



Budget and Finance Subcommittee Meeting Packet

NEXT MEETING OF THE

Budget and Finance Subcommittee

MEETING DATE	January 22, 2009
TIME	10:00 a.m.
LOCATION	Valley Metro RPTA 302 N. 1 st Avenue Suite 700 Phoenix, AZ



November 26, 2008

**Budget and Finance Subcommittee
Valley Metro RPTA
302 N. 1st Avenue, Suite 700
RPTA Administrative Conference Room 7A
Thursday, January 22, 2009
10:00 a.m.**

	<u>Action Recommended</u>
1. <u>Summary Minutes</u> Summary minutes from the November 20, 2008 and December 4, 2008 meetings of the Budget and Finance Subcommittee (BFS) are presented for approval.	1. For action
2. <u>Local Government Investment Pool</u> Staff will request the BFS to forward to the Board of Directors authorization for Valley Metro RPTA to continue participating in the Local Government Investment Pool.	2. For action
3. <u>FY 2007/08 Comprehensive Annual Financial Report and Single Audit Act Report</u> The Comprehensive Annual Financial Report is presented to the BFS for information and acceptance.	3. For action
4. <u>Transit Life Cycle Program Recommendations</u> Paul Hodgins, Manager, Capital Programming, will present recommendations on six policy issues of the total 12 identified issues for which the BFS was asked to provide policy guidance by the Board of Directors.	4. For discussion

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| <p>5. <u>FY 2008/09 Budget vs. Actual Report</u></p> <p>Mike Taylor, Acting Deputy Executive Director, Finance will present and discuss the FY 2008/09 Budget vs. Actual Report for the first 5 months ending November 30, 2008.</p> | <p>5. For information and discussion</p> |
| <p>6. <u>Public Comment</u></p> <p>An opportunity for general public comment on issues related to Valley Metro RPTA. Up to three (3) minutes will be provided for each speaker.</p> | <p>6. For information</p> |
| <p>7. <u>Next Meeting and Future Agenda Items</u></p> <p>Chairman Ecton will request future Budget and Finance Subcommittee agenda items from the committee members. The next meeting is scheduled for Thursday, February 5, 2009 from 11:30 a.m. – 2:00 p.m.</p> | <p>7. For information and possible action</p> |

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print, audio cassette or computer diskette) are available upon request. For further information, please call Susan Myers, Valley Metro at 602-262-7433 or TDD at 602-495-0936.

The supporting information for this agenda can now be found on our website at www.ValleyMetro.org.



Regional Public Transportation Authority
302 N. First Avenue, Suite 700, Phoenix, Arizona 85003
602-262-7433, Fax 602-495-0411

Budget and Finance Subcommittee Information Summary

Agenda Item #1

Date

December 5, 2008

Subject

Summary Minutes from the Board Budget and Finance Subcommittee (BFS) Meetings of November 20, 2008 and December 4, 2008.

Summary

The BFS met on November 20, 2008 and December 4, 2008 and the summary minutes are presented for review and approval.

Fiscal Impact

None

Considerations

None

Prior Committee Action

None

Recommendation

Approve the meeting minutes from the November 20, 2008 and December 4, 2008 Budget and Finance Subcommittee meetings.

Contact Person

Mike Taylor
Acting Deputy Executive Director of Finance
602-262-7433

Attachments

Board Budget and Finance Subcommittee November 20, 2008 Meeting Summary
Board Budget and Finance Subcommittee December 4, 2008 Meeting Summary



Regional Public Transportation Authority

302 N. First Avenue, Suite 700, Phoenix, Arizona 85003

602-262-7433, Fax 602-495-0411

Summary Minutes
Budget and Finance Subcommittee
November 20, 2008
Valley Metro RPTA
Conference Rooms
302 N. 1st Avenue, Suite 700
Phoenix, AZ
10:00 a.m.

Meeting Participants

Councilman Wayne Ecton, City of Scottsdale, Chairman
Councilman Ron Aames, City of Peoria
Councilman Frank Cavalier, City of Goodyear
Councilman Michael Johnson, City of Phoenix
Councilman Les Presmyk, Town of Gilbert

Chairman Ecton called the meeting to order at 10:05 a.m.

1. Summary Minutes

The summary minutes from the October 2, 2008 meeting of the Budget and Finance Subcommittee were presented for approval.

IT WAS MOVED BY COUNCILMAN PRESMYK, SECONDED BY COUNCILMAN CAVALIER AND UNANIMOUSLY CARRIED TO APPROVE THE MINUTES FROM THE OCTOBER 2, 2008 MEETING.

2. Transit Life Cycle Program Issues

Paul Hodgins, Capital Programming Manager, presented white papers on three of the previously identified 12 issues for which the BFS was asked to provide policy guidance by the Board of Directors. He specified that no recommendations would be made until all of the first 6 issues are presented to the committee.

Mr. Hodgins presented the first of three white papers, Revenue Shortfalls. The topics discussed included the current policy and reduction alternatives in the operations and capital areas.

Councilman Cavalier asked if the money in the TLCP will eventually run out. Mr. Hodgins said it does at the end of the program on December 31, 2025.

Councilman Presmyk asked how the money is recovered by 2025 if reductions and delays are made now. Mr. Hodgins said delays would occur not only in this year, but would continue through the TLCP and that there is still revenue growth in the forecast.

Chairman Ecton said if routes are delayed, the cities are penalized and that he's not sure this is a good option. He suggested that there could be a change in operating hours as one alternative.

Mr. Hodgins clarified that these alternatives are for future services, not for those already implemented.

Chairman Ecton asked, referring to the analysis section, why building lease costs are up 20% when all indications are that lease costs are decreasing in the present economy.

Mr. Taylor said there is additional square footage included in the projections for future growth of the staff. Mr. Boggs added that the agency's present lease rate is below market.

In reviewing the ADA funding reduction alternative, Mr. Hodgins said the ADA funding reduction alternative would have a direct impact on cities' budgets.

Councilman Michael Johnson asked how the reduction would affect the federal mandate. He further asked that if it's reduced, would the cities have to pick up the difference. He stressed that he would like it made clear that any recommendations whose alternatives would directly affect the cities' budgets be made clear to the Board that the city budget could be affected.

Councilman Cavalier asked if more ADA services could be cut back if integrated into regular transit. Mr. Hodgins said the agency is presently looking at ways to do that through the Paratransit Technical Advisory Committee.

The second white paper topic, Federal Revenues, was presented. This topic included Federal Capital Matching and RPTA Board endorsement of TLCP projects only for federal discretionary requests.

Councilman Cavalier asked for confirmation regarding the Federal Capital Match alternative. He asked if the funding is for future projects only. Mr. Hodgins confirmed that only future projects would be affected as grants cannot be revised.

Councilman Johnson asked how the 72% Federal match for capital figure was derived. Mr. Hodgins said he would research that, but that it originated in the Regional Transportation Plan (RTP).

Bryan Jungwirth, Chief of Staff, noted earmarking federal funds for non-TLCP projects could cause some financial issues if a city project was not in the TLCP as a regional priority, as both projects would compete for limited Federal funding.

Chairman Ecton said individual cities would need to decide if it was better to proceed without RPTA when seeking federal dollars. Mr. Boggs added it has to be treated with caution.

Councilman Johnson asked if it would preclude the cities' right to lobby outside of the TLCP. Mr. Jungwirth said the agency does not want to limit the cities' ability to lobby, however, there has to be an understanding that there is competition for the same funds and the Board may want to consider providing policy direction on this issue to the Executive Director.

Councilman Cavalier asked if it would be better if sub-regions applied for federal dollars separately. Mr. Jungwirth said that our congressional delegation requires that projects must be identified by each congressional district.

Councilman Johnson added that when authority is removed from the cities, congressmen cannot represent their district's interests. Mr. Boggs assured the committee there were no intentions of doing that, but caution had to be used.

The final white paper topic, Financing, was presented covering pay as you go for fleet and for capital.

Councilman Presmyk asked if bus depreciation was being captured as an operating expense for bus replacements. Mr. Hodgins said RPTA was not and this issue will be considered under the "Contract Costs" white paper.

Councilman Johnson asked for a comparison between financing and pay as you go methods. Mr. Hodgins said he would work on that.

Councilman Presmyk asked if, as another alternative, leasing could be considered towards the sunset of the plan. Councilman Johnson asked for a comparison between the costs of leasing, and the costs of purchasing. Mr. Boggs said it will be provided.

Councilman Presmyk asked for a comparison of bus costs for 12 versus 15 years of service, to include refurbishment costs. Mr. Hodgins said he will get that information.

General discussion followed related to the three white papers presented, and the next set of white papers to be submitted.

Councilman Johnson stressed that jurisdictional equity must be defined and asked why it was not included in the first six TLCP issues addressed. Mr. Boggs said it was not included in the Budget and Finance subcommittee's top critical issues needing to be addressed before the TLCP model is run this year. It is included in the second level of priorities.

Councilman Presmyk said the MAG peer review has shown better success and economy of scale by being able to set aside the protections of jurisdictional equity to build a true regional transportation system. He asked if Councilman Johnson wanted a discussion of jurisdictional equity or if he's concerned about making sure that everyone has jurisdictional equity. Councilman Johnson confirmed both apply to his concerns.

3. FY 2008/09 Budget versus Actual report for the 4 month period ending October 31, 2008

This item was submitted to the committee for information and will be discussed at the December 4, 2008 meeting.

4. Public Comment

None

5. Next Meeting and Future Agenda Items

The next regularly scheduled BFS meeting will be held December 4, 2008 at 11:30 a.m. Special meetings may need to be scheduled to discuss progress on the TLCP policy issues and Subcommittee members will be informed prior to the meetings.

With no further discussion, the meeting was adjourned at 11:50 a.m.



Regional Public Transportation Authority

302 N. First Avenue, Suite 700, Phoenix, Arizona 85003

602-262-7433, Fax 602-495-0411

Summary Minutes
Budget and Finance Subcommittee
December 4, 2008
Valley Metro RPTA
Conference Rooms
302 N. 1st Avenue, Suite 700
Phoenix, AZ
11:30 a.m.

Meeting Participants

Councilman Wayne Ecton, City of Scottsdale, Chairman
Councilman Ron Aames, City of Peoria
Councilman Frank Cavalier, City of Goodyear
Councilman Michael Johnson, City of Phoenix (via teleconference)
Councilman Les Presmyk, Town of Gilbert

Chairman Ecton called the meeting to order at 11:31 a.m.

6. **Summary Minutes**

The summary minutes from the November 20, 2008 meeting of the Budget and Finance Subcommittee were held from the agenda pending formatting review.

7. **Transit Life Cycle Program Issues**

Paul Hodgins, Capital Programming Manager, presented white papers on three of the previously identified 12 issues for which the BFS was asked to provide policy guidance by the Board of Directors. He specified that no recommendations would be made until all of the first 6 issues are presented to the committee.

✓ **Regional Services**

- Current Policy – Regional services will be fully funded by the Public Transportation Fund (PTF).
- Alternative – Modify policy to charge a share of regional services to each agency that funds fixed route service.

Mr. Hodgins said he would show what additional costs will have to be built into the model in order to accommodate additional regional services. It is estimated to be an additional \$38 million, based on a particular methodology, over the life of the program. Councilman Aames asked if it was over the life of the program. Mr. Hodgins said yes.

Chairman Ecton asked if the majority of the regional services were already in service. Mr. Hodgins said Regional Services is in operation right now and we fund the entire program. The customer service call center is 40-45% of what is in regional services and comprises the majority of the category.

Chairman Ecton asked why there was so much additional cost when the majority of the regional services operations are currently in operation. He asked how many additional operations were scheduled over the long term.

Mr. Boggs clarified that the regional services discussed in the white paper refers to the customer service call center, marketing and quality assurance programs among others. He said that portion of regional services is funded by the Public Transportation Fund (PTF). He added the issue at hand is the addition of staff, which is not covered by the 3% inflation rate and there is not presently a mechanism in place to add staff.

Chairman Ecton asked what the additional staff are needed for. Mr. Hodgins said it covers 20 staff persons in the positions of customer service agents and supervisors. He further said it is a methodology, not a guarantee the positions will be filled.

Mr. Boggs said METRO would be paying for the services provided by staff persons hired to support increased calls to customer service from METRO operations.

Chairman Ecton said regardless of who was paying for it, he is still not convinced that the increase in staff is supported and asked for an analysis to be done to support the increases.

Councilman Aames asked what criteria is being used to implement changes in staffing levels, miles of routes? Mr. Hodgins said it's partly based on the routes, but also as total ridership grows, call volume also increases. Councilman Aames said there needs to be an economy of scale.

Mr. Boggs assured the subcommittee would have the budgetary analysis needed to ensure the subcommittee's satisfaction prior to making any decisions.

Chairman Ecton asked for assurance that before any decisions were made affecting the cities' budgets, plenty of lead time would be given so they may be prepared.

Councilman Cavalier asked how important the Bus Book was if the service center was able to answer calls made and if the information was available on the website. Mr. Boggs said the call center and the website are providing information which will allow for a reduction in the production of Bus Books. Mr. Boggs said a presentation would be made during the budgetary discussion to ensure an adequate analysis was made.

Councilman Presmyk asked how the number of additional staff persons was calculated and gave the example of so many tens of millions of boardings per year based on one or more assumptions. Mr. Hodgins said he will get information on how those numbers were calculated.

Councilman Presmyk said he was concerned that there was accurate forecasting and no over budgeting.

Councilman Aames said there should be some economy of scale.

Mr. Boggs said after 3 to 4 months of rail service being online, we will have a better assessment of what the needs are for its support and that information will be brought to the subcommittee.

Mr. Hodgins said the choices are that we continue with the PTF funding or we look at other alternatives.

✓ **Contract Rates**

- Current Policy – no current TLCP policy; focusing on what is in RPTA's contract rates.
- Alternative
 - Cap rates paid for service
 - Include capital charge in rate
 - Major facility expenses
 - Fleet replacement

Mr. Hodgins said staff is in the process of a contract rate audit and have a meeting with the auditor to review the progress that is being made. He said information will be brought to the subcommittee.

Mr. Hodgins said when there was discussion originally during the RTP, the TPC agreed there should be no local match. He said in RPTA's rate, there are no charges for capital or depreciation. He said the rate is strictly based on the actual cost of the contract including labor, fuel, insurance, etc., plus direct oversight of the contract. Our rate is based on revenue miles and does not differentiate between local and express, just an average rate for all services.

Mr. Hodgins said one suggestion is to cap the rates that we pay for service or that the TLCP will fund. This effectively requires a local match and pushes the costs onto the cities.

Councilman Aames asked if a cap was, in effect, a local match. Mr. Hodgins said that it was.

Chairman Ecton said the subcommittee needs to better understand the impact of the different ways of looking at the topic and specifically, the issue of depreciation and how it's calculated. Mr. Hodgins said one of the options was to depreciate only the local match.

Chairman Ecton said it's important to be looking at the different rates between Phoenix, RPTA and Tempe and to ensure they are all calculated using the same formula.

Councilman Cavalier asked if the rates for deadheading was different than the regular routes, and if the express routes were different than the local rates. Mr. Hodgins said every route is different.

Councilman Johnson asked if it was possible to get a briefing, after the audit information is received. Councilman Ecton said it was absolutely possible and Mr. Boggs confirmed and said the information should be available within weeks.

Councilman Johnson asked for assurance regarding the depreciation issue, that the cities were not being double charged. Chairman Ecton agreed it was to be avoided at all costs.

Mr. Hodgins said there is interest in splitting out express and local service and having a separate rate for each type of service. Chairman Ecton said he thought it was important to consider.

✓ **Inflation**

- Current Policy – Use the Consumer Price Index (CPI)
- Alternative
 - Use multiple inflation indexes for components of TLCP; transit operations, transit vehicles, equipment, real estate, and construction

Chairman Ecton said we need to use more than one and that we need to be practical about the ones we choose but that it was obvious the rates are higher than the CPI.

Councilman Presmyk said we have a good start and that labor alone comprises 30 to 50% of the budget.

Chairman Ecton said whatever is decided plays a big part in the contract rates.

Councilman Aames said adding more indices will help manage the business better.

Chairman Ecton said it could be that what is decided for next year may not be the same as what is decided in following years.

Mr. Hodgins said staff may also consider using different rates within a category, such as short term and long term. As we move through the other committees, we will talk about basically those five categories with maybe the CPI as a default. The issues will go through the staff committee process starting this month and then the input will be brought back before the subcommittee for their recommendations.

Chairman Ecton said the whole purpose behind his asking for this process was to use it to speed things up as reasonably as possible and that he wants to get input from all of the staff committees first. Mr. Hodgins said he would know more after the next committee meetings.

Mr. Boggs said March was the original target date, but we could reasonably be done by April. Chairman Ecton said he would still rather have March as a goal.

8. FY 2008/09 Budget versus Actual report for the four month period ending October 31, 2008

Mr. Taylor presented a report for the four month period ending October 31, 2008 and asked for suggestions for the content of future reports.

Chairman Ecton asked for quarter-to-date and year-to-date figures to be included. Mr. Taylor said that will be done for both revenues and expenses.

Chairman Ecton said although he realized this year's budget problem has been solved by delaying capital and reducing expenses, all it's done is push the problem to next year. He said we need to be looking for more savings this year as well as when we start working on next year's budget and asked if that was realistic.

Mr. Boggs said the cuts made for this year are not temporary cuts, with the exception of bonding costs which will come back into the budget next year. He said a possible way of reducing costs further may be to hire consultants presently being used as staff. This is an idea that is being closely scrutinized and will not come back before the subcommittee without a thorough analysis.

Councilman Aames asked if it would be a transfer of funds. Mr. Boggs said yes, but the position would cost less than we're currently spending so there would be a savings.

9. Public Comment

None

10. Next Meeting and Future Agenda Items

The next regularly scheduled BFS meeting will be held January 8, 2008 at 11:30 a.m. Special meetings may need to be scheduled to discuss progress on the TLCP policy issues and Subcommittee members will be informed prior to the meetings.

With no further discussion, the meeting was adjourned at 12:34 p.m.



Regional Public Transportation Authority
302 N. First Avenue, Suite 700, Phoenix, Arizona 85003
602-262-7433, Fax 602-495-0411

Budget and Finance Subcommittee Information Summary

Agenda Item #2

Date

January 12, 2009

Subject

Local Government Investment Pool

Summary

The State Treasurer requires that the Board annually update its authorization for Valley Metro RPTA participation in the Local Government Investment Pool (LGIP). Those Valley Metro RPTA personnel authorized to deposit, transfer and withdraw funds would be the Board Treasurer, Executive Director and the Deputy Executive Director of Finance.

Fiscal Impact

None

Considerations

Adopting the resolution updating Valley Metro RPTA authorization to participate in the Local Government Investment Pool will allow our continued participation in the LGIP.

Prior Committee Action

Transit Management Committee - Approved

The Board will consider this item at its meeting on January 22, 2009.

Recommendation

It is recommended that the BFS forward to the Board authorization for Valley Metro RPTA to continue participating in the Local Government Investment Pool.

Contact Person

Michael Taylor
Acting Deputy Executive Director, Finance

Attachments

Resolution 2009-01

**RESOLUTION 2009-01
AUTHORIZING OFFICERS/AGENTS TO DEPOSIT, TRANSFER
AND WITHDRAW MONIES IN THE LOCAL
GOVERNMENT INVESTMENT POOL**

WHEREAS, the Valley Metro Regional Public Transportation Authority has resolved to participate in the Local Government Investment Pool;

NOW THEREFORE BE IT RESOLVED, that the following officers/agents be authorized to order the deposit, transfer and withdrawal of monies in the Local Government Investment Pool.

_____	Treasurer	_____
Name	Title	Signature

David A. Boggs	Executive Director	_____
Name	Title	Signature

Michael Taylor	Acting Deputy Executive Director, Finance	_____
Name	Title	Signature

Passed and accepted by the Valley Metro Regional Public Transportation Authority's Board of Directors of Maricopa County, State of Arizona, on_____.

Chair of the Board



Budget and Finance Subcommittee Information Summary

Agenda Item #3

Date

January 12, 2009

Subject

FY 2007/08 Comprehensive Annual Financial Report and Single Audit Act Report

Summary

Cronstrom Osuch & Company, Certified Public Accountants, has completed the FY 2007/08 RPTA audits. Completion of the June 30, 2008, financial statement and Single Audit Act audits indicates Valley Metro's compliance with both state and federal statutory audit requirements. Preparation of a Comprehensive Annual Financial Report demonstrates Valley Metro's commitment to the highest standard of financial reporting for a governmental entity. The accompanying report is submitted for review and acceptance.

In planning and performing the audit of the financial statements, Cronstrom Osuch & Company considered RPTA's internal controls in order to determine auditing procedures for the purpose of expressing opinions on the financial statements and not to provide an opinion on internal controls. During the audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The attached management letter and the "communication to governance of the organization" lists those matters and does not affect the auditor's report dated December 11, 2008 on the financial statements of the Valley Metro Regional Public Transportation Authority. Also attached is RPTA's response to the auditor's comments and an action plan for strengthening the internal controls as suggested by the auditors.

Fiscal Impact

RPTA's total net assets increased \$7,528,886 in FY 2008. This included a decrease of \$14,466,044 in governmental activities and an increase of \$21,994,930 in business-type activities. The Authority's total net assets are \$122.4 million and of this total \$74.0 million are invested in capital assets; \$2.3 million is restricted for the replacement of vanpool and transit vehicles; and \$46.1 million is unrestricted.

Considerations

Details are included in the Comprehensive Annual Financial Report and management letter.

Prior Committee Action

Transit Management Committee - Approved

Recommendation

It is recommended that the BFS accept the FY 2007/08 Comprehensive Annual Financial Report, Single Audit Act Report, and RPTA's suggested internal control improvements to correct the audit issues and forward to the Board of Directors for consideration.

Contact Person

Michael Taylor
Acting Deputy Executive Director, Finance
(602) 256-4302

Attachments

- ✓ Independent Auditor's Report
- ✓ FY 2007/08 Management's Discussion and Analysis
- ✓ Communication to Governance of the Organization
- ✓ Management Letter
- ✓ RPTA's Response to Management Letter
- ✓ Comprehensive Annual Financial Report

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Metro Regional Public Transportation Authority
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

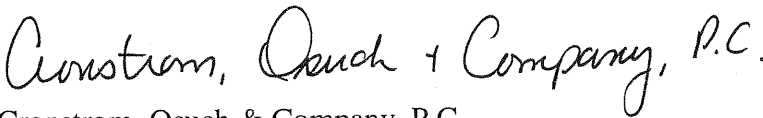
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Public Transportation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A prior period adjustment was recorded and is presented in Note 16 in the notes to the basic financial statements to restate the previously issued financial statements for compensated absences that were recorded in the fund financial statements in error.

The management's discussion and analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. This supplementary information is the responsibility of management. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Cronstrom, Osuch & Company, P.C.

December 11, 2008

As management of Valley Metro Regional Public Transportation Authority (the Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority's financial positions, (4) identify any material deviations from the financial plan (adopted annual budget), and (5) identify individual fund issues or concerns.

Financial Highlights

- The Authority's total net assets increased \$7,528,886 in FY 2008, a \$14,466,044 decrease in governmental activities and a \$21,994,930 increase in business-type activities. Total net assets of the Authority are \$122.4 million, of which \$46.1 million is unrestricted.
- The governmental activities revenues decreased by approximately \$3.4 million (2.5%) over the previous year.
- The business-type activities revenues decreased by approximately \$2.7 million (5.2%) from the previous year.

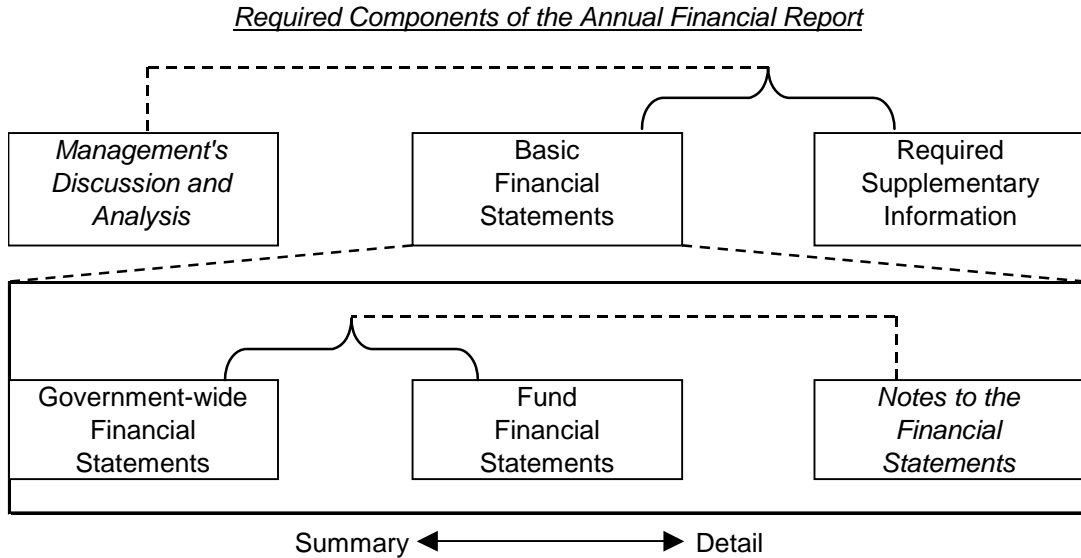
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). The statements are presented as follows:

- Government-wide reporting – presents financial statements on a government-wide basis.
- Fund financial statements - presents governmental, proprietary and fiduciary fund financial statements, with the focus on major funds within each fund type.
- Measurement focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The current financial resources focus and modified accrual basis of accounting are followed for the governmental fund financial statements.
- Budgetary reporting – GASB No. 34 requires the display of both the original adopted budget and the revised budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds; however, the Authority has elected to present this information for the nonmajor special revenue funds and proprietary funds as additional information.
- Required narrative analysis – GASB No. 34 requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

As presented on the following page, the financial section of the Comprehensive Annual Financial Report (CAFR) for the Authority consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required supplementary schedules presented after the basic financial statements. The basic

financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.



Government-wide Financial Statements

The government-wide financial statements (see pages 12 – 14) are designed to provide a broad overview of the Authority's finances in a manner similar to those used by private businesses. All of the activities of the Authority, except those of a fiduciary nature, are included in these statements.

The activities of the Authority are broken down into two columns on these statements – governmental activities and business-type activities. A total column for the Authority is also provided.

- The *governmental activities* include the basic services of the Authority including general government (administration), regional planning, transportation demand management, and regional customer services. Grants and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities which are transit service operations and light rail transit. These activities are partially supported by user charges and provide substantial benefits, both direct and indirect, to the public at large.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, both current and long-term, with the difference between the two reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. To assess the overall health of the Authority, other indicators, including non-financial indicators like the Authority's tax base and the condition of its capital assets, should also be considered.

The *statement of activities* presents information showing how the Authority's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide

financial statements, all changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the Authority, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Fund Financial Statements

Also presented are more traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the Authority.

Governmental funds - Governmental funds are used to account for most of the Authority's basic services. Unlike the governmental activities column on the government-wide financial statement, these fund financial statements (pages 15 - 19) focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in looking at the Authority's near-term financial requirements. Since the governmental activities on the statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two statements is provided following the fund financial statements and is also provided in Note 2 (pages 34 - 36).

Proprietary funds – Proprietary funds are used to account for business-type activities of the Authority. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. The proprietary fund financial statements (pages 20 - 22) are prepared using the same long-term focus as the government-wide financial statements. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information (i.e., cash flows).

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support programs of the Authority. The fiduciary fund statement (page 23) is prepared on the same basis as the government-wide and proprietary fund statements.

