



Minutes City of Tempe Ad Hoc Transit Fund Committee January 28, 2010

Minutes of the City of Tempe Ad Hoc Transit Fund Committee held on Thursday, January 28, 2010, 7:30 a.m., at the Transportation Center Don Cassano Community Room, Tempe, Arizona.

(MEMBERS) Present:

Ben Goren, Jayson Matthews, Steven Saiz, David Strang

(MEMBERS) Absent:

City Staff Present:

Joe Clements, Dawn Coomer, Carlos de Leon, Jerry Hart, Dana Janofsky, Ken Jones, Greg Jordan, Gregg Kent, Glenn Kephart, Jyme Sue McLaren, RC Noderer, Bonnie Richardson, Holly Stennerson, Robert Yabes, Shaun Yunt

Guests Present:

Don Cassano, Jack Pisano, Gary Roberts

Jayson Matthews called the meeting to order at 7:34 a.m.

Agenda Item 1 – Public Appearances

There were no public appearances.

Agenda Item 2 – Updated Financial Forecast

Carlos de Leon presented the following information:

The Financial Services Department provided an updated Long-Range Financial Forecast for the City's major operating funds. The forecast assumes an economic recovery starting in FY 2011/2012 and a revised sales tax growth rate of -5% in FY 2010/2011, 7% in FY 2011/2012, 13% in FY 2012/2013, and 5% in FY 2013/2014. If no action is taken, the Transit Fund structural deficit will increase from an estimated \$16 million to \$17.5 million and the fund balance would be depleted by FY 2014/2015.

Agenda Item 3 – Financial Strategy Discussion

Carlos de Leon presented the following information:

In June 2009, the Committee discussed two financial strategies. These strategies involved different uses of the fund balance for balancing the Transit Fund based on a projected structural deficit of \$9 million. The Committee identified a preferred overall financial strategy which used a portion of the fund balance to partially retire debt principal and phase in cost reductions over the next three fiscal years.

Due to the significant projected structural deficit increase, the Committee should reevaluate the overall preferred financial strategy and determine if this strategy continues to be the best course of action. If the preferred strategy is followed, a more extensive schedule of reductions will be required in order to preserve the fund balance for debt retirement and to maintain the proposed fund balance policy of twenty-five percent of the annual Transit Fund revenues.

If fund balance is used to sustain operations and cover annual projected deficits, another approach would be smaller reductions phased over the next three years and the remaining variable rate bonds could be converted to fix rate bonds to reduce the risk of large interest rate increases.

The Committee previously agreed with using a minimalist or core approach, which focused on identifying minimum functions and service levels that could be accommodated within a future projected local revenue amount. The financial strategy is critical to the core approach since the future projected revenue amount varies with each fiscal year. The overall financial strategy affects the bond payment options, which affects the amount of available funding for transit services and other services, as shown in the table below.

Use of Funds	Annual Cost (\$,000)			Comments
	Current	Potential Options		
		A	B	
				Options based on \$30 million in revenue
Bond Payment	8.4	8.4	7.6	Option B includes partial debt repayment
Light Rail	7.5	7.5	6.5	Option B includes reduced services
Dial-a-Ride	.5	.5	0	Option B includes elimination of senior dial-a-ride
Subtotal	16.4	16.4	14.1	
Available		13.6	15.9	Remaining funds from \$30 million baseline
Bus				
Valley Metro	12.1	5.6	6.5	Proportional reduction of remaining funds
Orbit	7.9	3.7	4.3	Proportional reduction of remaining funds
Flash	.3	.1	.2	Proportional reduction of remaining funds
Staff/Other	9	4.2	4.9	Proportional reduction of remaining funds
Total	45.7	30	30	

Commissioner Jayson Matthews asked if there was consensus from the Committee to amend the current financial strategy and allow Financial Services to manage the debt in the most appropriate way whether the bond is a variable rate bond or a fixed rate bond. After further discussion, the Committee came to a consensus and agreed to move forward with the service reduction strategy.

Agenda Item 4 – Development of Scenarios and Phasing Plan

Carlos de Leon presented the following information:

Transit Fund Financial Plan - Tasks (Draft)

Deliverables:

Final Report

- Recommended financial strategy
- Recommended future transit program
- Recommended phasing plan
 - Recommended first year reductions for LRT, bus, and staff/other
- Updated financial forecast with recommended plan
- Any other recommendations

Major Tasks:

Define core scenario

- Select financial strategy and future revenue
- Determine debt payment
- Define LRT Services
 - Identify service options
 - Present options for public comments
 - Review and recommend service changes
 - Seek approval via METRO Board
- Define Bus Services
 - Identify core service options (including Dial-a-ride)
 - Present options for first round public comments
 - Review comments, develop bus service phasing plan, recommend first year bus service changes for second round of public comments
 - Review second round comments and finalize recommendations
- Define Staff/Other Services
 - Conduct reorg process for new Transportation Division (Transit, Traffic Engineering, Traffic Operations) - Staff
 - Review and identify core services and staffing - Staff
 - Identify phasing plan - Staff
 - Review core staffing/other services and phasing plan

Identify additional scenarios

- Possible use of property tax

Final recommendations and seek approval of financial plan

- Combine debt payment, LRT, Bus and Staff/Other Services
- Review and modify services and phasing plans to match overall financial strategy

Due Dates:

February 22, 2010 through March 7, 2010 - First Round Public Comments

March 29, 2010 through April 13, 2010 - Second Round Public Comments

Approvals:

April 27, 2010 - Transportation Commission

May 4, 2010 - Council Transportation Committee

May 20, 2010 - City Council for approval of first year reductions

Agenda Item 5 – Future Agenda Items/Next Steps

The Committee's next regular meeting will be held Thursday, February 25, 2010 at 7:30 a.m. at Hatton Hall, 34 E. 7th Street, Building B, Tempe, Arizona.

Jayson Matthews adjourned the meeting at 8:42 a.m.

Prepared by:

Holly Stenner

Reviewed by:

Carlos de Leon