve for accrued depreciation	594,311.48
Other credit accounts	7,027.45
Surplus	206,826.49
Total	<u>\$1,440,256.86</u>

A review of Applicant's financial statements shows that in the past it has met its capital requirements through the issue of common stock, depreciation accruals and surplus earnings. It does not appear that it has had occasion to issue any preferred stock, bonds or other long-term debt. The reports show that it has been Applicant's practice to maintain a favorable current position. Its year end balances for the last five years, for example, being reported as follows:

<u>Dec. 31</u>	<u>Current Assets</u>	<u>Current Liabilities</u>	<u>Ratio: Current Assets to Current Liabilities</u>
1943	\$262,418.56	\$ 54,631.74	4.8 to 1
1944	286,856.88	76,353.42	3.7 to 1
1945	414,871.21	123,766.66	3.3 to 1
1946	430,417.90	189,520.52	2.3 to 1
1947	235,503.45	132,091.44	1.8 to 1

The property and equipment operated by Applicant include four ferryboats named the Klamath, El Paso, Sierra Nevada and Russian River, certain leasehold interests and wharves, docks and terminal equipment. Part of such operating facilities consists of a pier in Marin County extending easterly from Agnes Island into the bay with ferry slips at the easterly end.

The application shows that said pier has been in use for many years and now is in need of substantial repairs or replacements. Applicant alleges that it is advised it cannot be economically repaired and should be replaced. Accordingly it proposes to build a new pier which it estimates can be done at a cost between \$500,000 and \$550,000. It has had plans and specifications prepared for such work and has called for bids for the construction. It is reported that such construction will consist of a new pier for a distance of approximately 2,200 feet along a line south of the existing pier so as to connect with the existing ferry slips without interruption of traffic during the construction period, and a solid filled causeway approximately 175 feet immediately adjoining Agnes Island to connect the roadway with said pier. The structure will have three traffic lanes for its entire length widening into four lanes adjacent to the slips, the decks or roadway to be of concrete and asphalt. It is also proposed to repair and rehabilitate the slips.

To finance in part the cost of the construction work Applicant proposes to enter into a loan agreement with Pacific Mutual Life Insurance Company whereby said Insurance Company will advance to it, prior to May 9, 1949, the sum of \$400,000, to be represented by a note secured by a preferred mortgage on its four ferryboats, said sum to be repayable at the rate of \$50,000 per annum, commencing January 1, 1951, with final payment of the principal on January 1, 1957, with interest at the rate of 5% per annum, payable quarterly. The proposed agreement provides for additional payments of principal commencing January 1, 1951, equal to 50% of Applicant's annual net income in excess of \$25,000, computed after deduction of taxes. Under said agreement dividends will be restricted to earnings after

December 31, 1947, and are not to exceed \$25,000 per annum plus 50% of annual net income in excess of \$25,000 per annum, computed after deduction of taxes. Applicant agrees to maintain net working capital at a minimum of \$25,000 to January 1, 1949, of \$50,000 thereafter to January 1, 1950, of \$75,000 thereafter to January 1, 1951, and of \$100,000 thereafter, and to maintain a ratio of current assets to current liabilities of not less than 1.5 to 1 on and after January 1, 1950. It also agrees to pay a standby charge of $\frac{1}{2}$ of 1% per annum on the unused portion of the loan from April 9, 1948, up to the time the commitment of the Insurance Company to make the full loan shall expire or be released.

Applicant has filed with the application a copy of the proposed loan agreement, a copy of the proposed note and a copy of the proposed preferred mortgage.

O R D E R

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, that the money, property or labor to be procured or paid for through the issue of a note for \$400,000 is reasonably required by Richmond & San Rafael Ferry & Transportation Co. for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Richmond & San Rafael Ferry & Transportation Co., after the effective date hereof and on or before May 31, 1949,

may execute a loan agreement, a note in the principal amount of not exceeding \$400,000, and a preferred mortgage in, or substantially in, the same form as those filed in this proceeding, for the purpose of financing the construction work referred to in the preceding opinion and in this application.

2. Applicant shall file with the Commission a report, or reports, of the issue of said note 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.

3. The authority herein granted will become effective when Applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$400.00.

Dated at San Francisco, California, this 17th day of August, 1948.

R. Z. Anderson
Justice F. Gaerem
Ernest H. Rayell
Harold A. Kels
Samuel P. Little
Commissioners