Notes to the Financial Statements – The notes to the financial statements (pages 25 – 45) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements of the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Authority has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Authority has disclosed this information in Note 10 (pages 42-43).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the Authority as a whole as of and for the year ended June 30, 2008, with comparative information for the previous year.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2008 compared to the prior year:

Condensed Statement of Net Assets
As of June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 30,279.5	\$ 44,913.2	\$ 45,374.2	\$ 57,936.4	\$ 75,653.7	\$ 102,849.6	-26.4%
Capital assets	1,467.0	1,362.4	72,537.5	47,945.8	74,004.5	49,308.2	50.1%
Total assets	\$ 31,746.5	\$ 46,275.6	\$ 117,911.7	\$ 105,882.2	\$ 149,658.2	\$ 152,157.8	-1.6%
Current liabilities	\$ 2,022.9	\$ 2,126.7	\$ 24,734.1	\$ 34,779.2	\$ 26,757.0	\$ 36,905.9	-27.5%
Long-term liabilities	149.8	109.1	316.0	236.3	465.8	345.4	34.9%
Total liabilities	\$ 2,172.7	\$ 2,235.8	\$ 25,050.1	\$ 35,015.5	\$ 27,222.8	\$ 37,251.3	-26.9%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,467.0	\$ 1,362.4	\$ 72,537.5	\$ 47,945.8	\$ 74,004.5	\$ 49,308.2	50.1%
Restricted	-	-	2,332.5	1,778.9	2,332.5	1,778.9	31.1%
Unrestricted	28,106.8	42,677.4	17,991.6	21,142.0	46,098.4	63,819.4	-27.8%
Total net assets	\$ 29,573.8	\$ 44,039.8	\$ 92,861.6	\$ 70,866.7	\$ 122,435.4	\$ 114,906.5	6.6%

The Authority's total net assets increased \$7,528,886 in FY 2008, a \$14,466,044 decrease in governmental activities and a \$21,994,930 increase in business-type activities. Total net assets of the Authority are \$122.4 million, of which \$46.1 million is unrestricted.

A large portion of net assets (60.4%) represents the Authority's investment in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to the region's citizens; consequently, it is not the Authority's intention to sell these assets and they are therefore not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the Authority's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$46.1 million may be used to meet the Authority's ongoing obligations to citizens and creditors.

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

Changes in Net Assets

Total revenues of governmental activities decreased approximately 2.5% over the previous year and governmental expenses increased approximately 4.1%. Revenues of business-type activities decreased approximately 5.2% and expenses of business-type activities increased 31.4% in fiscal year 2008.

The following table compares the revenues and expenses of the Authority for the current and previous fiscal year:

Changes in Net Assets
Fiscal year ended June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2008	2007	2008	2007	2008	2007	
REVENUES							
Program revenues:							
Charges for services	\$ -	\$ 25.0	\$ 29,170.6	\$ 28,538.7	\$ 29,170.6	\$ 28,563.7	2.1%
Operating grants and contributions	2,062.6	2,494.6	1,421.9	642.3	3,484.5	3,136.9	11.1%
Capital grants and contributions	-	198.8	16,237.0	19,041.1	16,237.0	19,239.9	-15.6%
General revenues:							
Sales taxes	130,490.8	134,235.3	-	-	130,490.8	134,235.3	-2.8%
Interest earnings	2,503.9	1,664.4	536.1	945.2	3,040.0	2,609.6	16.5%
Other	142.8	-	1,688.2	2,564.3	1,831.0	2,564.3	-28.6%
Total revenues	135,200.1	138,618.1	49,053.8	51,731.6	184,253.9	190,349.7	-3.2%
EXPENSES							
Governmental activities:							
Regional planning	2,390.3	2,425.3	-	-	2,390.3	2,425.3	-1.4%
Transportation demand management	1,785.8	1,699.7	-	-	1,785.8	1,699.7	5.1%
Regional customer services	8,567.3	7,289.8	-	-	8,567.3	7,289.8	17.5%
Administration	1,941.4	2,688.4	-	-	1,941.4	2,688.4	-27.8%
Business-type activities:							
Transit service operations	-	-	96,796.9	60,090.2	96,796.9	60,090.2	61.1%
Light rail transit	-	-	65,243.4	63,225.7	65,243.4	63,225.7	3.2%
Total expenses	14,684.8	14,103.2	162,040.3	123,315.9	176,725.1	137,419.1	28.6%
Excess (deficit) before transfers	120,515.3	124,514.9	(112,986.5)	(71,584.3)	7,528.8	52,930.6	-85.8%
Transfers in (out)	(134,981.4)	(92,948.4)	134,981.4	92,948.4	-	-	0.0%
Increase (decrease) in net assets	\$ (14,466.1)	\$ 31,566.5	\$ 21,994.9	\$ 21,364.1	\$ 7,528.8	\$ 52,930.6	-85.8%

The largest financing source for the Authority as a whole is sales taxes (70.8%), and the major funding source for business-type activities is charges for services (59.5%). Business-type activities also receive substantial federal grants and contributions revenues (36.0%). The major funding sources of governmental activities are sales taxes (96.5%) and federal and state grants (1.5%).

The Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the third year of the Proposition 400 Transit Life Cycle Program (TLCP). The Public Transportation Fund (PTF) revenues are restricted to the implementation of the transit element of the Regional Transportation Plan (RTP). The laws pertaining to Regional Area Road Fund (RARF) revenues have changed beginning with FY 2006. Most notably, as a result of changes in the distribution of funds made by House Bill 2292, the amount of money that

the Authority received previously has been divided in two, with one half going to the Maricopa Association of Governments (MAG). Additionally, the allowable use of these funds has changed as well. Previously, RARF was unrestricted as to use. However, RARF revenue is now limited to fund administration in the General Fund and planning and is no longer available to fund transit services.

The largest user of resources for the Authority as a whole is the business-type activities (91.69%). For the governmental activities, the largest users of resources are regional customer services (58.34%), regional planning (16.28%), administration (13.22%), and transportation demand management (12.16%).

Total government-wide expenses of the Authority increased \$39.3 million (28.6%) in fiscal year 2008. Expenses of the governmental activities increased \$0.58 million (4.1%). This includes \$1.3 million (17.5%) increase for regional services due to an increase in customer service personnel and increase in expenses for the development of the Valley Metro website, \$0.35 million (1.5%) decrease for regional planning due to a decrease in consulting services and \$0.75 million (27.8%) decrease for administration due to a decrease in salary expenses in the Executive Director's Department. Expenses in business-type activities increased \$38.7 million (31.4%), due to the expansion of transit service and implementation of the third year of the Proposition 400 TLCF.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As previously mentioned, the Authority maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

The focus of the governmental funds financial statements (pages 15 - 19) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are presented in separate columns on these financial statements. All nonmajor governmental funds are aggregated into one column.

The fund balance of the governmental funds is \$28.8 million, a decrease of \$14.4 million, or 33.3%, from the previous year. Of the \$28.8 million total fund balance, the Authority has designated \$0.645 million for certain uses and the remainder is in unreserved fund balance (see Note 5 (page 38)). Unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. Of the \$28.8 million fund balance, \$3.1 million is reported in the General Fund, \$25.2 million is reported in the Public Transportation Fund and \$0.4 million is reported in the Nonmajor Governmental Fund. All other governmental funds are reimbursement-basis special revenue funds (i.e., revenues equal expenditures) that do not have fund balances.

The General Fund accounts for activities that include the Executive Director's office and finance and management services. General Fund revenues increased 3.5% over the previous year, primarily the result of an increase in Regional Area Road Funds (RARF) revenues allocated to the general fund of \$4.2 million. As mentioned above, RARF revenue is now limited to administration in the General Fund and planning and is no longer available to fund transit services.

The Public Transportation Fund was a fund developed in FY 2006 for activities relating to the first year of Proposition 400 Public Transportation Fund (PTF) sales tax revenues. The \$126.3 million PTF sales tax revenue represents the second full year of earned revenue and decreased by \$3.9

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

million from last year. The decrease was due to the weakened economy during FY 2008 creating a decline in sales tax revenue.

The nonmajor governmental funds are aggregated in one column and include the Transit Planning Fund, the Transportation Demand Management Fund, Regional Customer Services, and the Capital and Other Grants Fund.

The Transit Planning Fund accounts for activities related to the development of strategies to promote social and economic well being of the community through the provision of an efficient and effective regional transit system. Revenues decreased 61.3% and expenditures decreased 2.2% from the prior year due to a decrease of Federal grant funds available for planning studies. Prior to 2006, sales taxes allocated to the Transit Planning Fund were shown as revenues. These monies are now shown as transfers in. Total transfers in increased 29.1% over the prior year.

The Transportation Demand Management Fund accounts for activities related to the countywide ridesharing program, trip reduction program and clean air campaign. Revenues increased 5.1% and expenditures increased 5.2% from the prior year due to an increase in grant funds available for trip reduction and ridesharing programs.

The Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region. Revenues decreased 48.1% from the prior year due to a decrease of Federal grant funds available and expenditures increased 9.3% from the prior year due to an increase in the customer service and marketing programs. Prior to 2006, sales taxes allocated to the Regional Customer Services Fund were shown as revenues. Total transfers in of sales taxes increased 12.0% over the prior year.

The Capital and Other Grants Fund accounts for state and federal grant revenues and expenditures not related to planning, transportation demand management or Regional Customer Services. Revenues decreased 46.1% due to a decrease of Federal grant funds and expenditures increased 194.7% from the prior year due to the purchase of a new financial management system. Prior to 2006, sales taxes allocated to the Capital and Other Grants Fund were shown as revenues. These monies are shown as transfers in. Total transfers in increased 193.7% over the prior year.

For the governmental funds only, the July 1, 2007 beginning fund balances totaling \$468,980 have been restated upward as a result of reclassification of the unpaid compensated absences, \$164,327 in the General Fund and \$304,653 in the Nonmajor Governmental funds, which were accrued as current liabilities and expenditures prior to fiscal year 2008. See Note 1 (k) for current accounting policy.

Proprietary funds

The proprietary fund financial statements (pages 20 – 22) are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each enterprise fund is a major fund and is shown discretely on the fund statements.

Net assets of the enterprise funds increased \$21,994,930 during fiscal year 2008, primarily due to the net change in capital assets.

The Transit Service Operations Fund accounts for the activities related to the operations of local

and express bus, dial-a-ride and vanpool services for the region. Net assets increased 41.7%, (\$25,158,327), primarily the result of the changes in capital assets related to vehicle purchases.

The Valley Metro Rail Fund accounts for staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. (VMR) and the PTF sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects. Valley Metro Rail, Inc. is a nonprofit corporation organized for the purpose of planning, designing, constructing, and operating the light rail transit project in metropolitan Phoenix (see Note 1(a) on page 25). The Valley Metro Rail Fund has net assets of \$7,364,557 as of June 30, 2008 as compared to net assets of \$10,527,954 at the end of the previous year. In fiscal year 2008, the Valley Metro Rail Fund received 43.24% of the total PTF sales tax revenues distributed to the Authority, totaling \$54,622,329 and receives 11.9% of the total RARF sales tax revenue, totaling \$500,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was no change in appropriations between the original and final amended expenditure budget. However, there was a \$348,168 net increase in revenues between the original and final amended budget primarily due to the revised interest earnings.

For the year ended June 30, 2008, actual expenditures were under the final amended budget amounts by \$578,168. The positive variance was attributable to the Executive Director's Office and finance and management services activities of the General Fund being under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2008, the Authority had \$74.0 million invested in various capital assets, net of accumulated depreciation and related debt. There was a net increase in capital assets, net of accumulated depreciation and related debt, of \$24.7 million from June 30, 2007, which consisted of a net increase of approximately \$0.1 million resulting from governmental activities and a net increase of \$24.6 million resulting from business-type activities.

The following table provides a breakdown of capital assets of the Authority at June 30, 2008 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 6 on pages 39 - 41.

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

Capital Assets, Net of Depreciation

As of June 30

(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2008	2007	2008	2007	2008	2007	
Transit fleet	\$ -	\$ -	\$ 47,892.2	\$ 43,741.7	\$ 47,892.2	\$ 43,741.7	9.5%
Computers & software	918.9	742.3	48.5	73.8	967.4	816.1	18.5%
Equipment	366.4	83.9	5,234.0	1,858.2	5,600.4	1,942.1	188.4%
Vehicles	55.6	79.1	-	-	55.6	79.1	-29.7%
Site Improvements	-	-	662.3	650.9	662.3	650.9	1.8%
Furniture & fixtures	126.1	158.8	40.3	52.2	166.4	211.0	-21.2%
Work-in-progress	-	298.3	18,660.2	1,568.9	18,660.2	1,867.2	899.4%
Total assets	\$ 1,467.0	\$ 1,362.4	\$ 72,537.5	\$ 47,945.7	\$ 74,004.5	\$ 49,308.1	50.1%

Capital Lease Obligations and Short-term debt

At fiscal year end, the Authority had no outstanding debt obligations.

ECONOMIC FACTORS

The Authority's major initiative for fiscal year 2008 was to begin the phased implementation of the approved 20-year strategic plan. This included identification of an organizational structure that reflects the results of the strategic plan. Additionally, a number of agency focused studies were completed to prepare the agency for the next 20 years.

The key initiatives for fiscal year 2008 included:

- Development of specifications and implementation of a new Financial Management system, which will improve budgeting and financial reporting, as well as encumbrance accounting and will better link the procurement and human resources functions. The new system will benefit both RPTA and Valley Metro Rail. Go-live date was on July 1, 2008.
- Phased implementation of a 20-year strategic plan to coincide with the implementation of the Regional Transportation Plan as approved by the voters in November 2004 (Proposition 400).
- Establishing an organizational structure to carry out the strategic plan.
- Completion of a Regional Paratransit Study.
- Completion of a Service Effectiveness/Efficiency study to determine the overall performance of current bus service offerings through a detailed analysis of performance factors. Outcomes include strategies to improve, eliminate or modify the lowest performance-related services and development of recurring evaluation strategy and methodology that can be applied to a regular rating process.

The adopted FY 2009 combined operating and capital budget is \$319.0 million (up 33% from fiscal year 2008). The FY 2009 budget includes the third full year of projects funded with Proposition 400 PTF sales tax revenues (\$133.5 million). Of the \$133.5 million PTF revenue budgeted, \$75.8 million is for bus operating and bus capital and \$57.7 million is for light rail/high capacity capital. The total operating budget of \$87.9 million represents a \$10.9 million (14%) increase over the fiscal year 2008 operating budget of \$77.0 million. The total capital budget of \$231.1 million represents a \$67.9 million (42%) increase over the fiscal year 2008 capital budget of \$163.2 million. The major reason for the large increase in the capital budget is directly related to the projects programmed in the Transit Life Cycle Program (TLCP) for fiscal year 2009. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2009.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the Authority's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the Authority's Deputy Executive Director of Finance, Valley Metro RPTA, 302 North First Avenue, Suite 700, Phoenix, Arizona 85003.

December 23, 2008

Management and the
Board of Directors of
Valley Metro Regional Public Transportation Authority

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority (Authority) for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Valley Metro Regional Public Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Valley Metro Regional Public Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Valley Metro Regional Public Transportation Authority's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Valley Metro Regional Public Transportation Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Valley Metro Regional Public Transportation Authority's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated August 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Valley Metro Regional Public Transportation Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended June 30, 2008. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based on an analysis of historical data. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of our audit, we made recommendations to management to improve its internal controls in the form a Management Letter. We made an additional recommendation to ensure compliance with OMB Circular A-133. That recommendation is included in the Single Audit Report.

This information is intended solely for the use of Board of Directors and management of Valley Metro Regional Public Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Cronstrom, Osuch + Company, P.C.

Cronstrom, Osuch & Company, P.C.

Enclosures:

Comprehensive Annual Financial Report
Management Letter

Board of Directors of
Valley Metro Regional Public Transportation Authority

In planning and performing our audit of the financial statements of the Valley Metro Regional Public Transportation Authority (Authority) for the year ended June 30, 2008 we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide an opinion on internal control.

However, during our audit, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 11, 2008 on the financial statements of the Valley Metro Regional Public Transportation Authority.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Authority personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

COMPUTER CONTROLS

<i>Condition/ Context</i>	A disaster recovery or contingency plan was not adopted.
<i>Criteria</i>	Internal control procedures.
<i>Effect</i>	Internal control weakness.
<i>Cause</i>	Management oversight.
<i>Recommendation</i>	In order to strengthen internal controls and effectively plan for continuous business operation in the case of an emergency, a disaster recovery or contingency plan should be adopted.

We wish to thank the Director and his staff for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Cronstrom, Osuch + Company, P.C.
Cronstrom, Osuch & Company, P.C.

December 11, 2008

Response to Auditor's Comments on the Internal Control Issue

1. **Computer Controls** – A disaster recovery or contingency plan was not adopted.

Response and corrective action: RPTA has just recently hired a Safety & Security Manager and will take the lead on developing a comprehensive disaster recovery or contingency plan. An RFP advertisement is currently under development to obtain the services of a qualified and experienced consultant, who has the ability to - in partnership with Valley Metro management – develop and implement a business continuity/disaster recovery plan. The consultant, using today's best practices, Federal Emergency Management Administration, Department of Homeland Security/Transportation Security Administration, United States Department of Transportation (Federal Transit Administration), American Transportation Passenger Association, and other general industry and transit-specific guidelines and regulations to build upon. Timeline for completion of this comprehensive plan will be approximately 12 months.

2. **Compliance with OMB Circular A-133** - The first, second and third quarter grant status reports were not properly supported during the fiscal year. In order to comply with OMB Circular A-133, documentation should be maintained to support the quarterly grant status report.

Response and corrective action: RPTA concurs with this recommendation and with its new accounting software, we will have the ability to encumber open purchase orders and provide a report of encumbered amounts to support the figures on the quarterly grant status reports.



Budget and Finance Subcommittee Information Summary

Agenda Item #4

Date

January 15, 2009

Subject

Transit Life Cycle Program (TLCP) Recommendations

Summary

Attached are the six white papers currently being discussed along with recommendations for policy changes and guidance.

Considerations

The white papers all have recommendations, which may include policy changes, policy guidance or additional work needed. The Budget and Finance Subcommittee may approve the recommendations for policy changes and forward them to the Board of Directors for approval in February. Alternately, the Subcommittee may wait for the staff committees to review the impacts of the recommendations prior to approving them on February 5.

Committee Action Process

Valley Metro Operations and Capital Committee January 27, 2009
Finance Oversight Advisory Committee January 27, 2009
Transit Management Committee February 4, 2009
Budget and Finance Subcommittee February 5, 2009 for action
Board of Directors February 19, 2009 for action

Recommendation

This item is for possible action.

Contact Person

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Attachments

Regional Services white paper
Contract Rates white paper

Inflation white paper
Revenue Shortfalls white paper
Federal Revenues white paper
Financing white paper
Draft TLCP Inflation Research
TLCP Powerpoint presentation

TLCP Issues and Policy Discussions

Inflation

Priority

This issue is of importance to the TLCP financial model and should be resolved prior to the next TLCP Update.

Policy Issue

The Board may be asked to approve a set of inflation indexes for variables such as labor, fuel and construction materials to use for various programs and projects in the TLCP, rather than a single average inflation rate as used in the current adopted financial model.

Background

Inflation in the TLCP has been assumed at 3% per year over the life of the plan. This was based on historical inflation rates. Generally, in the 20 years preceding the TLCP, the average annual general inflation rate (CPI) was about 3%. Therefore, this was used as the annual average rate moving forward. Given some of the instability in the economy and some of the drastic changes in pricing, especially in energy, and also that the TLCP represents projects of different types (operations and construction), it makes sense to take a closer look at how inflation affects the different types of projects in the TLCP. Inflation rates are especially critical when every route and capital project, with the exception of park and ride lots and transit passenger facilities, is 100% funded by the Public Transportation Fund (PTF).

Analysis

Staff will take a look at historical rates of inflation using various indexes, such as Consumer Price Index (CPI), Gross Domestic Product (GDP) deflator, and the Producer Price Index (PPI). We will also look at historical experience (especially for contract rates) to see if any particular index mirrors the local experiences. The goal is to find an index, or several indexes, that closely match our experience that can be forecast to better predict future costs. We may end up with a different inflation rate assumption for contract rates than for construction projects or bus purchases.

Results

HDR was asked to conduct the research on inflation indexes for this task. Attached is an initial draft of the research conducted. Consistent with the other issues, no recommendation is offered at this time. However, it is clear that there are differences in the indexes that would impact the expenditure assumptions in the TLCP model. Many of the indexes cited have average changes that are above the three percent assumed in the TLCP. Moving to higher inflation rates for certain components of the TLCP will increase expenditures in the cash flow model, which may require program changes in order to balance the model.

Additionally, operating costs for the region were analyzed to determine if any trends exist. The attached table uses data from the Performance Management Analysis System (PMAS) which has been used to collect regional data for nearly 20 years. The data now feeds the annual Transit Performance Report. The total operating costs reported by the agencies and revenue miles operated were used to calculate and average operating costs per mile for the region. This softens any variations that result from changes in individual contract rates.

Average Operating Cost per Revenue Mile

Fiscal Year	Revenue miles <i>(millions)</i>	Operating costs <i>(millions)</i>	Cost per mile	% Change
1994	12.43	\$47.28	\$3.80	
1995	13.47	\$51.20	\$3.80	-0.09%
1996	13.66	\$52.77	\$3.86	1.58%
1997	14.33	\$51.43	\$3.59	-7.08%
1998	14.74	\$61.58	\$4.18	16.42%
1999	16.23	\$65.86	\$4.06	-2.84%
2000	18.04	\$74.74	\$4.14	2.08%
2001	20.63	\$93.81	\$4.55	9.73%
2002	23.05	\$106.21	\$4.61	1.37%
2003	25.20	\$120.71	\$4.79	3.94%
2004	25.89	\$126.96	\$4.90	2.39%
2005	25.74	\$121.95	\$4.74	-3.39%
2006	26.13	\$129.64	\$4.96	4.70%
2007	28.81	\$152.23	\$5.28	6.53%
2008	32.76	\$183.81	\$5.61	6.19%
Average growth for period (1994-2008)				2.81%
Average growth for past 10 years (1999-2008)				3.66%
Average growth for past 5 years (2004-2008)				3.42%

The following chart shows the average cost per mile along with a trend line. This shows clearly that costs rose more rapidly than the trend line in the past 3 or 4 years. However, this trend may not continue over the long term, especially given that fuel prices have reduced dramatically in the past few months and economists are currently worried about deflation.

Average Cost per Revenue Mile



Committee Input

All committees have agreed that an appropriate inflation rate should be used. They all agreed that using separate rates was a good idea in concept, but there was some concern among staff. The concern is that specific indexes may differ greatly from the inflation assumption used in generating the revenue forecast. A significantly higher inflation rate on the expense side would result in much higher expenditures due to the compounding effect. A compromise was suggested and well received by both staff committees; to use separate inflation rates in the short term, perhaps up to five years, but use the long term average rate through the end of the program.

Recommendation

Staff recommends that the inflation policy be modified as follows:

Inflation will occur throughout the TLCP. The original project budgets listed in the 2003 approved RTP were expressed in 2002 dollars. The annual update of the TLCP will require that the project budgets be adjusted to account for the past year's inflation.

1. The regional funding specified in the original RTP for a project will be adjusted annually for inflation based on the All Goods United States Consumer Price Index (CPI) except for the following categories.
 - a. Transit vehicle costs will be adjusted using the Producer Price Index, Total Manufacturing Industries
 - b. Capital facilities costs will be adjusted using the Engineering News Record Construction Cost Index

2. Forecasted inflation for future costs will be differentiated between short term (3 years) and long term rates.
 - a. Short term rates will use the following categories and be based on recent experience and/or published forecasts:
 - i. Transit vehicles
 - ii. Capital facilities construction
 - iii. Operating costs
 - iv. Other costs
 - b. Long term rates will be used for all categories beginning in the fourth year of planned expenditures and will be based on Consumer Price Index history.

TLCP Issues and Policy Discussions

Contract Rates

Priority

This issue is of importance to the TLCP financial model and should be resolved prior to the next TLCP Update.

Policy Issue

The Board may be asked to modify the cost allocation model used by RPTA to charge members (and the PTF) for services, based on the review of the allocation models used in the region, and/or discuss new contracting strategies.

Background

There has been much discussion about the differences in the various contract rates. The Budget and Finance Subcommittee has asked RPTA staff to review and analyze the rates and to make some recommendations regarding how to best address the issue. An audit has been conducted of the various rates and some analysis has been done to better understand what makes up each agency's rate. Based on this analysis, staff may make some recommendations as to how to modify the rate structure to ensure that the rates are comparable.

Analysis

RPTA tasked its auditor, Cronstrom Osuch and Company, with reviewing the contract rates charged by RPTA, Phoenix and Tempe. Most of the data collection is complete; however a final report has not been submitted.

In the absence of the detailed comparison of rates, a discussion of RPTA's rate will be included. Specifically, the items included in RPTA's rate will be identified along with options for other items which could be included.

In addition, a discussion of methodologies will be provided. The region uses revenue miles to allocate costs and charge for service. Historically, each contract has had a single rate regardless of the type of service operated. More recently, and to account for the higher deadhead on express services, Phoenix and Tempe have bid their contracts with separate rates for local and express services. RPTA still uses one rate, despite operating both local and express services.

Results

Philosophically, RPTA includes in its rates only costs that are directly attributable to operations, contract oversight and associated overhead. Programs that are funded by other means, such as regional services, are not included as charges in the contract rates. Some administrative functions are in the rate, including some operations planning and financial analysis, however most of the administrative functions in the agency, such as accountants, accounts payable clerks and payroll clerks, are charged to the project as part of the administrative overhead. However, other salaries for staff not directly involved in operations, such as the Executive Director and Chief of Staff, are not included in the rate. The impact of adding more staff time and associated overhead would be to increase the contract rate and

decrease the planning and administrative expense charged directly to the PTF or RARF. However, the costs that are moved into the rate would be borne by all service purchasers and not just PTF funded service.

RPTA does not include any charges for capital used in the operation of service, such as buses, maintenance facility depreciation or associated tools and equipment. Many systems charge depreciation as a service cost and set those funds aside to pay for future capital. RPTA currently pays for replacement for all fleets through the TLCP. Facility capital and associated equipment expenses are charged in the contract rate in the year in which they occur. A large capital expense in a particular year would have a significant impact on the rate charged that year. Charging depreciation would smooth out the rate changes, as significant expenses would be paid from the reserved funds.

Adding fleet depreciation to the contract rate and reserving those funds would ensure that funds would always be available to purchase the fleet needed to maintain the existing system. This would remove fleet replacement costs from the TLCP. This would also ensure that capital used in providing service is paid by those who have requested and pay for the services. Services funded by the PTF would pay their share of capital through the contract rate.

Express services operate with much higher deadhead than do local services. Deadhead refers to the time and miles used to move buses from the operating base to the beginning of revenue service and back to the operating base at the conclusion of revenue service. For instance, if a bus travels 5 miles to its starting point, operates 200 revenue miles, then travels 5 miles back from its end point, then the 10 miles of total deadhead represents 5% of revenue service. In contrast, an express bus that travels 5 miles to its starting point might then operate only one trip of 30 miles then travel back to its base an additional 25 miles. This represents a deadhead of 100% of revenue miles.

When contract rates are allocated based solely on revenue miles, such as RPTA's rates do, then the costs for express service are under-estimated and local services are over-estimated. This is because revenue miles do not account for the discrepancy in deadhead. An alternative would be to calculate two separate rates, using total miles (revenue plus deadhead) to allocate costs between local and express. This would result in a higher rate per revenue mile for express services and a lower rate for local services. If RPTA were to implement this system, then the TLCP would be negatively impacted, since all of the express services that RPTA operates are funded through the PTF. The full increase in the express rates would be borne by the PTF, but the decrease in the local rates would be shared among all service purchasers and not only the PTF. Using this methodology, the Veolia RPTA rate estimated at \$5.62 for FY 2010 would be split into two separate rates estimated at \$8.98 for express services and \$5.21 for local services. This split increases the cost to the TLCP by approximately \$1 million for FY 2010.

Another alternative would be to allocate rates on total miles. This would take into account not just the difference in deadhead between local and express, but the difference in deadhead among all routes operated. The result would be differing costs per revenue mile for each route operated due to the different deadhead for each route.

Some agencies argue that the majority of operating costs are related more to time (e.g. labor costs) than to miles. Hours could certainly be used to allocate costs for service. Again, either

revenue hours or total hours (revenue plus deadhead) could be used for this calculation. This method would decrease costs for faster services such as express, which operate a significant portion of their time on freeways, relative to the miles methodology.

Finally, some agencies use a mix of methodologies to allocate costs. Expenses that are time related, such as labor, are allocated using hours and expenses that are distance related, such as fuel, are allocated using miles. This mixed methodology would be difficult for RPTA to implement as most of the costs are paid through its contract and are not itemized. The fees paid to its contractor would need to be broken down by type in order to be allocated by time or distance and the effort to detail that information may not be worth the time.

Some have suggested capping the rates for services which are funded by the PTF. This would effectively force a local match for regionally funded service. The concept of a local match for transit was debated at the MAG Transportation Policy Committee during plan development and the TPC decided that there should be no local match. Given that, the only way to cap what the PTF funds would be to limit the service levels for routes that are provided by contracts with high rates. This is an option, but may be considered as contrary to the voter approved plan. This would also suggest that services might need to be cut if a particular service procurement resulted in a significantly higher rate.

Committee Input

Most of the discussion focused on the option of including a capital charge in RPTA's operating rate. Most agreed that it would be a good policy, but there were some concerns about the consequences.

There was some concern that costs were being shifted from the PTF to the cities' budgets. Most replacement buses are currently programmed in the TLCP for PTF funding. If the funding were to come from the capital charge, then a portion of the funding would be borne by the cities. There was also some concern about how that shift would affect the jurisdictional equity positions.

There was also some concern that this is simply not the time to add costs to the program. There was a suggestion to set this aside and revisit when revenues begin rising.

There was agreement among staff committees that splitting contract rates between local and express was equitable, although that does push additional costs into the TLCP. It was suggested that this issue also be set aside until revenues begin rising again.

Recommendation

Staff recommends that the RPTA split its operating contract rate between express and local to remain consistent with other regional service providers. No other changes are recommended until the audit of contract rates has been completed.

TLCP Issues and Policy Discussions

Regional Services

Priority

This issue is of importance to the TLCP financial model and should be resolved prior to the next TLCP Update.

Policy Issue

The Board may be asked to review the current policy that requires the Public Transportation Fund to pay for all regional services, even if increases in those services are a direct result of transit improvements funded wholly by member cities. Staff will present the cost implications of the current policy, given the established plans for increased transit services.

Should the Board change the policy and require cities to pay for a portion of regional services costs, the timing of the policy change should allow for the cities to properly budget the expense and/or should allow for alternatives such as utilizing jurisdictional savings from other RTP projects.

Background

The Regional Services area provides services for the system such as Bus Book production, printing and distribution, Customer Service call center and regional marketing. Historically, the regional services functions were funded by all agencies that funded fixed route bus service. An accounting of how many revenue miles of service was funded by each agency was kept and at the end of each year the costs were allocated and reconciled to the amounts paid (based on budget estimates). Included in the Regional Transportation Plan and Proposition 400 were allowances for the incremental costs for regional services attributed to the increased services in the plan. However, one of the first decisions made during the development of the TLCP was to eliminate this cost allocation method and simply have the PTF fund all regional services. As a result, any increases in regional services, whether attributable to PTF funded services or not, are paid with PTF. The one exception is the increase in costs attributable to new rail service. METRO will be charged a portion of the regional services costs based on the increase in staffing required to meet the anticipated call volume in the customer service call center.

Analysis

The TLCP bases its cost estimates on current budget with inflationary increases. There is no provision for additional staff even though there are large increases in service planned in the TLCP, not to mention additional service increases funded wholly by the cities. Staff will estimate the impact of the additional planned services and incorporate additional regional services costs into the TLCP model to better reflect what will happen in the future. This will have a negative impact on the model. If the impact is large, an option may be to revert to the cost allocation methodology of the past and have all agencies share in the costs or share in costs above some base level of PTF funding.

Results

Customer Service is the single largest program within Regional Services and will be used as a proxy for all Regional Services costs. This is one method that could be used and is illustrative

only. As more services are provided, the regional services budget needs to increase to account for additional customer service, additional Transit Book production, additional web site costs, etc. Rather than calculating each item separately, growth in customer service staff is the proxy used for growth in all programs, since it accounts for more than 40% of the regional services budget. Using this method does not guarantee that staffing would be automatically increased in the annual budget.

It is estimated that 29 staff will be needed, in addition to the current staff of 54, in the Customer Service area in order to meet the future needs. Of the 29 new positions, 9 are intended to support rail operations and will be funded through the rail operations budget. The remaining 20 are intended to support bus operations and represent an increase of 37% of current staffing levels. These will be phased in over time through the end of the TLCP planning horizon, with 1 new position each year.

Using these new staffing levels as a ratio of current levels gives a multiplier which is applied to the costs in the adopted model. For instance, in FY 2010 it is assumed there will be one additional staff member. The ratio is then 55/54, or 1.0185, which is applied against the adopted Regional Services costs of \$8.60 million to give a new cost of \$8.76 million. This calculation is done each year through the end of the program. The additional costs that are attributable to increased service levels total approximately \$38.2 million.

A table that summarizes these calculations is provided as Attachment 1. Additional positions for rail are based on planned openings of the extensions and are shown for information, but are not included in the calculations for regional services costs.

Committee Input

Nobody was in favor of changing the current policy. However, there was much concern regarding raising the funding level for regional services. Some members felt that the time was not right and that the issue should be re-visited when revenues begin rising again. Others were concerned that regional services could become very expensive if not kept in check and that the program should remain constrained.

There were questions about how staffing levels are determined, especially for the call center. Some information on the performance measures used in the call center to help determine staffing levels will be provided.

Recommendation

Staff recommends that the policy not be changed. However, a detailed analysis of customer service staffing will be conducted and brought back to the Subcommittee for their review.

Attachment 1

Regional Services Costs

(millions of YOE dollars)

<u>Fiscal year</u>	<u>Adopted</u>	<u>Modified</u>	<u>Difference</u>	<u>Staff (CS)</u>	<u>New for Bus</u>	<u>New for Rail</u>
2010	\$8.60	\$8.76	\$0.16	55	1	
2011	\$8.86	\$9.19	\$0.33	56	1	
2012	\$9.12	\$9.63	\$0.51	57	1	1
2013	\$9.40	\$10.27	\$0.87	59	2	
2014	\$9.68	\$10.93	\$1.25	61	2	
2015	\$9.97	\$11.45	\$1.48	62	1	2
2016	\$10.27	\$11.98	\$1.71	63	1	
2017	\$10.58	\$12.54	\$1.96	64	1	2
2018	\$10.89	\$13.11	\$2.22	65	1	
2019	\$11.22	\$13.92	\$2.70	67	2	2
2020	\$11.56	\$14.55	\$3.00	68	1	
2021	\$11.44	\$14.62	\$3.18	69	1	
2022	\$11.78	\$15.27	\$3.49	70	1	
2023	\$12.13	\$15.95	\$3.82	71	1	
2024	\$12.50	\$16.66	\$4.17	72	1	
2025	\$12.87	\$17.40	\$4.53	73	1	2
2026	\$7.73	\$10.60	\$2.86	74	1	
Total	\$178.61	\$216.84	\$38.23		20	9

TLCP Issues and Policy Discussions

Revenue Shortfalls

Priority

This issue is of importance to the TLCP financial model and the RPTA Budget and should be resolved prior to budget approval and the next TLCP Update.

Policy Issue

The Board may be asked to approve strategies to reduce costs, including considering hiring freezes/other methods in use by member agencies.

The Board may also be asked to approve a fare increase to help offset the rising cost of providing service. A fare study currently underway will make a recommendation on whether an increase is warranted.

Background

FY 2008 has seen a decline in sales tax revenues from the previous year which has not happened in Arizona in decades. During past economic downturns, population growth has been strong enough such that total revenues collected have still increased. This decrease in revenues will have a negative impact on the model. In combination with other decreases in revenues, it is highly likely that the next TLCP update will be as difficult, if not more difficult, than the FY 2008 Update. RPTA staff will need to look more aggressively at existing projects, existing services, and administrative costs and make some recommendations on how to make up the revenue shortfalls to ensure a balanced TLCP.

Discussion

The Executive Director has taken steps to reduce expenses in the current budget. The cuts total approximately \$3.5 million for the current fiscal year. The projected shortfall is approximately \$10 million. There is likely \$24 million to \$26 million in the capital budget that will be deferred to next fiscal year. The deferments are sufficient to resolve the remaining \$6.5 million deficit in the current budget. However, deferring expenses only push the pain out to the next year. The updated forecast for the Transportation Excise tax is significantly lower; therefore the remaining years of the TLCP will likely all need to be adjusted in order to balance the plan.

In the FY 2008 TLCP Update, contingencies were cut and some smaller capital facilities were eliminated in order to balance the TLCP. However, there was a heavy emphasis on financing in order to ensure that schedules are met. It is unlikely that such small changes will be sufficient to balance the TLCP this year and additional financing will only exacerbate the shortfall in revenues. Projects will need to be scaled back, either by delaying implementation or construction, or by limiting the scope and service levels.

The 2008 update to the transportation excise tax revenue forecast was approved by the State Transportation Board on November 14. The forecast reduced anticipated revenues for the tax by more than \$1.2 billion through the end of the tax. For transit, which receives 33.3% of the revenues, this represents a decline of \$377.6 million. Based on TLCP policies, this shortfall is further allocated between the bus and rail programs: \$214.3 million for the bus program and

\$163.3 million for the rail program. Attachment 1 has a comparison of ADOT's revenue forecasts, beginning with the assumption in the Regional Transportation Plan, for transit's share of the revenues.

Inserting the updated forecast results in the bus cash flow model, the operating model is able to be funded each year with current revenues; however the capital model shows a deficit in every year until the final year of the plan. The ending cash balance is positive by less than \$5 million before any financing costs and without any adjustments to expenditures. With such a small positive balance at the end of the program, it is clear that financing cannot be used to resolve the interim deficits. Reductions in projects will be needed to balance the program in this update.

Analysis

The costs for the Regional Office Center, which had been programmed in the 2008 TLCP Update, will be removed and replaced with lease costs. For purposes of the initial analysis, the lease costs will be increased by an additional 20% beginning in FY 2011 to reflect a new lease and potentially additional space. This results in savings of approximately \$30 million in the program. This issue will be further refined in the next year or so as RPTA examines its options with regards to office space.

There is a proposal to increase fares for the system. One option would increase the average fare recovery for the system above the target of 25 percent. The financial model currently assumes an average recovery for fixed route services of 25 percent. The model could be adjusted to increase the average fare recovery.

Staff will look at options for reducing operating costs. Fixed route bus operations accounts for approximately 73% of costs in the bus operations program. Options will include delaying implementation by one, two and three years; reducing the peak headways on all supergrid service to 30 minutes all day, rather than 15 minutes in the peak hours and 30 minutes during off-peak hours; and eliminating all reverse commute express trips. Reducing service will have an associated reduction in fleet needs, which will be included as part of the analysis.

ADA reimbursements account for nearly 11% of costs in the operating program. Since the reimbursement amounts are tied to the revenues by policy, the amounts allocated to ADA decrease commensurate with the decrease in revenues. The reimbursements have a direct impact on member city budgets, as they help offset the cities' ADA costs. Any further reduction in ADA reimbursement allocations would directly impact several cities which are already drawing 100% of their ADA allocations. Because of the direct relationship to cities' budgets, staff will not recommend changing the policy for ADA reimbursements.

Regional services costs are the next largest component of bus operations, accounting for over 7% of costs. Regional services are discussed in a separate white paper and will not be part of this specific analysis.

RPTA planning and administration costs, excluding office space, account for just under 4% of bus operations costs. This category is also the subject of a separate white paper, although of a lesser priority and will not be resolved prior to the model update. This update will continue to include status quo plus inflation for planning and administration costs.

Safety and security allocations account for just over 2% and contingency just under 2% of costs. Staff will not look at reducing the amounts allocated to these programs. Both are based on formulas tied to service costs and so will be reduced as changes to service are made in the model.

For the bus capital model, the single largest expense is for fleet; almost 70% of the future capital program expenditures. Of that amount, almost 61% is for fixed route fleet, 6% for paratransit fleet, less than 3% for vanpool fleet and less than 1% for rural fleet. The paratransit and rural fleets are almost exclusively replacement vehicles for existing fleets and do not represent expansions. Eliminating these costs would result in those services operating vehicles past their useful life or providing less service. The vanpool fleet includes expansion of 25 vehicles per year along with replacement vans.

The fixed route buses include replacement buses and expansion to meet the needs of the Regional Transportation Plan. As planned services are modified, the fleet requirements change and impact the costs associated with fleet acquisition. The impacts of those changes will be determined as the service change analysis is completed.

The remaining 30% of the bus capital program is for facilities and includes, in order of magnitude, operations and maintenance facilities, Bus Rapid Transit capital improvements, contingencies, park and rides, transit centers, Intelligent Transportation Systems costs and bus stop improvements and amenities. It is assumed, however, that both the bus stop program and the ITS program are paid with 100% Public Transportation Fund dollars, whereas the other programs may receive up to 80% federal assistance.

Results

The adopted model currently estimates a total of \$532.6 million in fare revenues on \$2,125.5 million of operating expenditures, for an average recovery of 25.06 percent over the program. Without accounting for adjustments in operating costs, each increase of one percent (e.g. from 25 to 26 percent) in the fare recovery would add approximately \$21.2 million in fare revenue to the program.

Delaying supergrid and BRT/express services by one year decreases expenditures by approximately \$113 million. This total includes the decrease in service costs and associated costs, such as safety and security and contingencies. This assumes no changes to other programs or assumptions and only delays services which have not yet been implemented. Delaying services for 2 years results in a decrease of \$223 million, all inclusive; and delaying for 3 years decreases costs by \$323 million. It should be noted that by delaying services for 3 years, one supergrid (Litchfield Road) and one BRT (Chandler Boulevard) would not be implemented by the end of the program.

The savings in operations costs would be partially offset by the loss of fare revenues. The decrease in fare revenues under each scenario is \$27 million, \$53 million and \$77 million. The net savings by delaying services then would be \$86 million, \$170 million and \$246 million.

The delay in service implementation would result in a delay in fleet acquisition and subsequently fleet replacement. The need to replace buses would be deferred beyond the plan and would save approximately \$24 million for a one year delay, \$103 million for a 2 year

delay and \$195 million for a 3 year delay. Assuming that fleet is acquired with 80% federal participation, the savings in PTF would be only 20% of those amounts.

The other option for reducing service costs would be to eliminate peak service. Again, only future services have been eliminated. Any supergrid routes already implemented with peak service would not be affected. The reduction in costs by limiting all supergrid services to 30 minute headways all day would be approximately \$91 million.

Committee Input

There was an overall concern with making any changes that shift the burden to the cities. Some of the alternatives presented do shift costs and it is evident that viable alternatives will be ones that increase revenues or decrease expenditures without affecting the members' budgets.

The preference for making changes to operations seemed to be first to limit the implementation of new services, perhaps by phasing the implementation. This could include not implementing any peak level service on supergrid routes or any reverse commute trips on new express routes. Additional peak service could be added after a set time period or when certain productivity measures were met. The preference seemed to be for time based, rather than performance based, increases.

Delaying services were less preferable and the main concern was that cities would be forced to continue funding existing routes, effectively shifting costs to the cities. An option discussed would be for the PTF to begin funding existing service according to the original schedule and only service increases would be delayed.

All staff committee members were opposed to making any changes to the ADA Paratransit policy. And all were supportive of reducing or holding steady the costs for RPTA planning and administration.

There was little discussion on options for reducing capital facility expenditures. The BFS asked staff to consider the impact of extending the useful life of buses to 14 or 15 years, rather than the planned 12 years.

Recommendation

Staff recommends that the following measures be implemented in the financial model in priority, as needed:

- Fares - Adjust the average fare recovery up, the amount depending on the result of the fare increase process

- Limit administrative costs – Limit RPTA's planning and administration costs to inflationary increases based on the current reduced budget amount.

- Limit scope of service improvements – Service improvements should be phased in. New routes should be implemented at 30 minute headways and improved only after demand is demonstrated. Existing routes should be implemented at existing headways unless demand is high enough to warrant better headways, up to the maximum revenue miles allocated in the TLCP.

Eliminate regional funding for certain capital projects – Regional funds should only be provided for capital projects that are integral to providing service and/or directly serve passengers.

Delay service improvements – Assume funding of existing service according to the original schedule, but delay any improvements to the service. Delay implementation of new routes.

TLCP Issues and Policy Discussions

Federal Revenues

Priority

The issue of estimating federal revenues is of importance to the TLCP financial model and should be resolved prior to the next TLCP Update. The potential new policy regarding regional support for federal discretionary funds is not critical to the update and may be discussed concurrently with or subsequent to the update. However, it is important as the Board will soon consider FY 2010 regional transit federal discretionary funding requests and the reauthorization of the national surface transportation program.

Policy Issue

The Board may be asked to approve a reduction in estimated federal revenues in the TLCP financial model as part of the TLCP Update for 2009. The Board may be asked to adopt a policy that all TLCP capital projects should proceed with federal funds and that if federal funds are not available, then capital projects would be delayed until federal matching funds are available.

The Board may be asked to consider a new policy regarding which projects should be endorsed by the region and moved forward for consideration by the Arizona Congressional delegation for Federal Transit Administration Section 5309 discretionary funding.

The Board may also be asked to direct staff to expand legislative efforts to improve the level of transit funding that flows into the region.

Background

Federal revenues are a significant part of funding the capital program and are very uncertain; in fact, 72% of the capital program is premised on federal formula and discretionary funding. The urban area formula funds have been fairly consistent in the past and there is no reason to believe that Congress will greatly reduce or eliminate this program. The discretionary program, however, has been inconsistent in terms of the funds coming back to the Valley. The earmarks depend greatly on support from Arizona's Congressional delegation.

Discussion

It is likely that the estimates for federal discretionary funds have been overly aggressive in the TLCP financial model. To date, the discretionary grants have not been received at the level that was estimated in the plan. For the next update, it may be prudent to reduce the estimated federal discretionary revenues. At the same time, staff will ensure that the formula program funds are still considered reasonable.

Complicating the discretionary program is the fact that local jurisdictions can also submit projects for discretionary funding which may not be part of the Regional Transportation Plan or the Transit Life Cycle Program. Funding non-RTP projects has the potential to take away from potential federal funding for RTP projects, which may impact completion of the capital program.

A further complication is that the capital schedule is very aggressive; so much so that in the next five years not all of the projects will receive federal funds. This means that the remaining projects must get a higher percentage of federal funds in order to meet the overall federal participation percentage. After revising, or confirming, the estimates for federal funds, those funds will be allocated to individual projects in the next update. Revised allocations may affect the timing of transit service that directly relies on the availability of the capital investments.

Analysis

Staff will look at the historical receipts for both major federal programs to determine if there are trends that could be useful in predicting future revenues. Staff will assign federal revenues to projects within the TLCP financial model to further ensure that estimates are not overly optimistic and that matching funds are reasonable.

Staff will look at what discretionary program funds have been earmarked for Arizona, and specifically the Phoenix urban area, and compare that to what peer cities receive.

Results

In the past four years' federal appropriations, the Phoenix area has received an average of \$7.2 million in Section 5309 Bus and Bus Facility funds. The TLCP model assumes that for FY 2011, TLCP projects will receive \$8.2 million from that fund category which is then increased by inflation each year. Considering that projects that are funded may not all be in the TLCP, the assumptions in the model are likely too aggressive.

Overall, the region averaged approximately \$140 million in federal assistance in the past four years for all categories. This represents approximately 1.1% of FTA assistance nationwide and the percentage is fairly consistent from year to year. More than half of the funds have been from the Section 5309 New Starts program for light rail construction. A quick analysis by RPTA's federal lobbyist indicates that the amount received by the Phoenix area in the Bus and Bus Facility program is fairly consistent with other urban areas of similar size.

The TLCP model currently has a high ratio of federal assistance assumed. Some of the projects early on have been programmed with all PTF and no federal assistance in order to keep the projects on schedule. The consequence of this is that projects later on will need to have an even greater federal participation in order to meet the overall assumption in the TLCP. It may be advantageous to only move ahead with projects if federal assistance has been identified at a reasonable level. This may result in delays to capital projects but would help protect the long term finances for the program. This must be weighed against the additional time, effort and costs associated with following the federal process.

Additional detail is included in the research report by HDR.

Committee Input

There was general support for modifying the capital facilities schedule to ensure that all projects have a minimum of federal funds. There was no consensus on what that minimum level would be, but all understood that projects built with only PTF money would make it more difficult later in the program to ensure that all projects can be completed.

There was general agreement that the region should make a more concerted effort to obtain additional federal discretionary funds. The region should present a more unified case to the

Arizona Congressional delegation to try and maximize the amount of funding available not only for TLCP projects, but for transit projects regionwide.

Recommendation

Staff recommends that the following policy change be considered:

Capital projects in the TLCP shall be matched with federal funds in order to be eligible for regional funding. The minimum amount of federal funds shall be 50% of estimated costs for all projects more than \$1 million and less than \$20 million. Projects estimated at more than \$20 million shall have a minimum of 25% federal funds. Projects under \$1 million are exempt from this requirement, but may still seek federal funding.

TLCP Issues and Policy Discussions

Financing

Priority

This issue is of importance to the TLCP financial model and should be resolved prior to the next TLCP Update.

Policy Issue

The Board may be asked to consider a new policy that requires a pay-as-you-go strategy to pay for capital projects to minimize or eliminate the need for bond financing. Further, the Board may be asked to consider a new policy that provides greater encouragement for creating joint-use facilities or using other methods to reduce capital costs.

Background

The Regional Transportation Plan assumed that a certain amount of financing would be necessary to complete the plan. During preliminary planning, \$500 million of the estimated \$9.0 billion (in 2002 dollars) was set aside and not used for project planning, but was essentially reserved for future financing costs. Using CPI as the index, that \$500 million would be equivalent to \$576 million in 2007 dollars. Since transit receives 33.3% of the transportation excise tax, it is reasonable to assume that 33.3% of the financing costs would be for transit, which would equal approximately \$192 million.

The TLCP contains estimates for financing costs as a result of the aggressive schedule for capital projects. Financing cannot be used to pay operating expenses. The current adopted model has approximately \$200 million in financing costs for the bus program and approximately \$180 million for the rail program. This far exceeds the amount anticipated in the original RTP, but the financing is needed in order to meet the schedule in the TLCP. Although RPTA must legally issue the bonds for METRO, the METRO Board of Directors should be consulted for guidance on rail related financing.

The transportation excise tax revenues have been decreasing recently and the updated forecast for the remainder of the plan shows a continued decline in revenues compared to previous forecasts. It is unlikely that RPTA will maintain the existing schedule for service implementation and for capital acquisition and construction.

Discussion

In order to decrease the financing costs and minimize the impact on delivery of projects, changes to the program schedule will need to be made. Options include delaying service implementation which would also result in delaying bus purchases, and delaying or eliminating capital projects.

Delaying service implementation would reduce the planned operating expenses leaving more PTF funds each year to be spent on capital, which in turn reduces the need to bond. It also means that expansion bus purchases would be delayed which in turn delays the purchase of their replacements 12 years later. Eventually, some replacements would drop off the plan resulting in decreased costs overall.

Fleet acquisition is integral to service provision. In order to provide service, an adequate number of buses must be available. Since financing cannot be used to pay for operations, it may make sense to extend that to fleet acquisition. The service implementation schedule and associated fleet needs could be re-visited and adjusted each year to ensure that the cost of acquiring fleet and funding service is paid from current revenues.

Delaying capital projects, such as park-and-ride construction, could come in two forms. First, the actual project could be delayed. This means that passenger facilities needed to support expanded services might not be built and might not be ready when needed. The second is to delay reimbursement to the cities, assuming that the cities are the Lead Agencies on the projects. The cities, then, would bear a carrying cost for building the project on time, while waiting perhaps years for reimbursement. The MAG arterial program, for cities that front the costs and receive delayed reimbursement, allows for interest expenses that accrue to be reimbursable to the cities. A similar policy could be adopted by the RPTA.

Analysis

Staff will look at three options for financing: no change to the implementation schedules; adjusting service implementation and associated fleet acquisition and financing for facilities only; and adjusting all schedules to eliminate any financing. The Budget and Finance Subcommittee asked that leasing be considered as an alternative for fleet.

Results

Given the updated ADOT revenue forecast, and after modifying the model to remove the Regional Office Center costs, the model shows a surplus at the end of the program of approximately \$50 million. However, the program is in deficit every year until the final year. In order to cover the early deficits, significant bonding would be required and the financing costs would be such that the program would run out of funds to pay for projects likely by 2021. Essentially at that point all services and facilities construction would cease because all of the sales tax revenues would be needed to repay outstanding debt.

HDR has completed a detailed analysis of these alternatives is included in the research document.

Committee Input

There was no clear preference shown for a particular policy alternative. There was concern that financing costs could use up a disproportionate share of the tax proceeds. Rather than change the policy, the financing needs should be evaluated with each TLCP Update and a particular strategy adopted to meet the needs at the time.

Recommendation

Staff recommends that the current policy not be changed, but that with each update the amount of financing needed should be evaluated and project changes made if financing costs are determined to outweigh the benefits.

DRAFT FISCAL YEAR 2009 TRANSIT FINANCE & PLANNING RESEARCH REPORT

Prepared for:

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Texas Transportation Institute

December 8, 2008

First Draft

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1.0 INTRODUCTION

The Transit Life Cycle Program (TLCP) provides project level specifications for the operating and capital components of the Regional Transportation Plan (RTP) as well as revenue and expenditure estimates for the 20-year life of the Public Transportation Fund (PTF). Revenues and expenditures for the 20-year program are estimated from assumptions for inflation, revenue growth and other variables. A periodic review of the financial assumptions is warranted to validate the reasonableness of the TLCP financial estimates. As an element of the Fiscal Year 2009 TLCP update process, HDR | S.R. Beard & Associates (HDR|SRBA) and the Texas Transportation Institute (TTI) reviewed inflation and historic federal funding trends. In addition, alternative financing plans were developed to identify potential effects.

2.0 INFLATION TRENDS

The Regional Transit Life Cycle Program (TLCP) provides a 20-year financial program for regionally funded transit services and capital investments through Fiscal Year 2026. A general inflation factor of 3% is provided in the TLCP to account for increases in cost for operations, vehicles and related equipment, construction, and land acquisition. The inflation factor is consistent with rates used at the time of the most recent TLCP update (March 2008) by other local public agencies including the Maricopa Association of Governments and Arizona Department of Transportation.

A review of historic indexes and costs\prices is being conducted to identify trends within TLCP expenditure categories. These categories include:

- Transit Service Operations
- Transit Vehicles
- Transit Equipment (fareboxes, radios, etc.)
- Real-Estate, and
- Construction

Trends for each factor and associated sub-factors are documented separately in the form of graphs. To provide comparable and current indexes, all graphs start with the base year for the TLCP cost estimates (2003), with the exception of some factors that do not have available data as early as the base year.

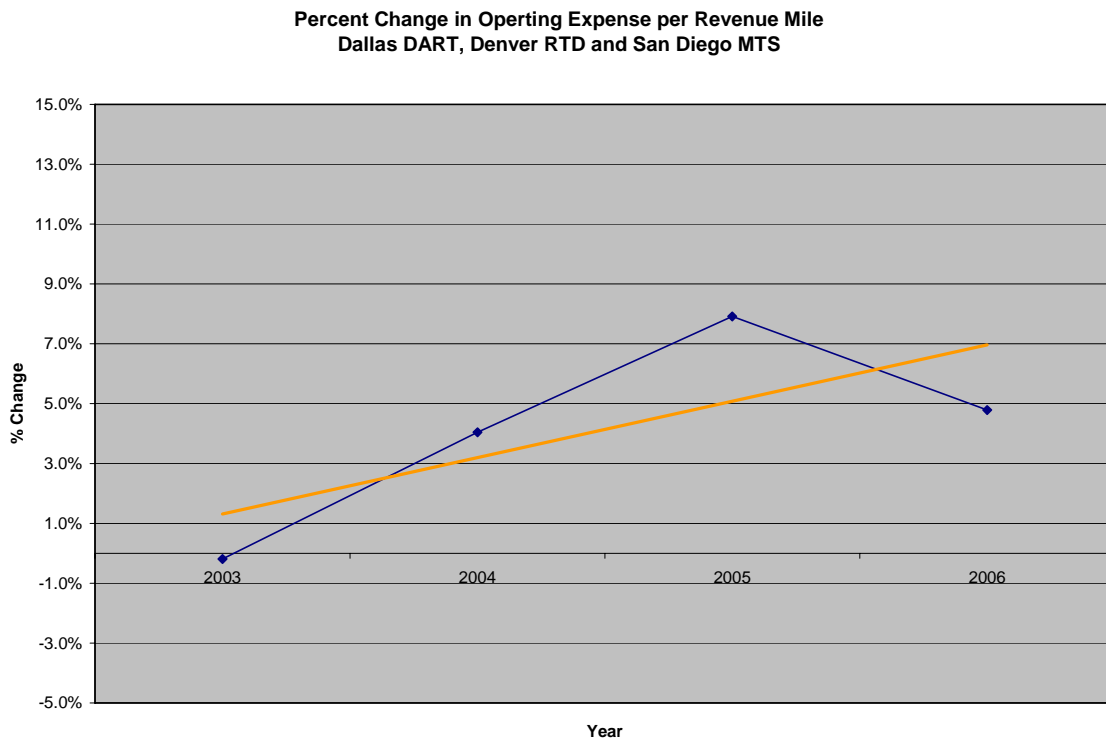
2.1 TRANSIT SERVICE OPERATIONS

Two sub-factors have been reviewed to identify inflation trends for transit service operations: historical trends in service operation costs and fuel cost rates.

Service operation costs were reviewed for three western region transit agencies: Dallas Area Rapid Transit (DART), Denver Regional Transit District (RTD), and San Diego Metropolitan Transit System (MTS). Figure 1 illustrates the percent change in bus service operating cost per revenue mile for all three regions combined from year 2003 through year 2007. Data were obtained from the National Transit Database.

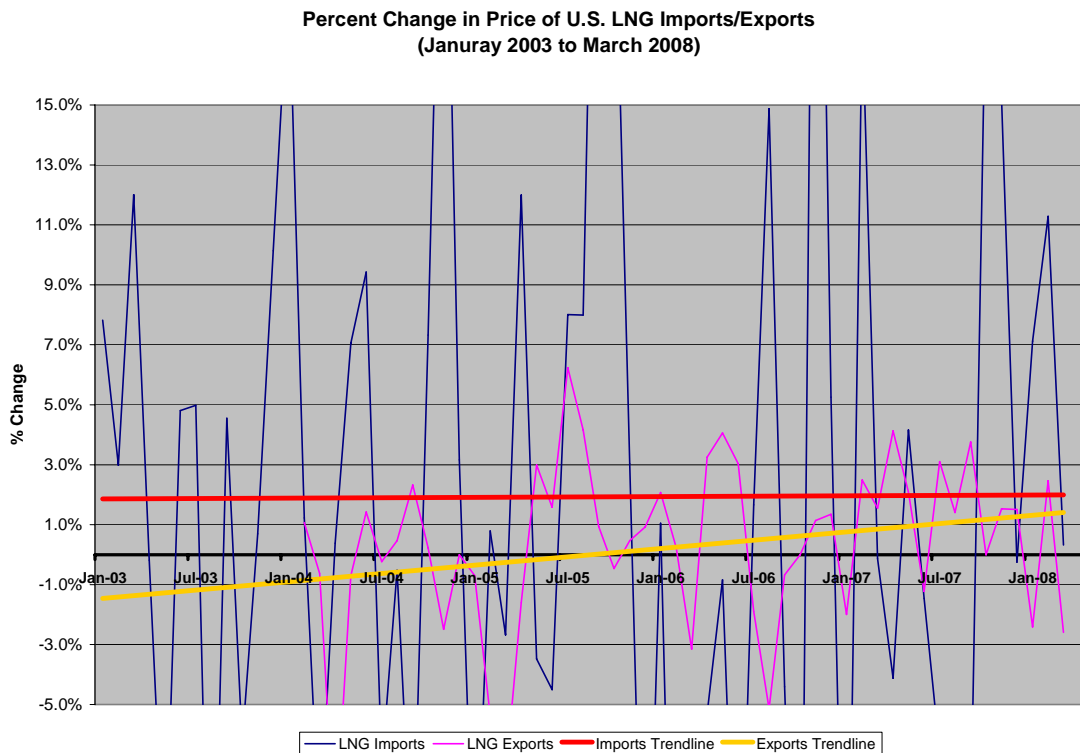
Fuel rate costs were obtained for Liquefied Natural Gas (LNG) and Ultra Low Sulfur Diesel (ULSD) from the Energy Information Administration. Figure 2 shows the percent change in the cost of United States LNG imports and exports from [date used on graph] through March 2008 (the most recent data available), while Figure 3 illustrates the trend in the retail sales price of ULSD beginning in year 2007 through November 10, 2008.

Figure 1-1: Percent Change in Operating Cost per Revenue Mile for Bus Service



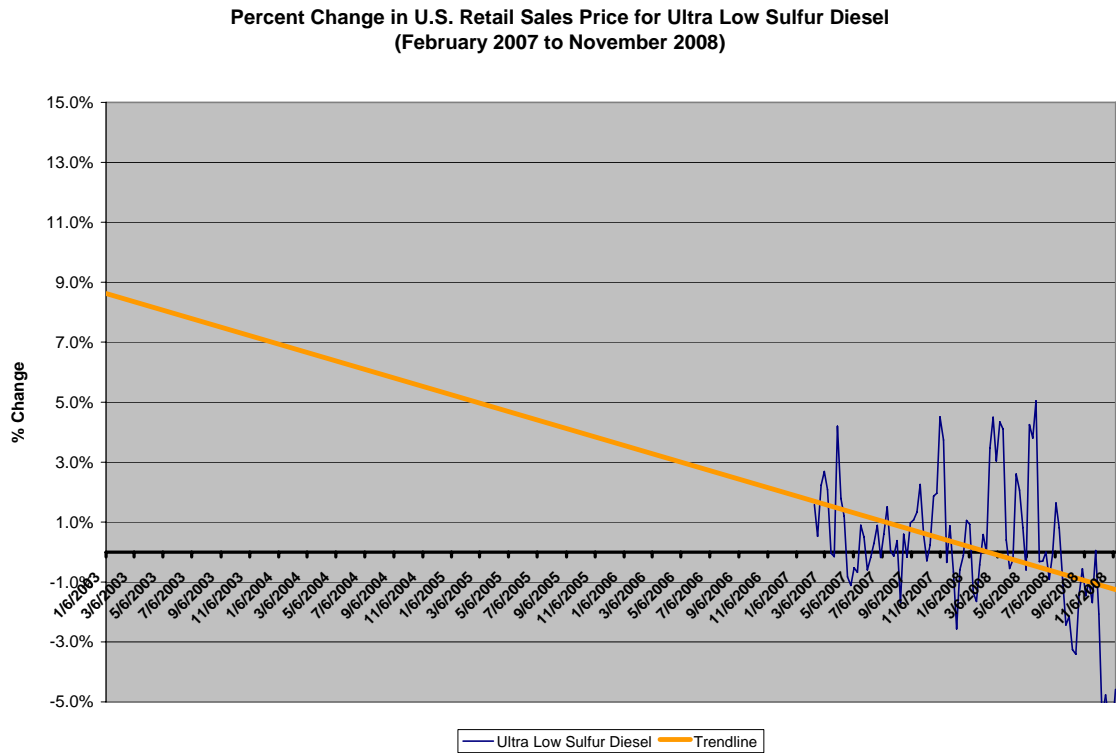
Source: National Transit Database

Figure 1-2: Percent Change in Cost of United States LNG Imports and Exports



Source: Energy Information Administration, 2008

Figure 1-3: Percent Change in U.S. Retail Cost of Ultra Low Sulfur Diesel



Source: Energy Information Administration, 2008

2.2 TRANSIT VEHICLES

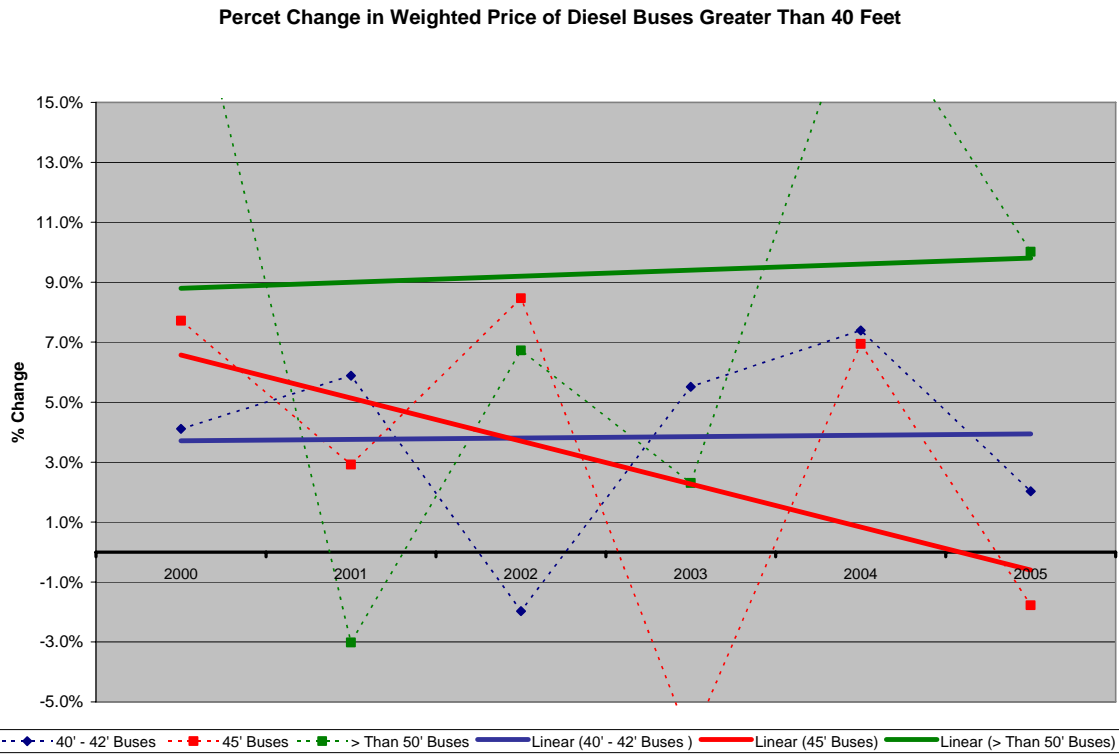
Data were obtained from the 2008 American Public Transportation Association Public Transportation Database. The original source of the data is from the National Transit Database form AB-30. Vehicle costs for purchases from year 2003 through 2008 were collected for the following types of transit vehicles:

- Diesel Bus 40' to 42'
- Diesel Bus 45'
- LNG Bus 40' and 45'
- Diesel Bus greater than 55'
- Small Motor Bus 15 – 22 seats and length 28' or less (all fuels)
- Demand Response Vehicle 15 – 22 seats and length 28' or less (all fuels)

The number of vehicles included in the available Liquefied Natural Gas sample is small (less than 600) and there were not enough Ultra Low Sulfur Diesel vehicle purchases in the record to make it possible to determine a cost inflation trend line.

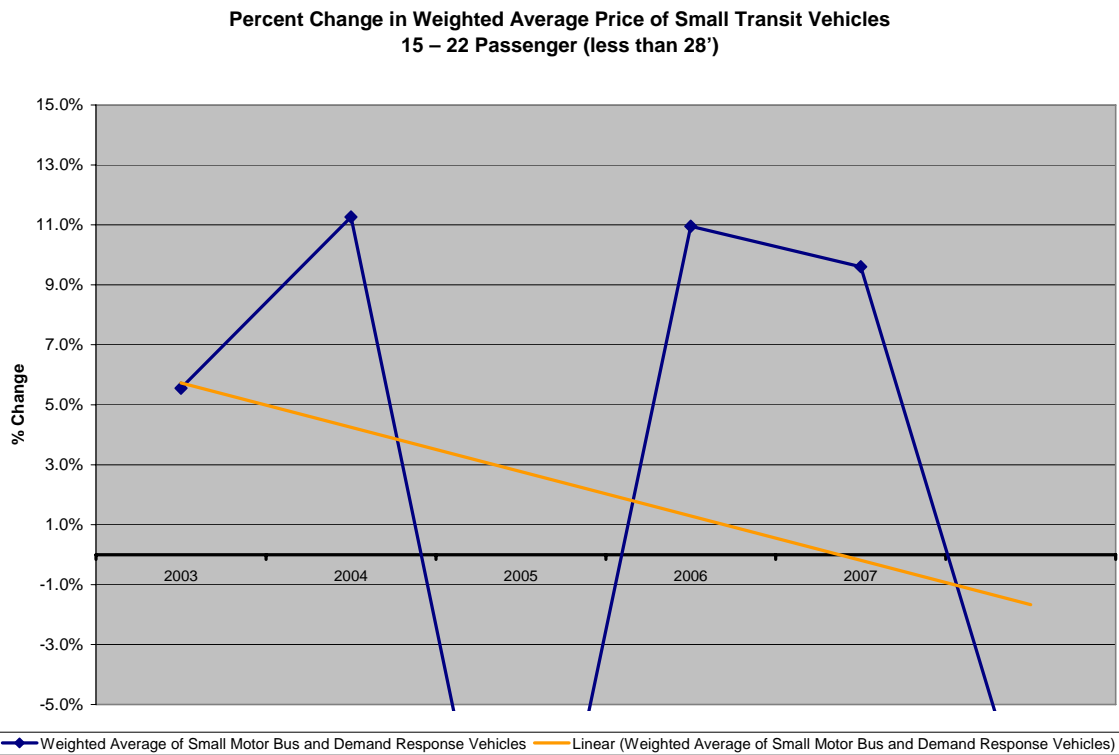
Figures 5 and 6 provide a visual trend of the change in percent value of diesel fixed route motor bus vehicles and small transit vehicles since 2003.

Figure 1-4: Percent Change in Weighted Price of Diesel Buses Greater Than 40 Feet



Source: 2008 American Public Transportation Association Public Transportation Database

Figure 1-5: Percent Change in Weighted Average Price of Small Transit Vehicles

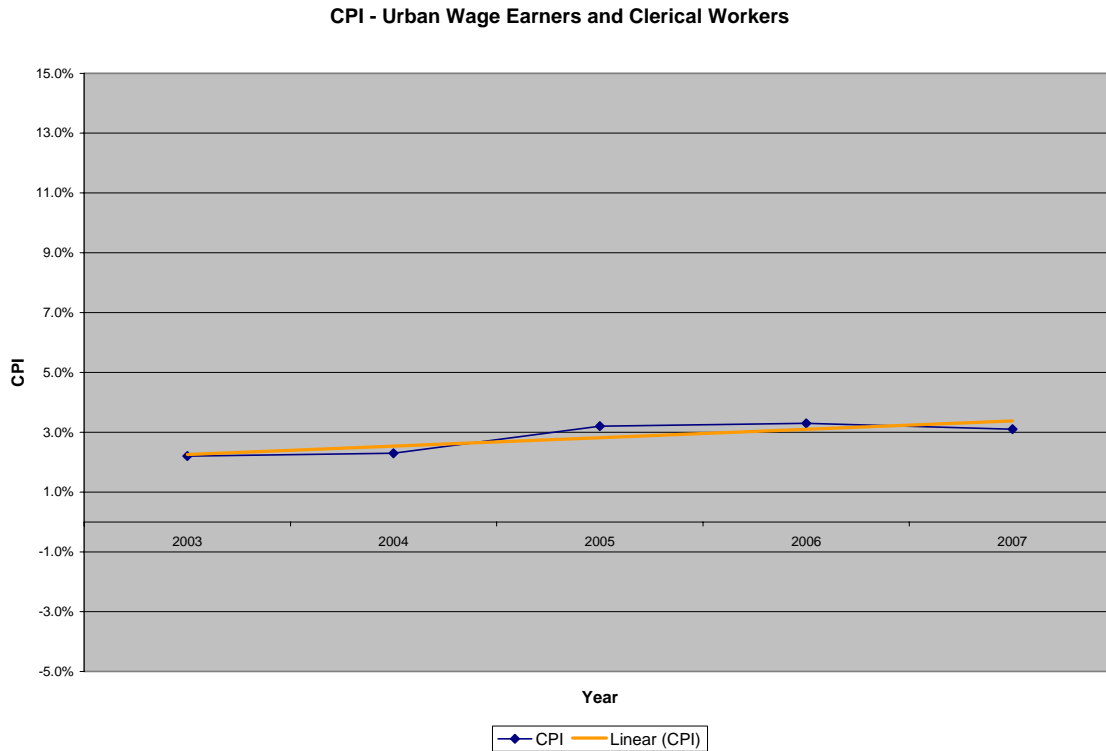


Source: 2008 American Public Transportation Association Public Transportation Database

2.3 TRANSIT EQUIPMENT

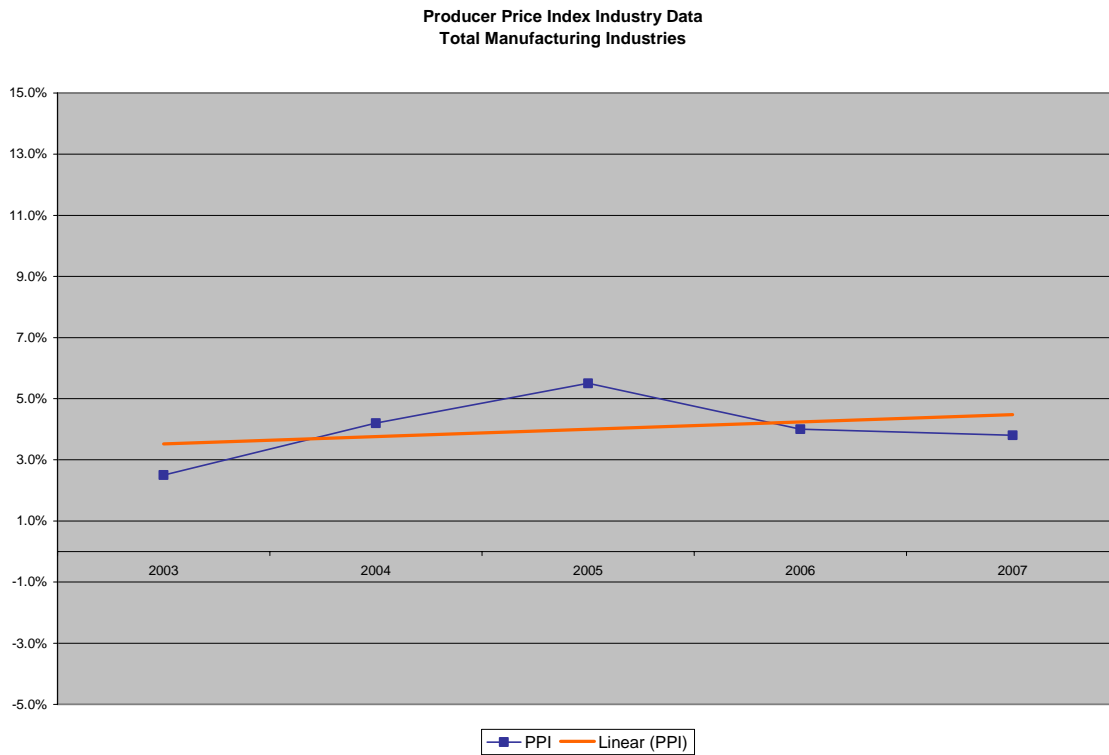
Transit equipment includes elements such as fareboxes, computer equipment, radios and other goods. Two indexes based on labor rates, an important cost variable in manufactured goods, were researched to identify inflation trends related to this category. The indexes, obtained from the Bureau of Labor Statistics include the Consumer Price Index for Urban Wage Earners and Clerical Workers and the Producer Price Index for all manufacturing industries. Figure 7 and 8 show the values for each index respectively.

Figure 1-6: Consumer Price Index for Urban Wage Earners and Clerical Workers



Source: Bureau of Labor Statistics, 2007

Figure 1-7: Producer Price Index



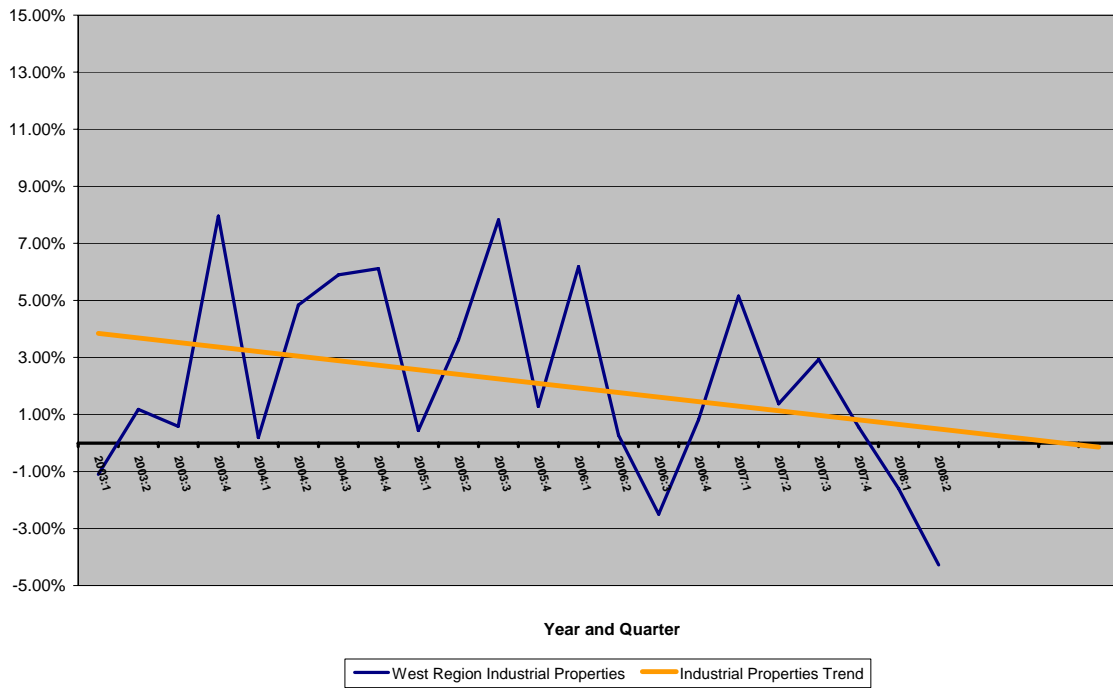
Source: Bureau of Labor Statistics, 2007

2.4 REAL ESTATE & CONSTRUCTION

Real estate and construction costs are important variables in developing large transit capital investments such as park-and-ride facilities, transit centers and operations and maintenance facilities. Real estate costs were obtained from research completed by the Massachusetts Institute of Technology's Center for Real Estate. Based on a transaction price database, property value trends are documented for commercial and industrial properties in the western United States. Figures 9 and 10 show the trend in the change in property transaction values for industrial and commercial property respectively.

Figure 1-8: Western United States Industrial Property Index

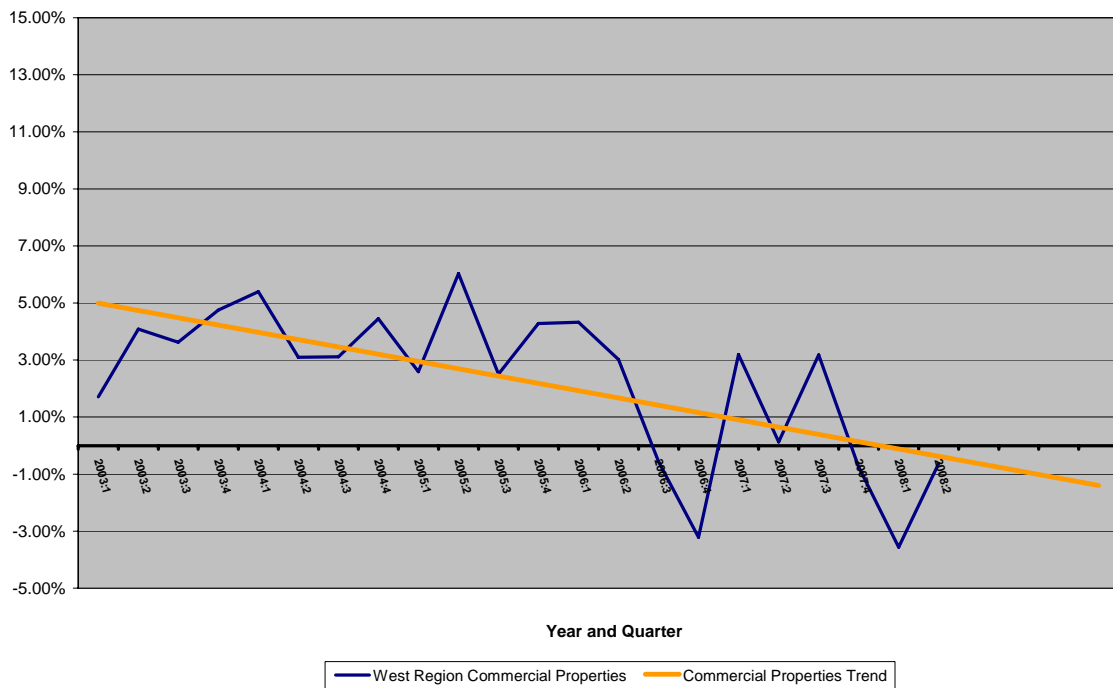
West Region - Industrial Properties Index



Source: Massachusetts Institute of Technology's Center for Real Estate, 2007

Figure 1-9: Western United States Commercial Property Index

West Region - Commercial Properties Index



Source: Massachusetts Institute of Technology's Center for Real Estate, 2007

2.5 CONSTRUCTION

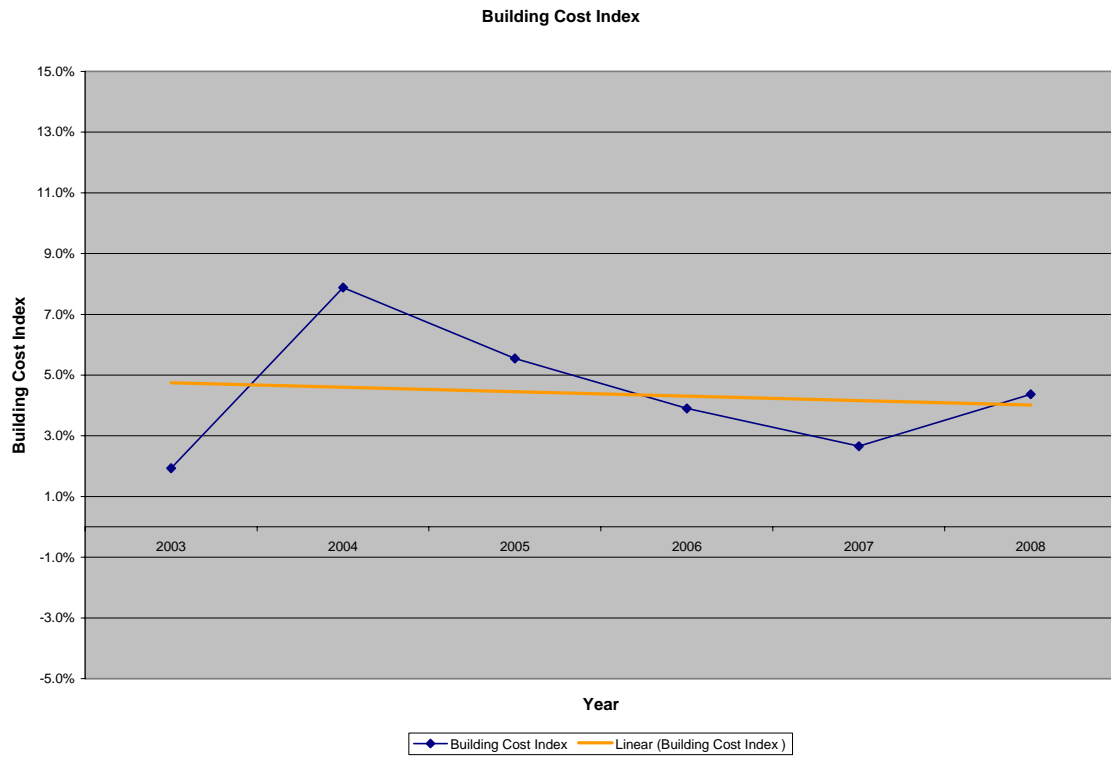
Construction cost trends are derived from the Engineering News-Record's Construction Cost Index (CCI) and Building Cost Index (BCI). The CCI tracks civil or "flat" construction cost elements, while the BCI tracks construction costs associated structures. Figures 11 and 12 illustrate the trend in construction and building costs.

Figure 1-10: Construction Cost Index



Source: Engineering News-Record, 2007

Figure 1-11: Building Cost Index



Source: Engineering News-Record, 2007

3.0 HISTORIC FEDERAL FUNDING TRENDS

A significant source of funding for the TLCP 20-year financial program is from the federal government. The purpose of this section of the report is to document the historic trends in formula and discretionary funding for the Phoenix Region under SAFETEA-LU for fiscal years 2004 through 2008. The Phoenix Region includes two urbanized areas: Phoenix-Mesa and Avondale.

3.1 METHODOLOGY

The data reported in this section are available from the Federal Transit Administration (FTA) website and represent total announced FTA apportionments and allocations for each year.¹ The website provides a summary of federal funding apportionments to each state. The information is of sufficient detail to identify specific funding awards by urban area for most programs. The summaries are available for each year beginning 2004.

Section 5303, 5310 and 5311 formula funds are not identified specifically because the funds are reported by FTA as totals for the state.

3.2 FEDERAL FUNDING PROGRAMS

There are four FTA funding programs that are apportioned specifically to the Phoenix-Mesa and Avondale urbanized areas by formula. The formula programs are the following:

- Section 5307 Urbanized Area Formula
- Section 5309 Fixed Guideway Modernization
- Section 5316 Job Access and Reverse Commute (JARC)
- Section 5317 New Freedom

The annual apportionments by formula program are summarized as Figure 3-1.

Figure 3-1: Formula Funds Apportioned to the Phoenix Region by Year¹

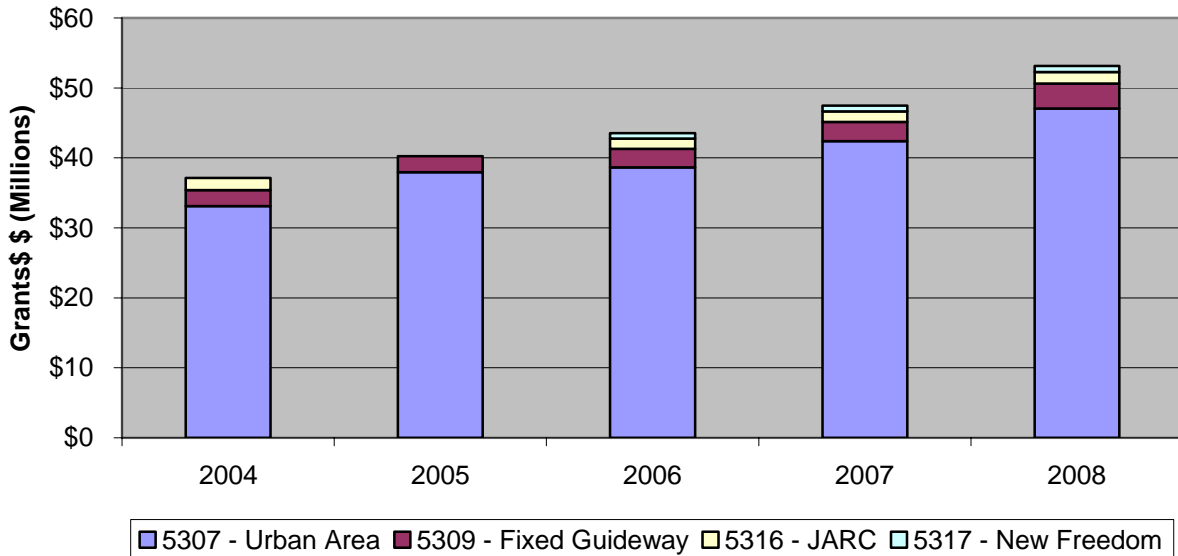
Formula Programs	2004	2005	2006	2007	2008
5307 - Urban Area	\$33,117,342	\$37,945,303	\$38,647,042	\$42,409,809	\$47,046,732
5309 - Fixed Guideway	\$2,300,373	\$2,293,390	\$2,654,002	\$2,727,749	\$3,560,398
5316 - JARC	\$1,734,705	\$0	\$1,437,345	\$1,515,115	\$1,641,374
5317 - New Freedom	\$0	\$0	\$816,250	\$817,306	\$882,893
Total Annual Formula Funds	\$37,152,420	\$40,238,693	\$43,554,639	\$47,469,979	\$53,131,397
Percent Increase per Year		8%	8%	9%	12%

Total formula funds increase each year under SAFETEA-LU. The Phoenix Region received 8 to 9 percent increase each year from 2004 through 2007. In 2008, the apportionment for all formula programs increased 12 percent over funds in 2007.

Figure 3-2 provides an illustration of the trend for FTA formula funds for the Phoenix Region for fiscal years 2004 through 2008. The largest formula program for the Phoenix Region is Section 5307 Urban Area; however, formula funds apportioned based on fixed guideway investments are increasing.

¹ http://www.fta.dot.gov/funding/apportionments/grants_financing_88.html

Figure 3-2: Formula Funds AppORTioned to the Phoenix Region by Year



Source: Federal Transit Administration, 2008

3.3 DISCRETIONARY PROGRAMS

Discretionary programs represent almost \$400 million in funding for the transit program in the Phoenix Region over the past five years. The discretionary programs are as follows:

- Section 5309 New Starts
- Section 5309 Bus and Bus Facilities
- Section 5339 Alternatives Analysis

The funds awarded for discretionary programs are summarized as Figure 3-3.

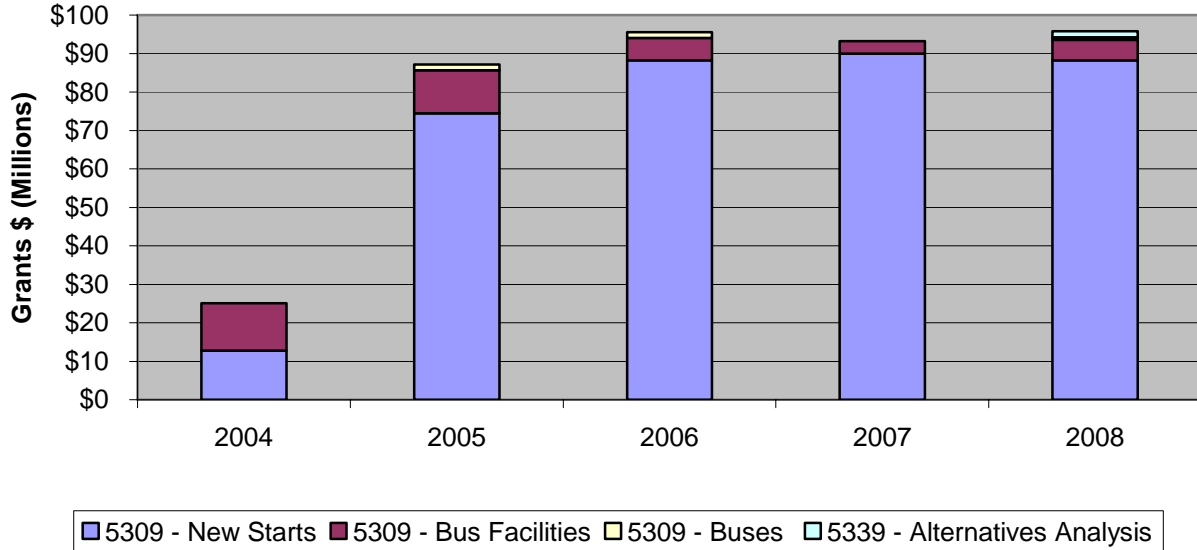
Figure 3-3: Discretionary Funds AppORTioned to the Phoenix Region by Year

Discretionary Programs	2004	2005	2006	2007	2008
5309 - New Starts	\$12,794,325	\$74,400,000	\$88,209,000	\$90,000,000	\$88,200,000
5309 - Bus Facilities	\$12,278,248	\$11,272,628	\$5,827,615	\$3,210,240	\$5,290,760
5309 - Buses	\$0	\$1,457,667	\$1,485,000	\$0	\$735,000
5339 - Alternatives Analysis	\$0	\$0	\$0	\$0	\$1,568,000
Total Annual Formula Funds	\$25,072,573	\$87,130,295	\$95,521,615	\$93,210,240	\$95,793,760
Percent Increase per Year		248%	10%	-2%	3%

Source: Federal Transit Administration, 2008

Figure 3-4 provides an illustration of the trend for FTA discretionary program funds for the Phoenix Region for fiscal years 2004 through 2008.

Figure 3-4 Discretionary Funds Apportioned to the Phoenix Region by Year



Source: Federal Transit Administration, 2008

The discretionary program can be described by the projects funded. During the period 2004 through 2008, the Phoenix Region received \$353.6 million in New Start funding for the Central Phoenix/East Valley Light Rail (LRT) Project. Funds totaling \$37.9 million were awarded for bus facilities and the FTA announced \$3.7 million for purchase of buses or other transit vehicles. Most recently, \$1.6 million was awarded for Section 5339 Alternatives Analysis in 2008.

Figure 3-5 provides an identification of projects and discretionary funds awarded to the Phoenix Region over the past 5-years.

Figure 3-5: Total Discretionary Funds Awarded by Project for Years 2004 through 2008

5309 New Starts	
Central Phoenix/East Valley LRT Project	\$353,603,325
5309 Bus and Bus Facility	
Mesa Operating Facility	\$1,964,520
East Valley Bus Maintenance Facility	\$14,781,898
Phoenix/Glendale West Valley Operating Facility	\$14,316,631
Dial-a-Ride Facility, Phoenix, Arizona	\$948,480
Phoenix/Regional Heavy Maintenance Facility	\$2,080,617
Tempe Downtown Transit Center	\$1,268,552
Intermodal Center, Scottsdale	<u>\$2,518,793</u>
Total Bus Facilities	\$37,879,491
Buses	\$3,677,667
5339 Alternatives Analysis	
Mesa Extension Alternatives Analysis, Mesa	\$196,000
METRO I-10 Extension Alternative Analysis	\$1,176,000
Tempe Extension Alternatives Analysis, Tempe	<u>\$196,000</u>
Total Alternatives Analysis	\$1,568,000
TOTAL DISCRETIONARY FUNDS	\$396,728,483

Source: Federal Transit Administration, 2008

3.4 PEER COMPARISON HISTORICAL TRENDS

The historical trend for federal funding for transit in the Phoenix Region is compared to peers in this section of the report. Each of the regions and the corresponding service area population are listed in Figure 3-6. Each of the peers is similar in population for the service area.²

Figure 3-6: Peer Regions for Comparison Historical Trends

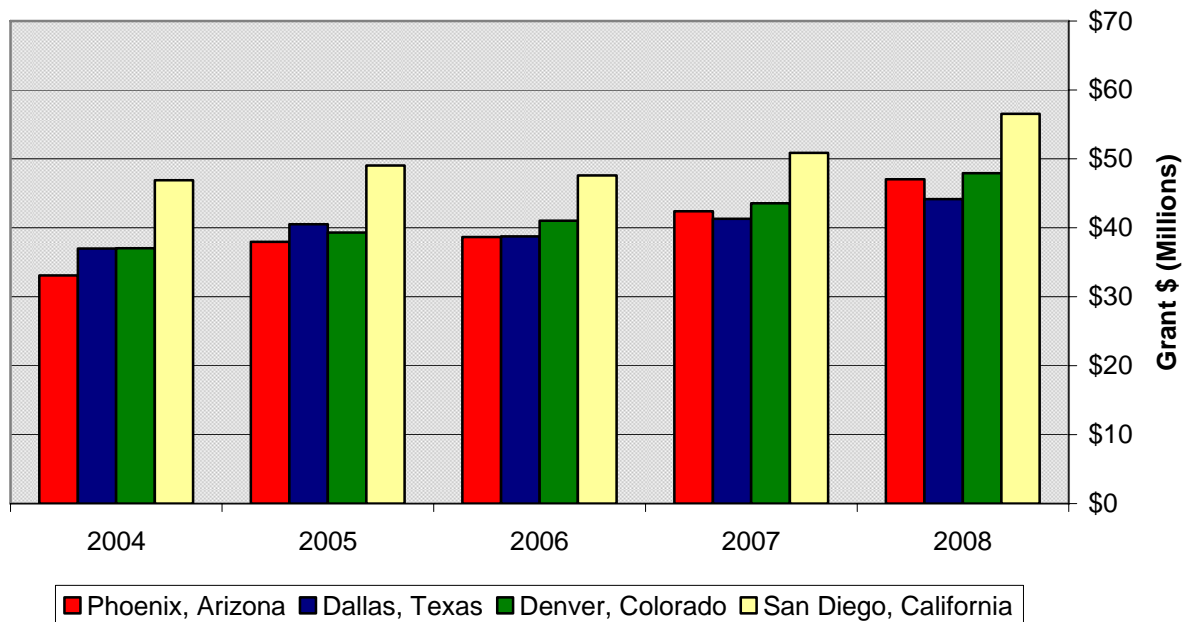
Region	Service Area Population 2007
Phoenix, Arizona	2,512,667
Dallas, Texas	2,329,500
Denver, Colorado	2,619,000
San Diego, California	2,813,833

Source: National Transit Database, 2008

3.5 FORMULA FUNDING PROGRAMS

Figure 3-7 illustrates the funding levels for Section 5307 Urban Area Formula funds for each of the peer regions. San Diego consistently receives higher Section 5307 funds, but the Phoenix trend line is increasing faster than other peers. Although Phoenix received the lowest award of grant funds in 2004, the region is now receiving more Section 5307 Urban Area Formula funds than Dallas and is near Denver in total formula funds received in 2008.

Figure 3-6: Section 5307 Urban Area Formula Funds for Phoenix and Peer Regions

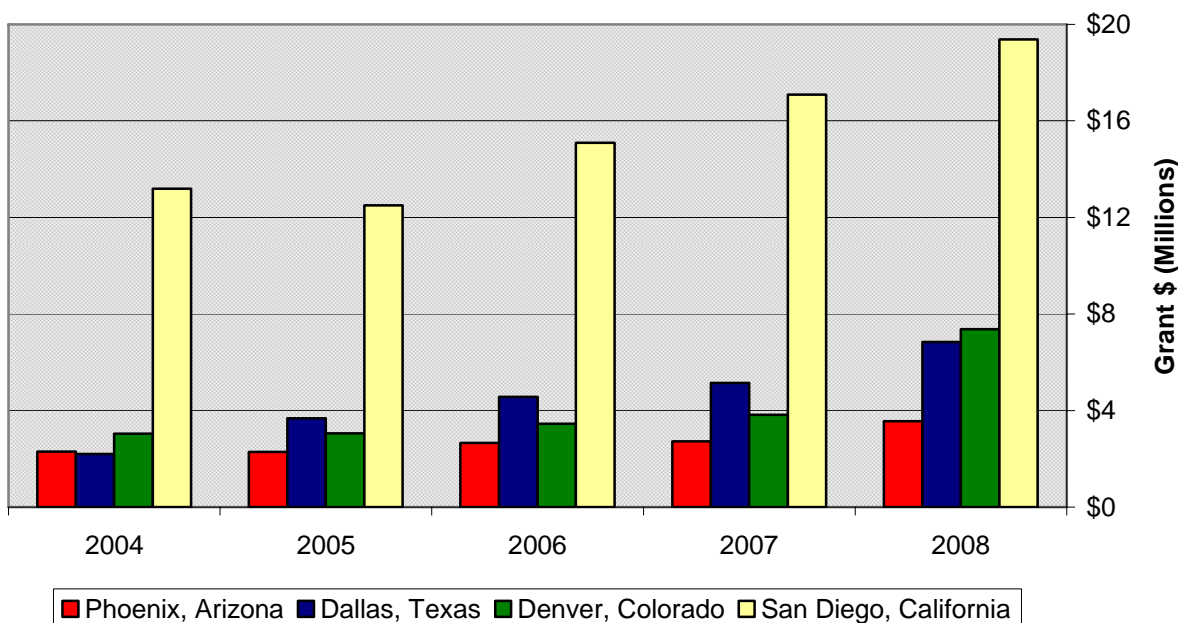


Source: Federal Transit Administration, 2008

² Transit service area population is from the statistic reported by each transit agency in the National Transit Database 2007. The data for the Dallas Region are specifically for the DART service area and do not include Fort Worth or Arlington, Texas.

Section 5309 Fixed Guideway funds are allocated by a statutory formula to urban areas with fixed guideway systems that have been in operation for at least seven years. The term “fixed guideway” includes heavy rail, commuter rail, light rail, monorail, trolleybus, aerial tramway, inclined plane, cable car, automated guideway transit, ferryboats, that portion of motor bus service operated on exclusive or controlled rights-of-way, and high-occupancy (HOV) vehicle lanes. Funding is apportioned based on the latest available data on route miles and revenue vehicle miles on fixed guideway segments at least seven years old. Figure 3-8 shows a comparison of the Section 5309 Fixed Guideway funds received by the Phoenix Region and each of the peers. San Diego has an extensive trolley (light rail) system that earns fixed guideway funding and explains the higher grant dollars to San Diego in this category. The light rail transit system in Denver is relatively new, but the increase in funds in 2008 reflects additional guideway miles that met the seven year criterion for funding. The Phoenix Region earns fewer funds for this funding source due to the relatively small fixed guideway investment in the region. Phoenix earns fixed guideway funding for route miles and revenue vehicle miles on HOV lanes.

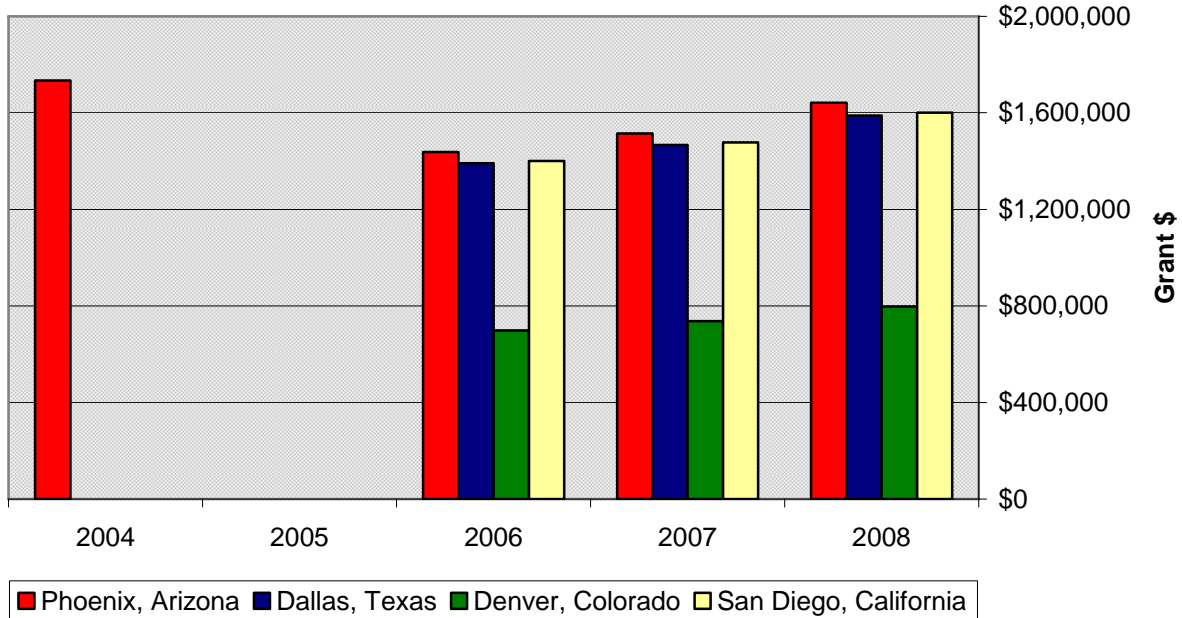
Figure 3-8: Section 5309 Fixed Guideway Formula Funds for Phoenix and Peer Regions



Source: Federal Transit Administration, 2008

The funds for Section 5316 JARC are allocated by formula based on the low-income population in the urbanized area. Figure 3-9 shows that the Phoenix Region receives more JARC funds than the other regional peers based upon the socio-economic characteristics of the population. The Phoenix Region funding also reflects a discretionary JARC grant in 2004.

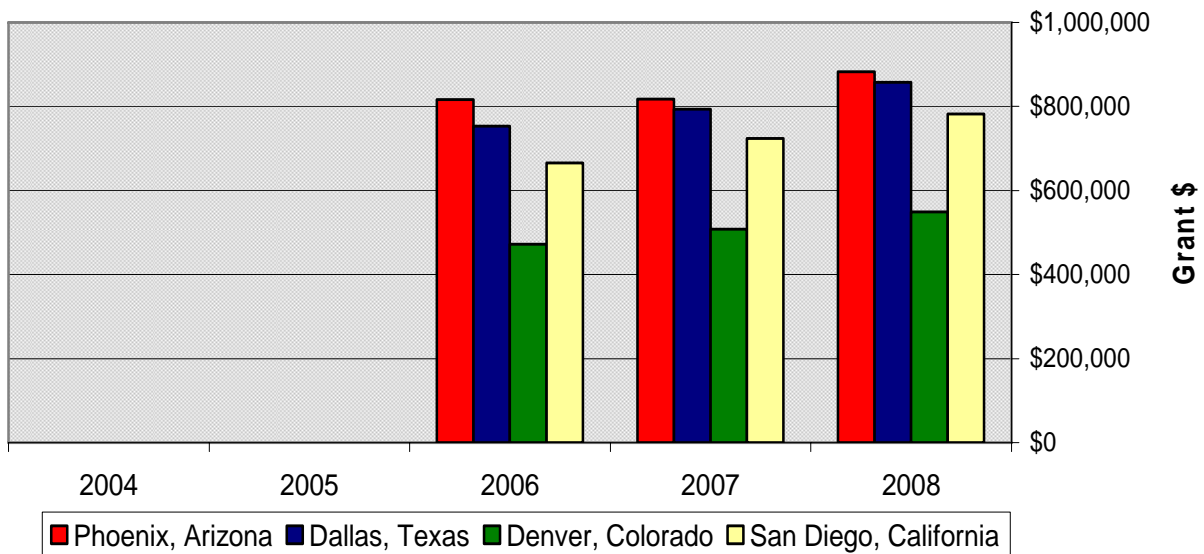
Figure 3-9: Section 5316 JARC Formula Funds for Phoenix and Peer Regions³



Source: Federal Transit Administration, 2008

The New Freedom Program is a new category of funds introduced in SAFETEA-LU; funds were first allocated in 2006. Section 5317 New Freedom Program funds are allocated through a formula based upon population of persons with disabilities. Figure 3-10 illustrates that the Phoenix Region receives a larger allocation for the New Freedom program than the peer regions.

Figure 3-10: Section 5317 New Freedom Formula Funds for Phoenix and Peer Regions

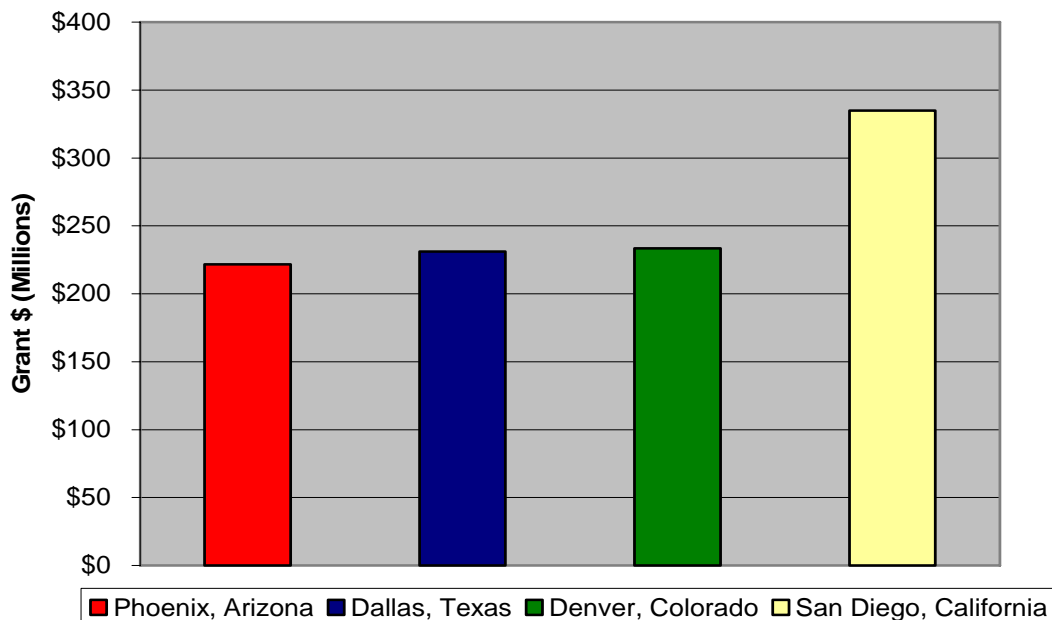


Source: Federal Transit Administration, 2008

³ Figure includes a discretionary JARC grant to the Phoenix Region in 2004.

Figure 3-11 provides a summary of the total formula funds received by the Phoenix Region and each of the peer regions for the five years 2004 through 2008. The comparison of the regions shows the Phoenix Region has received the lowest total FTA formula funds over five years but near the totals for both Dallas and Denver. San Diego has received a larger share of the formula funds, due to the advantage for Section 5309 Fixed Guideway funds.

Figure 3-11: Total Formula Funds for Phoenix and Peer Regions 2004 – 2008



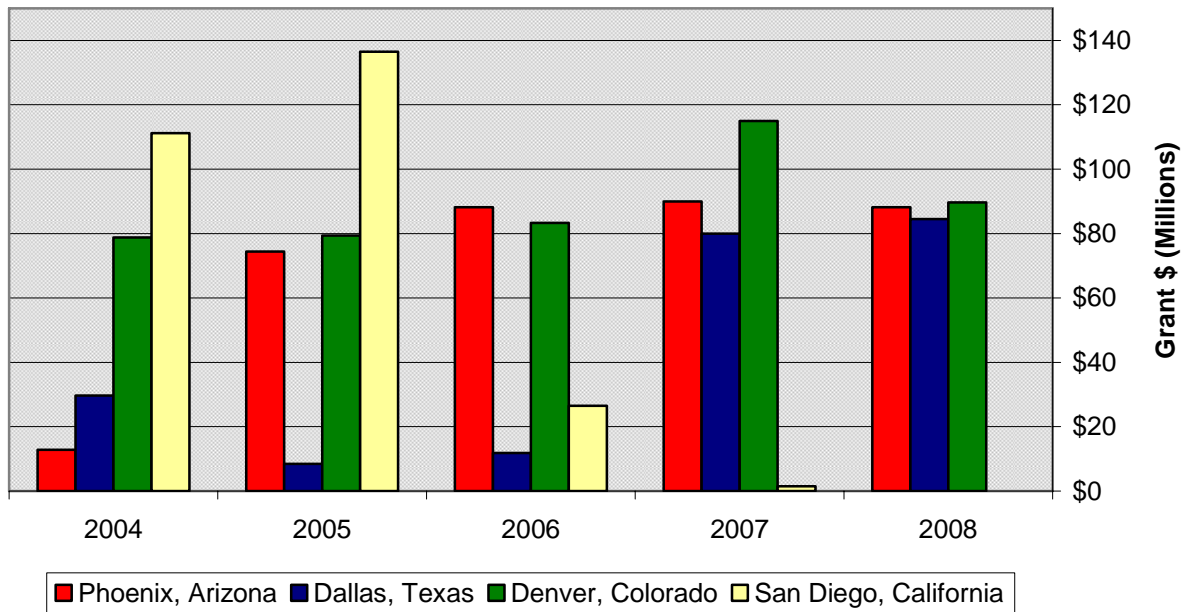
Source: Federal Transit Administration, 2008

3.5.1 Peer Comparison Discretionary Programs

The two discretionary programs that will be discussed in this section are Section 5309 New Starts and Section 5309 Bus and Bus Facilities. Over the five years 2004 through 2008, the Phoenix Region also received Section 5339 Alternatives Analysis funds (\$1.6 million in 2008); and Denver also received Section 5308 Clean Fuels funds (\$2.9 million for the years 2006 through 2008).

Figure 3-12 illustrates the funding levels for Section 5309 New Starts for each of the peer regions. The trend in funds reflects the schedule for construction of New Starts projects in each of the regions. For example, San Diego was constructing a new light rail corridor in the period 2004 to 2006, and Dallas started a substantial New Start project in 2007. The funding levels for the Phoenix Region reflect construction of the Central Phoenix/East Valley Light Rail (LRT) project.

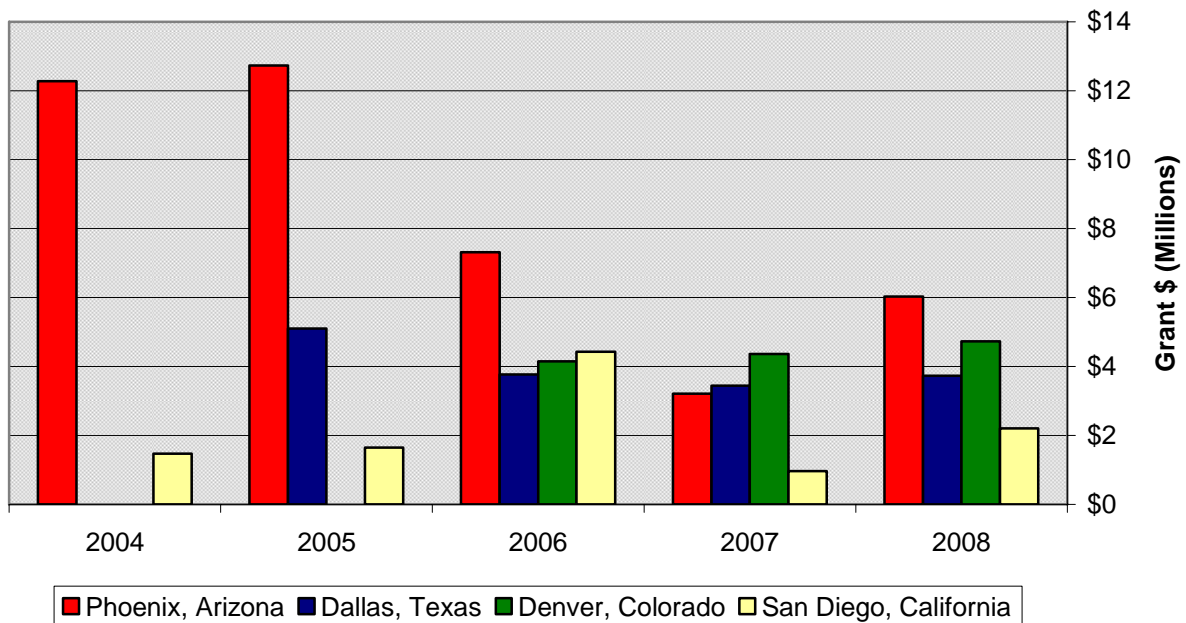
Figure 3-12: Section 5309 New Starts Discretionary Funds for Phoenix and Peer Regions



Source: Federal Transit Administration, 2008

Figure 3-13 illustrates the funding levels for Section 5309 Bus and Bus Facilities for Phoenix and each of the peer regions. The Phoenix Region has received a significantly higher level of discretionary funding for bus and bus facilities than the peer regions.

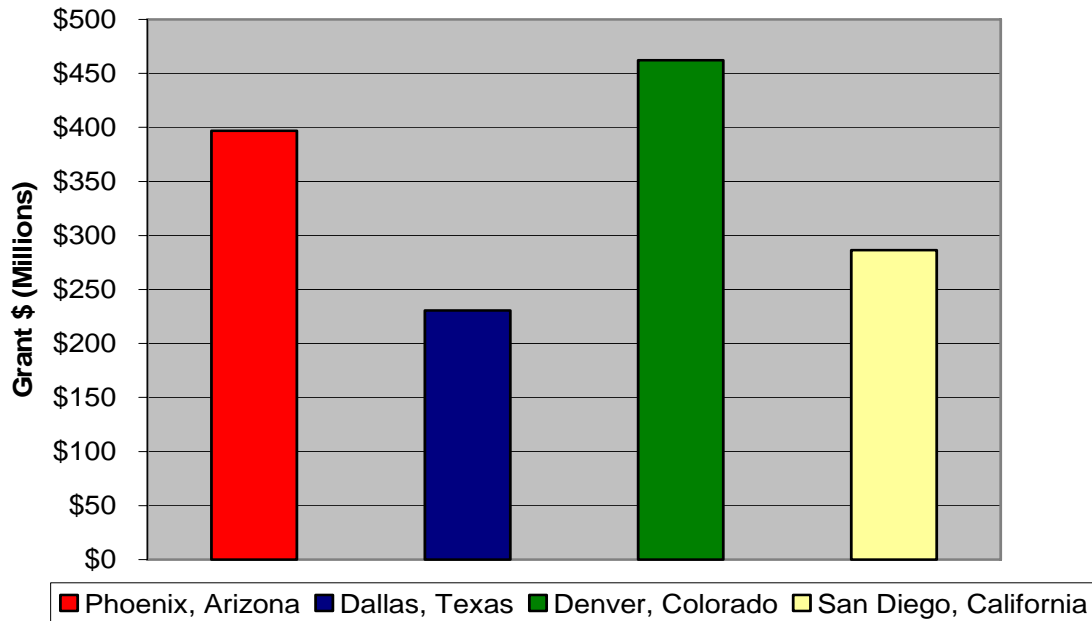
Figure 3-13: Section 5309 Bus and Bus Facilities Discretionary Funds for Phoenix and Peer Regions



Source: Federal Transit Administration, 2008

Figure 3-14 provides a summary of the total discretionary funds received by the Phoenix Region and each of the peer regions for the five years 2004 through 2008. The total discretionary funds include Section 5309 New Starts, Section 5309 Bus and Bus Facilities, Section 5339 Alternatives Analysis, and Section 5308 Clean Fuels. The comparison of the regions shows the Phoenix Region is second behind Denver in total discretionary dollars awarded for the five year period 2004 through 2008.

Figure 3-14: Total Discretionary Funds for Phoenix and Peer Regions 2004 - 2008

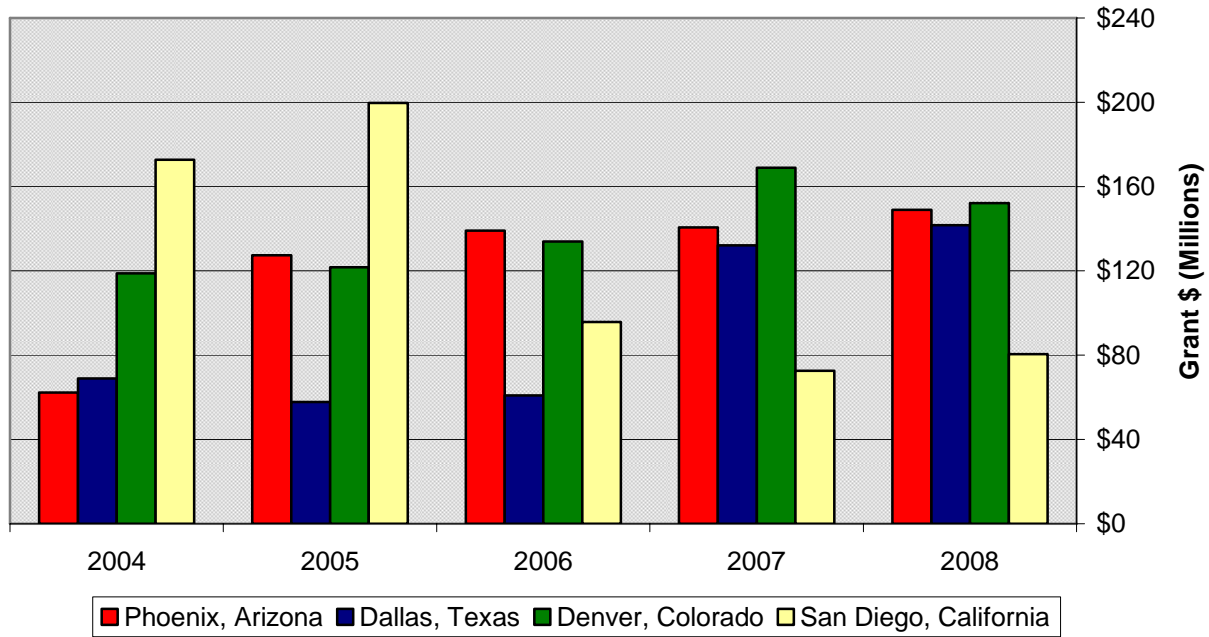


Source: Federal Transit Administration, 2008

3.5.2 Peer Comparison Total Federal Funds

Figure 3-15 summarizes the total grants awarded to the Phoenix Region and each peer region by year for the period 2004 through 2008. Phoenix and Denver tend to have a more consistent trend in total funds received year to year.

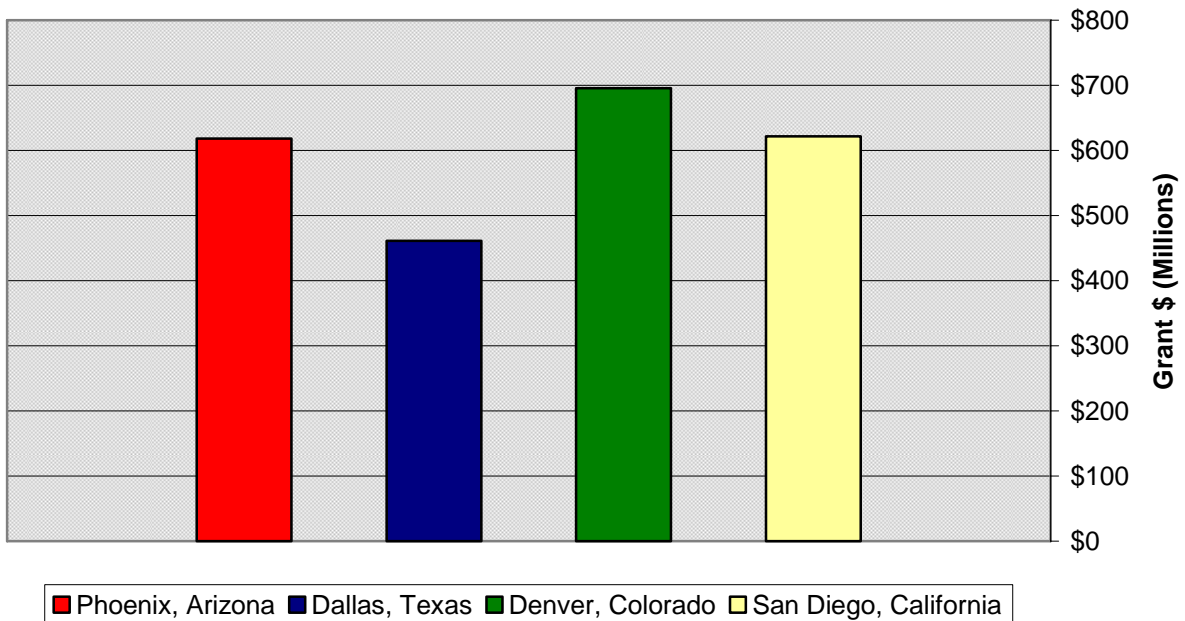
Figure 3-15: Total Grants Awarded by Region by Year



Source: Federal Transit Administration, 2008

The purpose of Figure 3-16 is to illustrate the total grant funds awarded to Phoenix and each peer region for all years 2004 through 2008. The total grant funds include all formula and all discretionary funds for all years for each region. The Phoenix Region total is approximately equal to San Diego and more than Dallas. The Denver Region received more total funds than other regions.

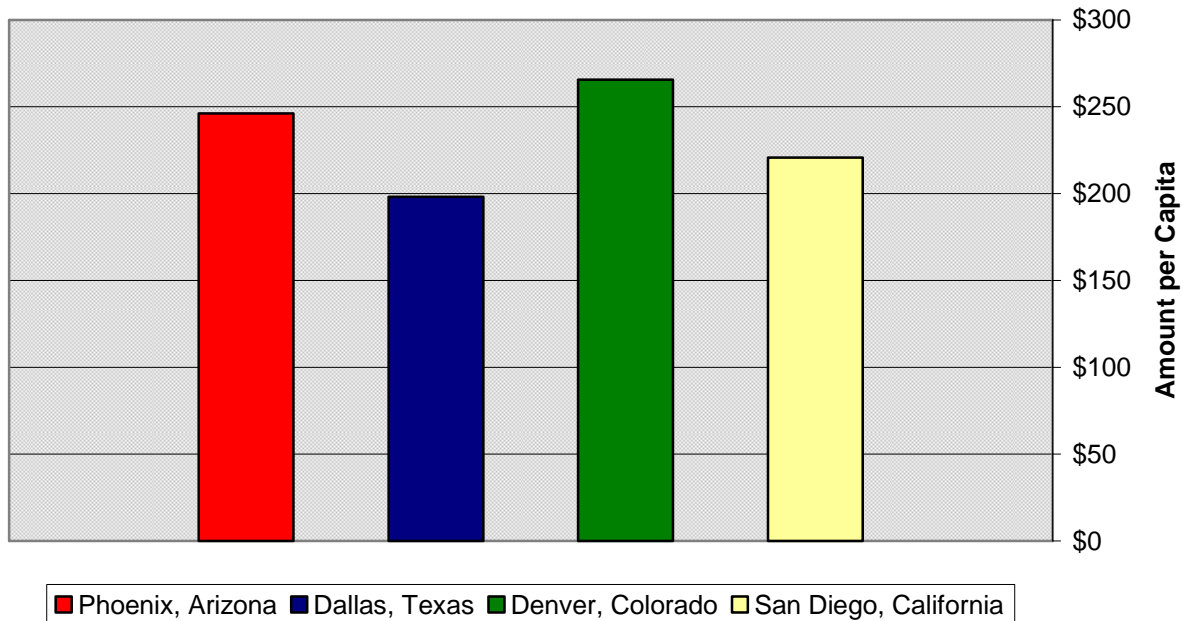
Figure 3-16: Total Grants Awarded by Region 2004 - 2008



Source: Federal Transit Administration, 2008

Figure 3-17 shows the same total grant funds by region as Figure 3-16 on a per capita basis. The relationship between peers is similar as total funds because the population of each region is roughly comparable; however, the Phoenix Region does reflect a higher per capita dollar value than the San Diego Region.

Figure 3-17: Total Grants Awarded by Region 2004 – 2008 on a Per Capita Basis



Source: Federal Transit Administration, 2008

3.6 SUMMARY

3.6.1 Federal Formula Funds

The Phoenix Region received \$53.1 million in FTA formula funding apportionments in 2008. Total formula funds for the Phoenix Region are increasing each year under SAFETEA-LU. The Phoenix Region received 8 to 9 percent increase each year from 2004 through 2007. In 2008, the apportionment for all formula programs increased 12 percent over funds in 2007.

When compared to peer regions, the Phoenix Region received the lowest total FTA formula funds over five years 2004 through 2008 but near the totals for both Dallas and Denver. San Diego has received a larger share of the formula funds, due to the advantage for Section 5309 Fixed Guideway funds. Phoenix receives the fewer funds for Fixed Guideway than any peer.

3.6.2 Federal Discretionary Funds

Discretionary programs represent almost \$400 million in funding for the transit program in the Phoenix Region over the past five years.

The comparison of the regions shows the Phoenix Region is second behind Denver in total discretionary dollars awarded for the five year period 2004 through 2008. The trend in funds reflects the schedule for construction of New Starts projects in each of the regions. The funding level for the Phoenix Region reflects construction of the Central Phoenix/East Valley Light Rail (LRT) project.

The Phoenix Region received a significantly higher level of discretionary funding for bus and bus facilities than the peer regions.

3.6.3 Peer Comparison Total Federal Funds

Total grant funds include all formula and all discretionary funds for all years for each region. The Phoenix Region total is approximately equal to San Diego and more than Dallas. The Denver Region received more total funds than other regions. On a per capita basis, the Phoenix Region reflects a higher per capita dollar value than either the San Diego Region or the Dallas Region, but less than the Denver Region.

4.0 PRELIMINARY ALTERNATIVE TLCP FINANCE STRATEGIES

The TLCP includes provisions for general financing (bonding) to manage annual cash flow. The fixed route bus program bonding plan in the FY 2008 TLCP Update includes the issuance of six finance bonds for a total of \$685.7 million. The estimated net cost (interest + issuance costs) of the bonds is \$204.5 million. Reducing finance costs will have the effect of increasing the availability of revenues to invest in the regional transit system. In an effort to better understand the effects associated with reducing finance costs, two preliminary alternative finance scenarios have been created.

1. *Eliminate Bonding* – pay as you go
2. *Capital Facility Bonding Only* – limits bonding to specific capital projects and exempts vehicles and other non-facility related capital elements such as bus stops and ITS from being financed

The alternatives or process to develop the alternatives are not intended to serve as a substitute for the current adopted TLCP, rather, the objective of developing the alternative TLCP finance strategies is to identify general potential impacts associated with each. Both alternatives include postponing the implementation of transit service and capital investments to better balance annual cash flow and mitigate the impacts of the projected decrease in Public Transportation Fund (PTF) sales tax revenues. A more detailed analysis of the alternative TLCP finance strategies would be necessary prior to consideration of implementing the scenarios identified herein or any other scenarios.

4.1 ADJUSTED TLCP BASE SCENARIO – NO BONDING

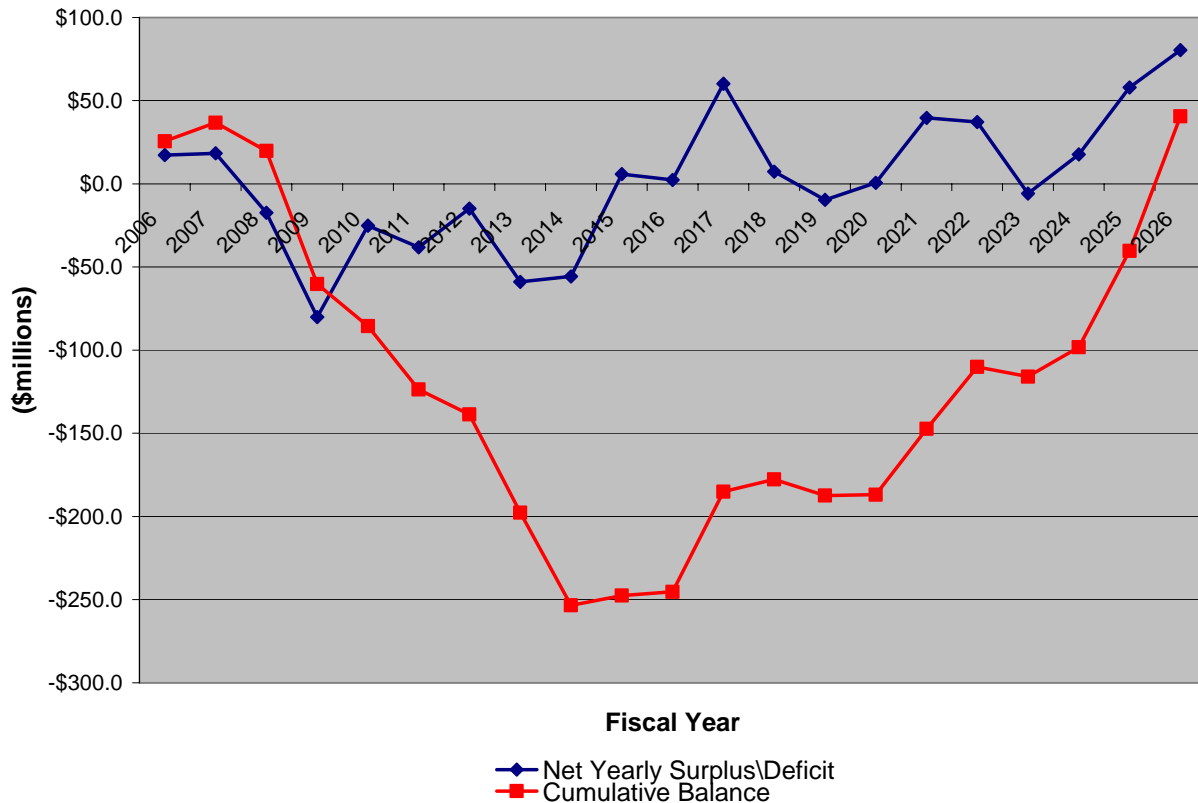
The FY 2009 TLCP Update has not been completed; therefore, the alternative scenarios are based upon general assumptions for revenues and expenditures. The following assumptions are included in each of the alternative scenarios:

- Removed the Regional Office Center (FY 2011 to FY 2026) and restored the value associated with the current office space annual lease cost (inflated to year of expenditure)
- Updated Public Transportation Fund (PTF) revenue source consistent with ADOT November 2008 sales tax estimate
- Adjusted FY 2008 fleet purchases based on estimated regional fleet acquisitions
- Adjusted federal revenues to be consistent with fleet purchases (80% federal participation assumed)
- Removed all previous bonding assumptions
- Adjusted reimbursement assumptions for Tempe and West Phoenix O&M facilities based on City of Phoenix and City of Tempe reimbursement schedules provided by RPTA
- Updated FY 2008 actual transit service operating expenses
- Set FY 2008 contingencies for operations, vehicles and capital facilities to \$0

Incorporating the basic assumptions described above results in a net balance of \$33.9 million in year 2026 for the fixed route bus program. While the final net balance is positive, the annual cash balance is negative for FY 2009 through FY 2025. Figure 4-1 summarizes the estimated net yearly deficit/surplus and cumulative balance. The lowest net TLCP balance, -\$256.1 million, is projected to occur in year 2014. The negative net annual balances occur due to the removal of bonding assumptions and a reduction in projected PTF revenues. The reduction in

projected PTF revenues is equal to a -\$386.4 million difference over the life of the TLCP compared to the ADOT FY 2007 estimate. An annual operating and capital cash flow table is included in the Appendix.

Figure 4-1: Adjusted TLCP Base Scenario Financial Summary



Source: Regional Public Transportation Authority, 2008

4.2 SCENARIO 1 – ELIMINATE BONDING

Scenario 1 assumes an elimination of bonding through a “pay-as-you-go” philosophy. This scenario eliminates bonding entirely but retains all of the public transit services and capital investments identified in the RTP through shifting programmed implementation dates. The estimated final TLCP balance in Scenario 1 is sufficient to restore funding for capital facility investments delayed in the FY 2008 TLCP Update. These investments include the Phoenix Dial-a-Ride O&M facility, Vanpool O&M Facility and the Rural O&M Facility.

4.2.1 Assumptions

Based on the current sales tax revenue estimates it is assumed that action will be necessary to ensure a positive cumulative cash balance in the current fiscal year (2009). This scenario does not attempt to produce a positive net cumulative balance in the current fiscal year, but identifies potential actions to ensure future positive annual cash flow and increase the net cumulative balance. It is assumed that actions will be necessary to ensure a positive cumulative balance at the end of FY 2009; however, this issue will be addressed through a separate process. For this alternative scenario, the net cumulative balance at the end of FY 2009 was manually adjusted to represent a value of \$0. Additional detailed assumptions for this scenario follow.

- Delayed the implementation of 15 minute peak headway service on Route 156 until FY 2015
- Removed regional funding allocation for Route 70 (Glendale Supergrid) deviation to LRT station at 19th Ave and Montebello
- Postponed the implementation of new fixed route service
 - Gilbert Rd Supergrid FY 2010 to FY 2012
 - Power Rd Supergrid FY 2010 to FY 2012
 - Apache Junction Express FY 2011 to FY 2013
 - Arizona Avenue Dedicated BRT FY 2011 to FY 2013
 - Baseline Rd Supergrid FY 2011 to FY 2013
 - Superstition Springs Frwy Connector FY 2012 to FY 2014
 - Arizona Ave\Country Club Dr Supergrid FY 2012 to FY 2014
 - University Dr Supergrid FY 2012 to FY 2014
 - Buckeye Express FY 2013 to FY 2015
 - Grand Ave Limited Expansion FY 2013 to FY 2015
 - Pima Express FY 2013 to FY 2015
 - Camelback Rd Supergrid FY 2013 to FY 2015
 - Elliot Rd Supergrid FY 2013 to FY 2015
 - Broadway Rd Supergrid FY 2013 to FY 2015
 - McDowell\McKellips Rd Supergrid FY 2014 to FY 2016
 - Alma School Rd Supergrid FY 2014 to FY 2016
 - Peoria Express FY 2014 to FY 2016
 - Rural\Scottsdale Rd Arterial BRT FY 2014 to FY 2018
 - South Central Express FY 2015 to FY 2018
 - Hayden\McClintock Supergrid FY 2015 to FY 2017
 - Peoria\Shea Supergrid FY 2015 to FY 2017
 - South Central Ave Dedicated BRT FY 2016 to FY 2018
 - Chandler Blvd\Williams Field Rd Arterial BRT FY 2024 to FY 2026
- Transit vehicles
 - Postponed expansion and replacement vehicles consistent with the postponed fixed route services
 - Beginning in FY 2011, postponed vanpool replacement buses one extra year
 - Apache Junction Express buses reprogrammed to 40' buses from 60' buses
 - Black Canyon Frwy Connector buses reprogrammed to 40' buses from 60' buses
 - Red Mountain Frwy Connector buses reprogrammed to 40' buses from 60' buses
 - Superstition Springs Frwy Connector buses reprogrammed to 40' buses from 60' buses
- Postponed transit center investments
 - 19th Ave & Camelback Transit Center FY 2009 to FY 2016
 - Mesa Downtown Transit Center FY 2011 to FY 2018
 - Central Station Rehab FY 2009 through FY 2011 to FY 2019 through FY 2021
 - College/ASU Transit Center Expansion/Rehab FY 2016 through FY 2019 to FY 2021 through FY 2024
 - Metrocenter Transit Center Rehab to FY 2020 through FY 2022
- Postponed park-and-ride facilities
 - Peoria\Grand Park-and-Ride FY 2011 through FY 2013 to FY 2013 through FY 2015
- Postponed O&M facility investments
 - Phoenix South rehabilitation from FY 2014 through 2015 to FY 2018 through FY 2019
 - Phoenix heavy maintenance facility from FY 2011 through FY 2014 to FY 2020 through FY 2022

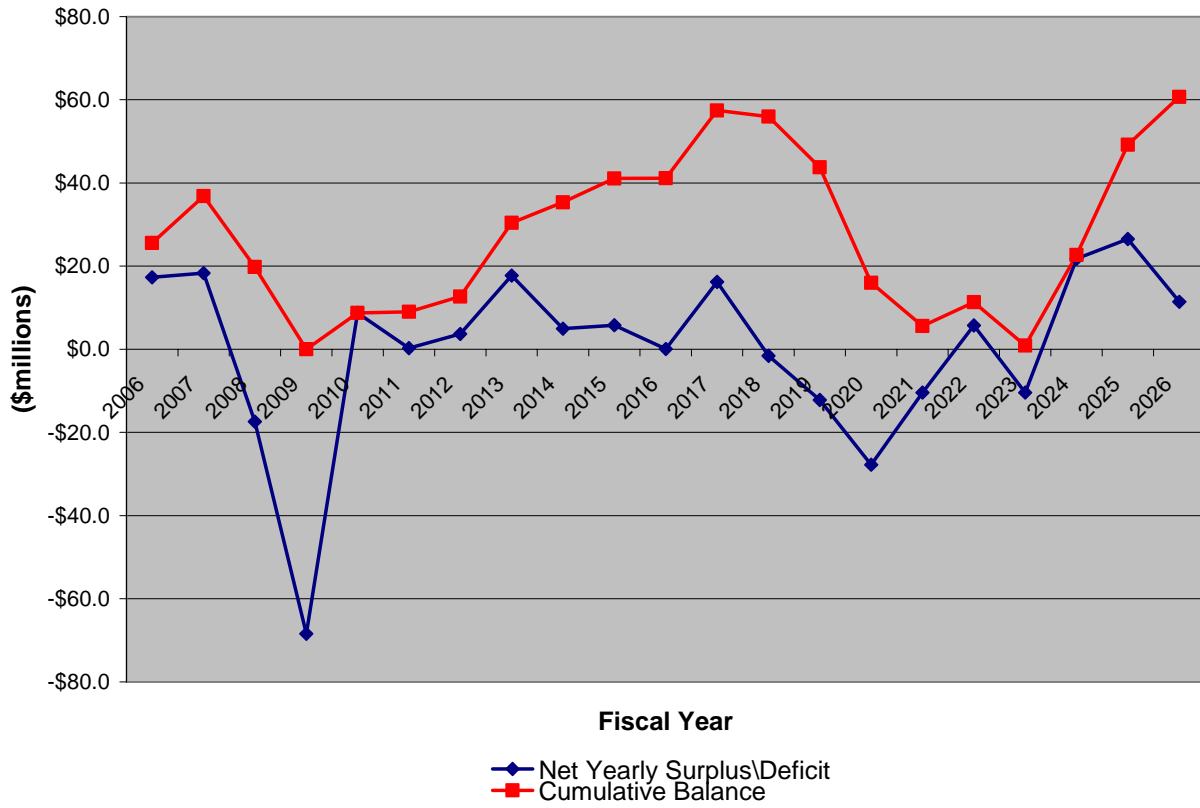
- Postponed BRT right-of-way investments
 - Arizona Ave\Country Club Dr FY 2010 and FY 2011 to FY 2012 and FY 2013
 - Rural Rd\Scottsdale Rd FY 2013 and FY 2014 to FY 2017 and FY 2018
 - Central Ave FY 2017 and FY 2018
 - Chandler Blvd\Williams Field Rd FY 2023 and FY 2024 to FY 2025 and FY 2026
- Postponed bus stop investments
 - Reduced annual budgeted revenues for bus stops from FY 2009 through FY 2020
 - Increased bus stop investments in FY 2021 through FY 2026 to restore reinvestments postponed in FY 2009 through FY 2014

4.2.2 Summary

The most significant impact of implementing a cash based program are schedule adjustments to planned transit service and capital investments. All of the elements of the RTP are retained and it is estimated that enough revenue will be available in the final years of the 20-year program to restore O&M facility projects previously postponed to a year outside of the TLCP. The postponement schedule defined for this scenario should not be considered insignificant. To ensure adequate annual cash flow and mitigate the impacts of reduced revenues (PTF sales tax) most planned bus routes are delayed by two years.

Figure 4-1 illustrates the estimated net yearly deficit\surplus and cumulative balance. The cumulative balance in the current fiscal year (2009) is shown as a negative value in the TLCP Adjusted Base Scenario; however, it is assumed that the cumulative balance will be corrected through a separate process before the end of the fiscal year. The net yearly surplus\balance is much more stable than in the adjusted TLCP base scenario. In several years of the program annual deficits occur, but their impact is offset by the cumulative balance. In the last three years of the TLCP, the cumulative balance is estimated to grow from \$.9 million in 2023 to \$60.7 million in 2026. An annual operating and capital cash flow table is included in the Appendix.

Figure 4-2: Scenario 1 Financial Summary



Source: HDR|SRBA, 2008

4.3 SCENARIO 2 – CAPITAL FACILITY BONDING ONLY

Scenario 2 is a limited finance alternative that retains an option to bond for capital investments only. Bonding is limited to transit centers, park-and-ride facilities, O&M facilities and dedicated BRT right-of-way investments. Consistent with Scenario1, it is assumed that revenues generated from the PTF (sales tax) will be significantly less than the revenues estimated in the FY 2008 TLCP Update. The availability revenues will require postponing transit service and capital investments and limit the funds available to be allocated to finance costs.

4.3.1 Assumptions

Unlike Scenario 1, this alternative includes an option to finance (bond) the expenditures associated with capital investments. The estimated FY 2009 deficit is addressed through issuing a bond in the current fiscal year. To ensure adequate annual cash flow balances, transit service and capital investments are postponed. The detailed assumptions included in this alternative finance scenario are listed below.

- Delayed the implementation of 15 minute peak headway service on Route 156 until FY 2015
- Removed regional funding allocation for Route 70 (Glendale Supergrid) deviation to LRT station at 19th Ave and Montebello
- Postponed the implementation of new fixed route service on the following routes
 - Gilbert Rd Supergrid FY 2010 to FY 2012
 - Power Rd Supergrid FY 2010 to FY 2012
 - Apache Junction Express FY 2011 to FY 2013
 - Arizona Avenue Dedicated BRT FY 2011 to FY 2013
 - Baseline Rd Supergrid FY 2011 to FY 2013
 - Superstition Springs Frwy Connector FY 2012 to FY 2014
 - Arizona Ave\Country Club Dr Supergrid FY 2012 to FY 2014
 - University Dr Supergrid FY 2012 to FY 2014
 - Buckeye Express FY 2013 to FY 2015
 - Grand Ave Limited Expansion FY 2013 to FY 2015
 - Pima Express FY 2013 to FY 2015
 - Camelback Rd Supergrid FY 2013 to FY 2015
 - Elliot Rd Supergrid FY 2013 to FY 2015
 - Broadway Rd Supergrid FY 2013 to FY 2015
 - McDowell\McKellips Rd Supergrid FY 2014 to FY 2016
 - Alma School Rd Supergrid FY 2014 to FY 2016
 - Peoria Express FY 2014 to FY 2016
 - Rural\Scottsdale Rd Arterial BRT FY 2014 to FY 2015
 - South Central Express FY 2015 to FY 2017
 - Dysart Supergrid FY 2015 to FY 2017
 - Hayden\McClintock Supergrid FY 2015 to FY 2017
 - Peoria\Shea Supergrid FY 2015 to FY 2017
 - Ray Rd Supergrid FY 2016 to FY 2018
 - Black Canyon Frwy Connector FY 2016 to FY 2018
 - South Central Ave Dedicated BRT FY 2016 to FY 2018
 - Ahwatukee Connector FY 2017 to FY 2019
 - Anthem Express FY 2018 to FY 2020
 - San Tan Express FY 2018 to FY 2020
 - Red Mountain Frwy Connector FY 2019 to FY 2021
 - Superstition Springs Connector FY 2019 to FY 2021

- Bell Rd Supergrid FY 2019 to FY 2021
- Queen Creek Rd Supergrid FY 2019 to FY 2021
- 59th Ave Supergrid FY 2020 to FY 2022
- Van Buren St Supergrid FY 2020 to FY 2022
- Thunderbird Rd Supergrid FY 2020 to FY 2022
- Indian School Rd Supergrid FY 2020 to FY 2022
- Thomas Rd Supergrid FY 2020 to FY 2022
- Tatum\44th St FY 2020 to FY 2022
- Avondale Express FY 2020 to FY 2022
- 99th Ave Supergrid FY 2021 to FY 2023
- Buckeye Rd Supergrid FY 2021 to FY 2023
- Dunlap\Olive Supergrid FY 2021 to FY 2023
- Transit vehicles postponed
 - Postponed expansion and replacement vehicles consistent with the postponed fixed route services
 - Beginning in FY 2011, postponed vanpool replacement buses one extra year
- Postponed transit center investments
 - 19th Ave & Camelback Transit Center FY 2009 to FY 2016
 - Mesa Downtown Transit Center FY 2011 to FY 2018
 - Central Station Rehab FY 2009 through FY 2011 to FY 2019 through FY 2021
 - College/ASU Transit Center Expansion/Rehab FY 2016 through FY 2019 to FY 2021 through FY 2024
- Postponed O&M facility investments
 - Phoenix South rehabilitation from FY 2014 through 2015 to FY 2016 through FY 2017
 - Phoenix heavy maintenance facility from FY 2011 through FY 2014 to FY 2020 through FY 2022
- Postponed BRT right-of-way investments
 - Arizona Ave\Country Club Dr FY 2010 and FY 2011 to FY 2012 and FY 2013
 - Rural Rd\Scottsdale Rd FY 2013 and FY 2014 to FY 2015 and FY 2016
 - Central Ave FY 2016 and FY 2017
 - Chandler Blvd\Williams Field Rd FY 2023 and FY 2024 to FY 2024 and FY 2025
- Postponed bus stop investments
 - Reduced annual budgeted revenues for bus stops from FY 2009 through FY 2014
 - Increased bus stop investments in FY 2021 through FY 2026 to restore reinvestments postponed in FY 2009 through FY 2014

4.3.2 Summary

Three bonds totaling \$216 million are estimated to be necessary to ensure positive annual cash balances throughout the term of the TLCP. The total bonding cost is estimated to be \$54.4 million. The final estimated program balance (\$60.7 million) is sufficient to restore funding for capital facility investments delayed in the FY 2008 TLCP Update. These investments include the Phoenix Dial-a-Ride O&M facility, Vanpool O&M Facility and the Rural O&M Facility. Figure 4-3 provides a project specific bonding schedule, while Figure 4-4 identifies the net yearly surplus\deficit and cumulative annual balance through FY 2026. An annual operating and capital cash flow table is included in the Appendix.

Figure 4-3: Project Specific Bonding Schedule

Bond Year (FY)	Project Type	Project	Value (YOE)
2009	Transit Center	Downtown Chandler	\$1,956,389
	Transit Center	South Tempe	\$1,945,123
	Transit Center	South Chandler	\$1,956,389
	Park-and-Ride	Country Club Dr & US60	\$1,901,051 ^A
	Park-and-Ride	Happy Valley Rd & I-17	\$4,575,569
	Park-and-Ride	Grand\Surprise	\$4,500,658
	Park-and-Ride	Cactus	\$4,580,226
	Park-and-Ride	Price\202	\$4,580,226
	O&M	West Phoenix & Tempe	\$61,223,247
	Dedicated BRT ROW	Main St	\$13,953,896
FY 2009 Projects Total			\$101,172,774
FY 2009 Total Bond Value			\$101,000,000
Bond Year (FY)	Project Type	Project	Value (YOE)
2016	Transit Center	19 TH Ave & Camelback	\$3,554,586
	Dedicated BRT ROW	Central Ave	\$21,255,021 ^C
	Dedicated BRT ROW	Scottsdale\Rural Rd	\$20,415,176 ^A
FY 2016 Projects Total			\$45,224,783
FY 2016 Total Bond Value			\$45,000,000
Bond Year (FY)	Project Type	Project	Value (YOE)
2021	O&M	Phoenix Heavy Maintenance	\$69,894,939 ^A
FY 2021 Projects Total			\$69,894,939
FY 2021 Total Bond Value			\$70,000,000

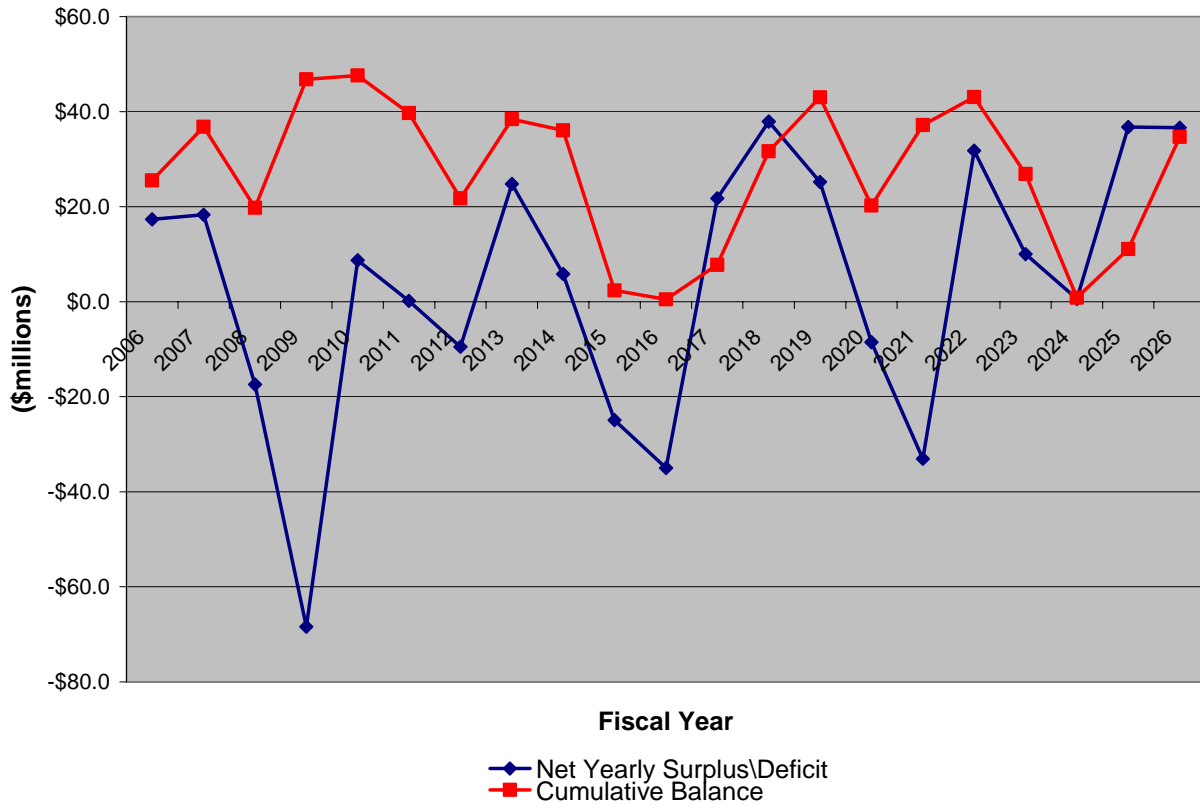
Source: HDR|SRBA, 2008

^A Represents partial project funding amount

^B Includes full funding for project FY 2016 through FY 2018

^C Includes full funding for project FY 2016 through FY 2017

Figure 4-4: Scenario 2 Financial Summary



Source: HDR|SRBA, 2008

APPENDIX A

ALTERNATIVE TLCP FINANCE STRATEGIES

Figure A-1: Adjusted TLCP Base Scenario - Annual Cash Flow for Bus Operations by Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	20-Year TOTAL	
Revenues for Operating																							
Total Sources of Operating Funds																							
PTF Funds Available for Bus	29,030,500	73,890,000	71,700,000	71,910,000	74,980,000	81,560,000	88,430,000	95,530,000	103,020,000	110,680,000	118,460,000	126,750,000	135,150,000	143,550,000	153,080,000	162,960,000	173,520,000	184,980,000	197,300,000	210,240,000	130,150,000	2,536,870,500	
RARF Revenues	3,938,570	4,047,593	4,169,021	4,294,091	4,422,914	4,555,602	4,692,270	4,833,038	4,978,029	5,127,370	5,281,191	5,439,627	5,602,815	5,770,900	5,944,027	6,122,348	6,306,018	6,495,199	6,690,055	6,890,756	4,140,196	109,741,627	
5307 Associated Capital Cost of Maintenance		662,320	1,439,404	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	479,593	16,558,037
Federal 5311	0	0	259,597	259,597																			519,194
Federal JARC (3037)	91,600	125,000	31,250	31,250																			279,100
Federal Planning (5303)	0	0	224,700	224,700																			449,400
Fare Revenues	1,663,374	4,347,451	4,754,336	9,843,462	11,901,600	12,830,061	14,638,986	17,881,291	20,864,135	24,305,540	26,116,516	26,955,763	28,132,279	32,142,232	36,622,918	40,481,421	42,788,648	45,262,789	48,298,697	49,747,815	30,561,445	530,140,759	
Local Agency Sources	162,809	58,000	98,023																				318,832
Total Sources of Operating Funds	34,886,853	83,130,364	82,676,331	87,385,260	92,126,674	99,767,823	108,583,416	119,066,489	129,684,324	140,935,070	150,679,867	159,967,550	169,707,254	182,285,292	196,469,105	210,385,929	223,436,826	237,560,148	253,110,912	267,700,731	165,331,234	3,194,877,449	
Expenditures for Operating																							
Uses of Funds - Operating Gross Costs																							
Existing Express	1,564,357	3,875,311	3,509,164	4,166,918	4,291,927	4,072,054	4,194,196	3,965,008	3,737,848	3,849,986	3,965,502	4,084,468	3,120,744	3,214,371	3,088,920	3,181,577	3,277,017	3,375,327	3,476,579	3,580,879	2,151,509	73,743,662	
Existing Local	2,911,928	5,691,551	5,116,049	5,652,336	5,126,031	4,783,211	4,163,911	4,142,408	3,961,392	1,740,395	1,792,611	1,846,386	1,901,766	1,958,825	994,953	1,024,798	1,055,544	1,087,207	1,119,819	1,153,418	693,009	57,917,549	
Existing (Interim) RAPID	1,088,209	2,954,709	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,042,918
Interim Rural	0	311,938	858,608	884,375	910,908	938,232	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,904,060
BRT/Express/RAPID	0	0	5,222,237	8,279,021	10,233,967	11,771,485	12,271,637	14,971,110	18,093,887	19,532,256	21,460,956	22,338,870	25,639,696	28,525,363	30,082,583	30,985,024	33,086,276	35,086,292	38,445,574	39,599,026	23,792,402	429,417,660	
Rural	0	0	0	0	0	0	1,090,884	1,123,607	1,157,314	1,192,041	1,227,797	1,264,631	1,302,563	1,341,641	1,381,885	1,423,344	1,466,051	1,510,028	1,555,333	1,601,991	962,532	19,601,642	
Supergrid	0	5,608,265	11,461,714	17,973,121	24,228,398	26,925,005	34,062,390	44,548,371	53,761,176	68,234,309	73,322,871	75,522,548	77,788,103	87,625,738	108,135,804	122,396,321	129,062,734	136,728,785	145,335,551	149,696,192	92,622,075	1,485,039,470	
Safety and Security	56,067	203,076	802,320	1,108,674	1,343,737	1,454,698	1,673,489	2,062,515	2,421,349	2,836,469	3,053,091	3,151,706	3,292,586	3,679,978	4,310,526	4,770,329	5,038,427	5,333,629	5,697,987	5,868,943	3,606,646	61,766,242	
Contingency	0	0	0	923,893	1,119,781	1,212,249	1,394,576	1,718,763	2,017,791	2,364,723	2,545,275	2,627,484	2,744,912	3,067,774	3,593,426	3,977,154	4,200,627	4,446,683	4,750,374	4,892,903	3,006,809	50,605,197	
ADA	2,348,159	6,624,259	9,717,078	10,010,000	10,626,000	11,326,000	12,096,000	12,915,000	13,783,000	14,700,000	15,715,000	16,772,000	17,920,000	19,124,000	20,426,000	21,826,000	23,261,000	24,857,000	26,523,000	28,231,000	17,577,000	336,377,496	
SCAT (County)	83,333	258,632	199,240	199,240	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	116,667	4,057,112	
RPTA Planning and Administration	2,625,081	5,149,047	8,753,241	7,202,004	5,626,503	5,795,298	5,969,157	6,148,232	6,332,678	6,522,659	6,718,339	6,919,889	7,127,485	7,341,310	7,561,549	7,788,396	8,022,048	8,262,709	8,510,590	8,765,908	9,028,885	146,171,008	
Regional Services	2,559,498	7,145,312	8,262,963	9,000,000	8,600,000	8,858,000	9,123,740	9,397,452	9,679,376	9,969,757	10,268,850	10,576,915	10,894,223	11,221,049	11,557,681	11,437,873	11,781,009	12,134,440	12,498,473	12,873,427	7,734,784	205,574,823	
Regional Paratransit Program (Enter "1" in Column B if included)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Uses of Operating Funds for Operations	13,236,632	37,822,100	53,902,614	65,399,581	72,307,252	77,336,231	86,239,980	101,192,465	115,145,811	131,142,595	140,270,291	145,304,898	151,932,078	167,300,050	191,333,327	209,010,816	220,450,733	233,022,098	248,113,280	256,463,687	161,292,319	2,878,218,838	
Operating Reserve target 12%	1,588,396	4,538,652	6,468,314	7,847,950	8,676,870	9,280,348	10,348,798	12,143,096	13,817,497	15,737,111	16,832,435	17,436,588	18,231,849	20,076,006	22,959,999	25,081,298	26,454,088	27,962,652	29,773,594	30,775,642	19,355,078	19,355,078	
Actual Operating Reserve Fund Balance (minimum 12%)	1,588,396	4,538,652	6,468,314	7,847,950	8,676,870	9,280,348	10,348,798	12,143,096	13,817,497	15,737,111	16,832,435	17,436,588	18,231,849	20,076,006	22,959,999	25,081,298	26,454,088	27,962,652	29,773,594	30,775,642	30,775,642	30,775,642	
Annual Contribution to Operating Reserve	1,588,396	2,950,256	1,929,662	1,379,636	828,921	603,477	1,068,450	1,794,298	1,674,402	1,919,614	1,095,324	604,153	795,262	1,844,157	2,883,993	2,121,299	1,372,790	1,508,564	1,810,942	1,002,049	0	30,775,642	
Total Uses, Including Contribution to Reserve	14,825,028	40,772,356	55,832,276	66,779,217	73,136,172	77,939,708	87,308,430	102,986,763	116,820,213	133,062,209	141,365,615	145,909,051	152,727,339	169,144,207	194,217,320	211,132,115	221,823,523	234,530,662	249,924,222	257,465,736	161,292,319	2,908,994,481	
Operating Fund Balance																							
Net Annual Surplus/(Deficit) without operating reserve	21,650,221	45,308,264	28,773,716	21,985,680	19,819,422	22,431,592	22,343,435	17,874,024	14,538,512	9,792,475	10,409,575	14,662,652	17,775,177	14,985,242	5,135,778	1,375,112	2,986,093	4,538,049	4,997,631	11,237,044		316,658,610	
Year End Operating Surplus/Deficit - Transferred to Fund Capital Program	20,061,825	42,358,007	26,844,055	20,606,044	18,990,502	21,828,114	21,274,986	16,079,725	12,864,111	7,872,861	9,314,252	14,058,499	16,979,915	13,141,085	2,251,785	(746,186)	1,613,303	3,029,485	3,186,689	10,234,995	4,038,915	285,882,968	
Annual Interest Earned on 12 % Operating Reserve	29,497	113,779	204,399	265,853	306,866	333,466	364,513	417,674	482,088	548,829	604,816	636,376	662,363	711,377	799,179	892,127	957,012	1,010,519	1,072,162	1,124,399	666,754	12,204,049	

Figure A-2: Adjusted TLCP Base Scenario - Annual Cash Flow for Bus Capital by Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	20-Year TOTAL	
Bus Capital Program Revenues																							
Sources of Funds																							
Federal 5309 Bus	0	3,976,450	66,492,698	32,384,912	5,698,468	8,285,310	8,802,652	9,343,579	9,909,038	10,500,016	11,117,534	11,762,654	12,436,475	13,140,139	13,874,829	14,641,776	15,442,251	16,277,578	17,149,126	18,058,317	19,006,625	318,300,425	
Federal 5307	9,097,809	33,139,871	0	24,639,440	26,496,015	42,820,196	45,760,238	59,892,454	63,889,384	68,138,709	72,656,070	77,458,067	82,562,321	87,987,534	93,753,556	99,881,453	106,393,586	128,103,029	136,356,955	145,125,616	154,356,402	1,558,508,704	
STP	1,678,923	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,678,923	
CMAQ	2,014,708	4,279,080	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,293,788	
Local Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Transfer of PTF Funds from Operations to Capital	20,061,825	42,358,007	26,844,055	20,606,044	18,990,502	21,828,114	21,274,986	16,079,725	12,864,111	7,872,861	9,314,252	14,058,499	16,979,915	13,141,085	2,251,785	(746,186)	1,613,303	3,029,485	3,186,689	10,234,995	4,038,915	285,882,968	
Annual Interest Earned on 12% Operating Reserve	29,497	113,779	204,399	265,853	306,866	333,466	364,513	417,674	482,088	548,829	604,816	636,376	662,363	711,377	799,179	892,127	957,012	1,010,519	1,072,162	1,124,399	666,754	12,204,049	
Total Sources of Funds	32,882,762	83,867,187	93,541,152	77,896,249	51,491,851	73,267,086	76,202,389	85,733,433	87,144,621	87,060,415	93,692,673	103,915,596	112,641,074	114,980,135	110,679,349	114,669,169	124,406,152	148,420,611	157,764,932	174,543,327	178,068,697	2,182,868,857	
Bus Expenditures																							
Uses of Funds - Capital Fund																							
Local/SuperGrid - 40-ft. Replace	6,304,687	18,700,000	38,293,169	21,642,360	28,793,356	49,747,489	46,805,691	27,910,972	43,906,497	2,153,509	-	1,713,493	24,708,575	49,081,819	61,788,556	35,999,635	41,052,441	72,292,025	77,270,627	59,329,792	14,904,801	722,399,496	
Local/SuperGrid - 40-ft. Expand	5,017,518	12,750,000	26,108,979	5,861,473	5,108,499	10,523,507	12,809,979	15,731,639	10,453,928	6,460,527	-	3,998,151	17,060,682	26,661,729	6,865,395	7,071,357	5,297,089	5,456,002	-	-	-	183,236,454	
Local/SuperGrid - 60-ft. Replace	-	-	-	-	-	11,001,849	-	-	-	-	15,004,892	-	7,959,345	4,099,063	-	4,348,695	-	15,686,005	-	-	-	58,099,848	
Local/SuperGrid - 60-ft. Expand	3,623,695	8,625,000	-	3,050,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,298,783	
BRT/Express - 40-ft. Replace	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,728,001	
BRT/Express - 40-ft. Expand	-	-	-	-	-	1,913,365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,913,365	
BRT/Express - 45 and 60-ft. Replace	-	-	-	-	-	-	-	-	-	-	48,015,653	-	-	7,378,313	21,954,579	4,348,695	12,541,638	-	15,206,198	19,577,980	9,074,394	138,097,450	
BRT/Express - 45 and 60-ft. Expand	-	5,175,000	15,152,550	3,050,088	8,796,452	-	10,665,321	13,731,601	6,364,597	11,654,285	5,251,712	13,909,535	18,306,493	7,378,313	-	5,218,435	4,479,156	10,149,768	-	-	-	139,283,306	
Paratransit - Replace	175,432	4,836,000	1,247,396	5,378,763	5,454,893	2,545,901	5,787,096	6,146,981	6,715,111	5,928,484	6,208,111	6,813,656	7,341,976	7,228,608	7,445,466	6,606,992	8,506,502	7,885,527	9,024,548	7,967,387	1,914,829	121,159,659	
Paratransit - Expand	-	-	-	579,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579,251	
Rural - Replace	-	-	-	-	-	526,738	-	-	-	-	305,317	733,778	-	-	-	-	-	-	-	-	-	3,180,750	
Rural - Expand	392,521	-	-	-	-	-	361,694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	754,215	
Vanpool - Replace	-	3,540,000	1,123,467	1,432,215	1,475,181	1,519,437	1,565,020	1,611,971	1,660,330	1,710,140	1,761,444	1,814,287	1,868,716	1,924,777	1,982,521	2,041,996	2,103,256	2,166,354	2,231,344	2,298,285	2,367,233	38,197,973	
Vanpool - Expand	-	930,000	936,223	795,675	819,545	844,132	869,456	895,539	922,405	950,078	978,580	1,007,937	1,038,175	1,069,321	1,101,400	1,134,442	1,168,476	1,203,530	1,239,636	1,276,825	1,315,130	20,496,504	
Vehicle Upgrades includes ITS/VMS, Fareboxes, Eng Rebuild	39,865	2,543,727	2,029,889	2,090,786	2,153,509	2,218,114	2,284,658	2,353,198	2,423,794	2,496,507	2,571,403	2,648,545	2,728,001	2,809,841	2,894,136	2,980,960	3,070,389	3,162,501	1,628,688	1,677,549	0	46,806,058	
Capital Contingency on Vehicles	0	0	0	1,567,122	1,891,797	2,948,341	2,957,410	2,476,076	2,625,858	1,082,138	2,907,214	1,124,656	2,935,649	3,930,823	3,792,672	2,517,157	2,849,970	4,408,770	3,936,463	3,391,885	1,124,502	48,468,503	
Regional Office Center	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Park & Ride Facilities - New	0	0	0	20,233,659	4,675,940	3,101,746	3,951,114	6,257,374	2,207,078	5,535,241	5,701,299	5,750,816	3,564,422	0	0	136,773	2,654,984	4,132,142	0	0	0	67,902,587	
Passenger Facilities																							
Transit Centers	0	0	0	7,624,394	2,922,439	8,406,654	806,350	2,488,852	9,659,530	4,822,665	166,385	592,028	2,062,048	9,958,407	0	0	0	0	0	0	0	49,509,751	
Bus Stop Improvements	0	0	0	5,468,835	1,672,137	1,722,301	1,773,970	1,827,189	1,882,004	1,938,465	1,996,618	2,056,517	2,118,212	2,181,759	2,247,212	2,314,628	2,384,067	2,455,589	2,529,256	2,605,134	1,341,644	40,515,536	
O&M Facilities	0	8,450,058	24,836,153	61,223,247	0	652,387	0	38,066,431	18,962,620	22,028,006	0	853,766	11,866,804	0	0	0	0	3,832,207	16,765,127	59,282,095	266,818,900		
Dedicated BRT ROW	0	0	1,225,000	13,953,896	11,088,698	11,421,359	0	18,682,778	29,112,669	10,165,489	0	0	0	0	0	0	0	20,120,161	20,723,766	0	0	136,493,815	
Capital Contingency on Facilities	0	0	0	4,037,014	1,868,708	2,358,215	475,746	6,549,544	5,994,190	4,255,140	586,768	719,661	1,749,327	995,841	0	13,677	265,498	2,425,230	2,455,597	1,676,513	5,928,210	42,354,879	
Total Uses of Funds, Bus Capital Program	15,553,718	65,549,785	110,952,825	157,988,864	76,721,154	111,451,535	91,113,503	144,730,146	142,890,611	81,180,674	91,455,395	43,736,826	105,308,426	124,698,611	110,071,937	75,087,390	87,224,116	154,271,605	140,078,330	116,566,476	97,663,159	2,144,295,085	
Net Yearly Surplus/Deficit Prior to Bonding	17,329,044	18,317,403	(17,411,673)	(80,092,616)	(25,229,304)	(38,184,449)	(14,911,115)	(58,996,713)	(55,745,990)	5,879,741	2,237,278	60,178,770	7,332,648	(9,718,476)	607,412	39,581,779	37,182,036	(5,850,995)	17,686,602	57,976,851	80,405,538	38,573,772	
Bond Proceeds	8,285,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,285,000	
Debt Service Subtotal	(171,845)	(8,588,231)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(8,760,076)	
Net Yearly Capital Surplus/Deficit with Bonding	25,442,199	9,729,172	(17,411,673)	(80,092,616)	(25,229,304)	(38,184,449)	(14,911,115)	(58,996,713)	(55,745,990)	5,879,741	2,237,278	60,178,770	7,332,648	(9,718,476)	607,412	39,581,779	37,182,036	(5,850,995)	17,686,602	57,976,851	80,405,538	38,098,696	
Ending Cumulative Cash Balance, Bus Capital Program without Bonding	17,329,044	35,646,446	18,234,773	(61,857,843)	(87,087,147)	(125,271,596)	(140,182,710)	(199,179,423)	(254,925,413)	(249,045,672)	(246,808,394)	(186,629,624)	(179,296,976)	(189,015,452)	(188,408,040)	(148,826,261)	(111,644,225)	(117,495,219)	(99,808,617)	(41,831,766)	38,573,772	38,573,772	
Ending Cumulative Cash Balance, Bus Capital Program with Bonding	25,442,199	35,171,370	17,759,697	(62,332,919)	(87,562,223)	(125,746,672)	(140,657,786)	(199,654,499)	(255,400,489)	(249,520,748)	(247,283,470)	(187,104,700)	(179,772,052)	(189,490,528)	(188,883,116)	(149,301,337)	(112,119,301)	(117,970,295)	(100,283,693)	(42,306,842)	38,098,696	38,098,696	
Annual Interest on Cash Balance after Bonding	94,815	1,550,576	368,204	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	412,704	2,426,299	
Ending Cumulative Cash Balance, Bus Capital Program with Bonding and interest on Cumulative Cash Balance	25,537,014	36,816,762	19,773,292	(60,319,324)	(85,548,627)	(123,733,076)	(138,644,191)	(197,640,904)	(253,386,894)	(247,507,152)	(245,269,874)												

Figure A-3: Scenario 1 - Annual Cash Flow for Bus Operations by Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	20-Year TOTAL	
Revenues for Operating																							
Total Sources of Operating Funds																							
PTF Funds Available for Bus	29,030,500	73,890,000	71,700,000	71,910,000	74,980,000	81,560,000	88,430,000	95,530,000	103,020,000	110,680,000	118,460,000	126,750,000	135,150,000	143,550,000	153,080,000	162,960,000	173,520,000	184,980,000	197,300,000	210,240,000	130,150,000	2,536,870,500	
RARF Revenues	3,938,570	4,047,593	4,169,021	4,294,091	4,422,914	4,555,602	4,692,270	4,833,038	4,978,029	5,127,370	5,281,191	5,439,627	5,602,815	5,770,900	5,944,027	6,122,348	6,306,018	6,495,199	6,690,055	6,890,756	4,140,196	109,741,627	
5307 Associated Capital Cost of Maintenance		662,320	1,439,404	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	479,593	16,558,037	
Federal 5311	0	0	259,597	259,597																		519,194	
Federal JARC (3037)	91,600	125,000	31,250	31,250																		279,100	
Federal Planning (5303)	0	0	224,700	224,700																		449,400	
Fare Revenues	1,663,374	4,347,451	4,754,336	9,805,441	10,696,152	10,884,970	12,211,885	13,121,669	15,234,879	19,316,269	22,800,269	25,838,881	28,293,405	32,308,193	36,844,243	40,709,385	42,678,776	45,149,620	47,632,685	49,061,821	30,489,310	503,843,014	
Local Agency Sources	162,809	58,000	98,023																			318,832	
Total Sources of Operating Funds	34,886,853	83,130,364	82,676,331	87,347,239	90,921,226	97,822,732	106,156,315	114,306,867	124,055,068	135,945,799	147,363,620	158,850,668	169,868,380	182,451,253	196,690,430	210,613,893	223,326,954	237,446,979	252,444,900	267,014,737	165,259,099	3,168,579,704	
Expenditures for Operating																							
Uses of Funds - Operating Gross Costs																							
Existing Express	1,564,357	3,875,311	3,509,164	4,166,918	4,291,927	4,420,710	4,553,310	4,095,733	4,218,631	4,206,506	3,965,502	4,084,468	4,206,994	4,333,214	3,310,802	3,410,114	3,277,017	3,375,327	3,476,579	3,580,879	2,151,509	78,074,972	
Existing Local	2,911,928	5,691,551	5,116,049	5,652,336	5,126,031	4,783,211	4,163,911	4,283,519	4,412,035	4,355,074	4,161,851	1,846,386	1,901,766	1,958,825	2,017,593	2,078,113	1,055,544	1,087,207	1,119,819	1,153,418	693,009	65,569,178	
Existing (Interim) RAPID	1,088,209	2,954,709	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,042,918	
Interim Rural	0	311,938	858,608	884,375	910,908	938,232	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,904,060	
BRT/Express/RAPID	0	0	5,222,237	8,279,021	10,233,967	10,540,989	10,857,179	12,488,321	13,019,038	15,882,887	17,295,029	18,047,942	25,639,696	28,525,363	30,082,583	30,985,024	33,086,276	35,086,292	36,138,915	37,223,157	23,792,402	402,426,317	
Rural	0	0	0	0	0	0	1,090,884	1,123,607	1,157,314	1,192,041	1,227,797	1,264,631	1,302,563	1,341,641	1,381,885	1,423,344	1,466,051	1,510,028	1,555,333	1,601,991	962,532	19,601,642	
Supergrid	0	5,608,265	11,461,714	17,821,352	19,416,617	19,999,264	25,377,577	27,635,950	35,180,529	48,673,171	61,530,700	75,144,226	77,398,431	87,224,377	107,722,403	121,970,517	128,624,157	136,277,050	144,870,266	149,216,949	92,334,130	1,393,487,646	
Safety and Security	56,067	203,076	802,320	1,104,121	1,199,385	1,220,470	1,381,283	1,488,814	1,739,625	2,229,290	2,645,426	3,011,629	3,313,482	3,701,502	4,335,460	4,796,010	5,025,270	5,320,077	5,614,829	5,783,290	3,598,008	58,569,434	
Contingency	0	0	0	920,099	999,486	1,017,060	1,151,071	1,240,679	1,449,689	1,857,740	2,204,522	2,510,753	2,762,328	3,085,710	3,614,205	3,998,555	4,189,662	4,435,390	4,681,076	4,821,526	2,999,610	47,939,161	
ADA	2,348,159	6,624,259	9,717,078	10,010,000	10,626,000	11,326,000	12,096,000	12,915,000	13,783,000	14,700,000	15,715,000	16,772,000	17,920,000	19,124,000	20,426,000	21,826,000	23,261,000	24,857,000	26,523,000	28,231,000	17,577,000	336,377,496	
SCAT (County)	83,333	258,632	199,240	199,240	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	116,667	4,057,112	
RPTA Planning and Administration	2,625,081	5,149,047	8,753,241	7,202,004	5,626,503	5,795,298	5,969,157	6,148,232	6,332,678	6,522,659	6,718,339	6,919,889	7,127,485	7,341,310	7,561,549	7,788,396	8,022,048	8,262,709	8,510,590	8,765,908	9,028,885	146,171,008	
Regional Services	2,559,498	7,145,312	8,262,963	9,000,000	8,600,000	8,858,000	9,123,740	9,397,452	9,679,376	9,969,757	10,268,850	10,576,915	10,894,223	11,221,049	11,557,681	11,437,873	11,781,009	12,134,440	12,498,473	12,873,427	7,734,784	205,574,823	
Regional Paratransit Program (Enter "1" in Column B if included)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Uses of Operating Funds for Operations	13,236,632	37,822,100	53,902,614	65,239,465	67,230,824	69,099,233	75,964,112	81,017,307	91,171,916	109,789,125	125,933,016	140,378,839	152,666,968	168,056,991	192,210,161	209,913,947	219,988,034	232,545,519	245,188,881	253,451,545	160,988,537	2,765,795,766	
Operating Reserve target 12%	1,588,396	4,538,652	6,468,314	7,828,736	8,067,699	8,291,908	9,115,693	9,722,077	10,940,630	13,174,695	15,111,962	16,845,461	18,320,036	20,166,839	23,065,219	25,189,674	26,398,564	27,905,462	29,422,666	30,414,185	19,318,624	19,318,624	
Actual Operating Reserve Fund Balance (minimum 12%)	1,588,396	4,538,652	6,468,314	7,828,736	8,067,699	8,291,908	9,115,693	9,722,077	10,940,630	13,174,695	15,111,962	16,845,461	18,320,036	20,166,839	23,065,219	25,189,674	26,398,564	27,905,462	29,422,666	30,414,185	30,414,185	30,414,185	
Annual Contribution to Operating Reserve	1,588,396	2,950,256	1,929,662	1,360,422	238,963	224,209	823,785	606,383	1,218,553	2,234,065	1,937,267	1,733,499	1,474,575	1,846,803	2,898,380	2,124,454	1,208,891	1,506,898	1,517,203	991,520	0	30,414,185	
Total Uses, Including Contribution to Reserve	14,825,028	40,772,356	55,832,276	66,599,887	67,469,787	69,323,442	76,787,897	81,623,691	92,390,469	112,023,190	127,870,283	142,112,338	154,141,544	169,903,794	195,108,541	212,038,401	221,196,925	234,052,417	246,706,084	254,443,065	160,988,537	2,796,209,951	
Operating Fund Balance																							
Net Annual Surplus/(Deficit) without operating reserve	21,650,221	45,308,264	28,773,716	22,107,775	23,690,402	28,723,499	30,192,203	33,289,560	32,883,152	26,156,674	21,430,604	18,471,828	17,201,412	14,394,262	4,480,269	699,946	3,338,920	4,901,459	7,256,019	13,563,192		402,783,938	
Year End Operating Surplus/Deficit - Transferred to Fund Capital Program	20,061,825	42,358,007	26,844,055	20,747,353	23,451,439	28,499,290	29,368,418	32,683,176	31,664,598	23,922,609	19,493,337	16,738,329	15,726,837	12,547,459	1,581,889	(1,424,508)	2,130,029	3,394,561	5,738,816	12,571,672	4,270,562	372,369,753	
Annual Interest Earned on 12 % Operating Reserve	29,497	113,779	204,399	265,496	295,197	303,798	323,259	349,817	383,706	447,822	525,283	593,449	653,023	714,701	802,819	896,093	957,994	1,008,426	1,064,583	1,111,170	658,923	11,703,237	

Figure A-4: Scenario 1 - Annual Cash Flow for Bus Capital by Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	20-Year TOTAL	
Bus Capital Program Revenues																							
Sources of Funds																							
Federal 5309 Bus	0	3,976,450	66,492,698	32,384,912	5,698,468	8,285,310	8,802,652	9,343,579	9,909,038	10,500,016	11,117,534	11,762,654	12,436,475	13,140,139	13,874,829	14,641,776	15,442,251	16,277,578	17,149,126	18,058,317	19,006,625	318,300,425	
Federal 5307	9,097,809	33,139,871	0	24,639,440	26,496,015	42,820,196	45,760,238	59,892,454	63,889,384	68,138,709	72,656,070	77,458,067	82,562,321	87,987,534	93,753,556	99,881,453	106,393,586	128,103,029	136,356,955	145,125,616	154,356,402	1,558,508,704	
STP	1,678,923	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,678,923	
CMAQ	2,014,708	4,279,080	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,293,788	
Local Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Transfer of PTF Funds from Operations to Capital	20,061,825	42,358,007	26,844,055	20,747,353	23,451,439	28,499,290	29,368,418	32,683,176	31,664,598	23,922,609	19,493,337	16,738,329	15,726,837	12,547,459	1,581,889	(1,424,508)	2,130,029	3,394,561	5,738,816	12,571,672	4,270,562	372,369,753	
Annual Interest Earned on 12% Operating Reserve	29,497	113,779	204,399	265,496	295,197	303,798	323,259	349,817	383,706	447,822	525,283	593,449	653,023	714,701	802,819	896,093	957,994	1,008,426	1,064,583	1,111,170	658,923	11,703,237	
Total Sources of Funds	32,882,762	83,867,187	93,541,152	78,037,201	55,941,119	79,908,593	84,254,567	102,269,026	105,846,727	103,009,155	103,792,224	106,552,500	111,378,656	114,389,833	110,013,093	113,994,813	124,923,860	148,783,593	160,309,479	176,866,775	178,292,513	2,268,854,829	
Bus Expenditures																							
Uses of Funds - Capital Fund																							
Local/SuperGrid - 40-ft - Replace	6,304,687	18,700,000	38,293,169	21,642,360	28,793,356	49,747,489	46,805,691	27,910,972	43,906,497	2,153,509	-	1,713,493	24,708,575	49,081,819	61,788,556	30,856,830	33,768,944	77,748,027	84,997,689	71,629,871	34,281,043	754,832,579	
Local/SuperGrid - 40-ft - Expand	5,017,518	12,750,000	26,108,979	2,254,413	-	6,218,436	5,419,606	11,164,389	13,590,106	16,689,696	11,090,572	7,996,302	-	3,029,742	18,099,678	32,142,532	12,580,587	5,456,002	-	-	-	189,608,558	
Local/SuperGrid - 60-ft - Replace	-	-	-	-	-	11,001,849	-	-	-	-	15,004,892	-	7,959,345	4,099,063	-	4,348,695	-	15,686,005	-	-	-	58,099,848	
Local/SuperGrid - 60-ft - Expand	3,623,695	8,625,000	-	3,050,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,298,783	
BRT/Express - 40-ft. Replace	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
BRT/Express - 40-ft. Expand	-	-	-	-	-	-	2,463,457	2,029,889	-	-	-	4,569,316	-	-	14,354,917	-	-	-	-	-	-	23,417,579	
BRT/Express - 45 and 60-ft. Replace	-	-	-	-	-	-	-	-	46,617,139	48,015,653	-	-	7,378,313	21,954,579	4,348,695	-	-	-	13,305,423	3,915,596	29,239,713	174,775,112	
BRT/Express - 45 and 60-ft. Expand	-	5,175,000	15,152,550	3,050,088	-	-	5,999,243	-	14,143,549	4,370,357	3,751,223	17,000,542	5,571,541	14,756,625	-	13,046,086	4,479,156	-	-	10,767,889	-	117,263,850	
Paratransit - Replace	175,432	4,836,000	1,247,396	5,378,763	5,454,893	2,545,901	5,787,096	6,146,981	6,715,111	5,928,484	6,208,111	6,813,656	7,341,976	7,228,608	7,445,466	6,606,992	8,506,502	7,885,527	9,024,548	7,967,387	1,914,829	121,159,659	
Paratransit - Expand	-	-	-	579,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579,251	
Rural - Replace	-	-	-	-	-	526,738	-	-	-	-	305,317	733,778	-	-	-	353,946	850,650	-	-	-	410,320	3,180,750	
Rural - Expand	392,521	-	-	-	-	361,694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	754,215	
Vanpool - Replace	-	3,540,000	1,123,467	1,432,215	1,475,181	-	1,565,020	1,611,971	1,660,330	1,710,140	1,761,444	1,814,287	1,868,716	1,924,777	1,982,521	2,041,996	2,103,256	2,166,354	2,231,344	2,298,285	2,367,233	36,678,536	
Vanpool - Expand	-	930,000	936,223	795,675	819,545	844,132	869,456	895,539	922,405	950,078	978,580	1,007,937	1,038,175	1,069,321	1,101,400	1,134,442	1,168,476	1,203,530	1,239,636	1,276,825	1,315,130	20,496,504	
Vehicle Upgrades includes ITS/VMS, Fareboxes, Eng Rebuild	39,865	2,543,727	2,029,889	2,090,786	2,153,509	2,218,114	2,284,658	2,353,198	2,423,794	2,496,507	2,571,403	2,648,545	2,728,001	2,809,841	2,894,136	2,980,960	3,070,389	3,162,501	1,628,688	1,677,549	0	46,806,058	
Capital Contingency on Vehicles	0	0	0	1,431,857	1,370,362	2,658,170	2,597,672	1,865,990	3,035,175	2,940,728	3,266,842	1,561,849	1,818,312	3,321,310	4,752,267	3,558,008	2,379,659	4,130,454	4,154,949	3,669,594	2,607,310	51,120,508	
Regional Office Center	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Park & Ride Facilities - New	0	0	0	20,233,659	4,675,940	2,999,974	1,975,557	3,290,642	4,302,946	8,797,192	5,701,299	5,750,816	3,564,422	0	0	136,773	2,654,984	4,132,142	0	0	0	68,216,346	
Passenger Facilities																							
Transit Centers	0	0	0	4,598,904	1,364,311	43,058	806,350	2,419,641	8,376,345	2,840,144	3,554,586	1,480,069	3,610,589	2,231,344	187,268	771,543	9,825,245	2,390,479	11,544,523	0	0	56,044,399	
Bus Stop Improvements	0	0	0	1,001,117	506,708	521,909	537,567	553,694	570,304	587,413	605,036	623,187	641,883	2,181,759	2,247,212	4,628,302	4,767,151	4,910,166	5,057,471	5,209,195	5,365,471	40,515,543	
O&M Facilities	0	8,450,058	24,836,153	61,223,247	0	0	0	0	0	0	0	853,766	13,952,922	24,792,714	851,217	15,781,554	28,897,780	26,974,271	3,832,207	16,765,127	59,282,095	286,493,111	
Dedicated BRT ROW	0	0	1,225,000	13,953,896	0	0	2,588,080	21,568,117	0	0	0	31,812,199	32,766,565	0	0	0	0	0	0	21,345,479	21,985,843	147,245,178	
Capital Contingency on Facilities excluding Admin	0	0	0	3,734,465	604,025	304,303	536,999	2,727,840	1,267,929	1,163,734	925,588	3,989,685	5,389,450	2,702,406	103,848	1,668,987	4,137,801	3,349,689	1,537,673	3,811,061	8,126,794	46,082,277	
Office Center beginning FY 2010																							
Total Uses of Funds, Bus Capital Program	15,553,718	65,549,785	110,952,825	146,450,783	47,217,832	79,630,073	80,598,145	84,538,863	100,914,493	97,245,121	103,740,544	90,369,428	112,960,473	126,607,641	137,763,064	124,406,344	119,190,579	159,195,147	138,554,151	150,333,856	166,895,781	2,258,668,646	
Net Yearly Surplus/Deficit Prior to Bonding	17,329,044	18,317,403	(17,411,673)	(68,413,582)	8,723,287	278,520	3,656,421	17,730,164	4,932,234	5,764,034	51,680	16,183,071	(1,581,817)	(12,217,808)	(27,749,971)	(10,411,530)	5,733,281	(10,411,553)	21,755,328	26,532,919	11,396,731	10,186,183	
Bond Proceeds	8,285,000			0				0			0			0				0				8,285,000	
Debt Service Subtotal	(171,845)	(8,588,231)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(8,760,076)	
Net Yearly Capital Surplus/Deficit with Bonding	25,442,199	9,729,172	(17,411,673)	(68,413,582)	8,723,287	278,520	3,656,421	17,730,164	4,932,234	5,764,034	51,680	16,183,071	(1,581,817)	(12,217,808)	(27,749,971)	(10,411,530)	5,733,281	(10,411,553)	21,755,328	26,532,919	11,396,731	9,711,107	
Ending Cumulative Cash Balance, Bus Capital Program without Bonding	17,329,044	35,646,446	18,234,773	(50,178,810)	(41,455,522)	(41,177,002)	(37,520,581)	(19,790,417)	(14,858,182)	(9,094,149)	(9,042,468)	7,140,603	5,558,786	(6,659,021)	(34,408,992)	(44,820,522)	(39,087,241)	(49,498,795)	(27,743,467)	(1,210,548)	10,186,183	10,186,183	
Ending Cumulative Cash Balance, Bus Capital Program with Bonding	25,442,199	35,171,370	17,759,697	(50,653,886)	(41,930,598)	(41,652,078)	(37,995,657)	(20,265,493)	(15,333,258)	(9,569,225)	(9,517,544)	6,665,527	5,083,710	(7,134,097)	(34,884,068)	(45,295,598)	(39,562,317)	(49,973,871)	(28,218,543)	(1,685,624)	9,711,107	9,711,107	
Annual Interest on Cash Balance after Bonding	94,815																						

Figure A-5: Scenario 2 - Annual Cash Flow for Bus Operations by Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	20-Year TOTAL	
Revenues for Operating																							
Total Sources of Operating Funds																							
PTF Funds Available for Bus	29,030,500	73,890,000	71,700,000	71,910,000	74,980,000	81,560,000	88,430,000	95,530,000	103,020,000	110,680,000	118,460,000	126,750,000	135,150,000	143,550,000	153,080,000	162,960,000	173,520,000	184,980,000	197,300,000	210,240,000	130,150,000	2,536,870,500	
RARF Revenues	3,938,570	4,047,593	4,169,021	4,294,091	4,422,914	4,555,602	4,692,270	4,833,038	4,978,029	5,127,370	5,281,191	5,439,627	5,602,815	5,770,900	5,944,027	6,122,348	6,306,018	6,495,199	6,690,055	6,890,756	4,140,196	109,741,627	
5307 Associated Capital Cost of Maintenance		662,320	1,439,404	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	822,160	479,593	16,558,037
Federal 5311	0	0	259,597	259,597																			519,194
Federal JARC (3037)	91,600	125,000	31,250	31,250																			279,100
Federal Planning (5303)	0	0	224,700	224,700																			449,400
Fare Revenues	1,663,374	4,347,451	4,754,336	9,805,441	10,696,152	10,884,970	12,211,885	13,121,669	15,234,879	18,873,306	22,034,913	25,691,078	27,609,354	28,496,799	29,741,952	33,992,976	39,836,152	45,149,620	48,182,134	49,627,755	30,489,310	482,445,506	
Local Agency Sources	162,809	58,000	98,023																				318,832
Total Sources of Operating Funds	34,886,853	83,130,364	82,676,331	87,347,239	90,921,226	97,822,732	106,156,315	114,306,867	124,055,068	135,502,836	146,598,264	158,702,865	169,184,329	178,639,859	189,588,139	203,897,484	220,484,330	237,446,979	252,994,349	267,580,671	165,259,099	3,147,182,196	
Expenditures for Operating																							
Uses of Funds - Operating Gross Costs																							
Existing Express	1,564,357	3,875,311	3,509,164	4,166,918	4,291,927	4,420,710	4,553,310	4,095,733	4,218,631	4,206,506	3,965,502	4,084,468	4,206,994	4,333,214	3,310,802	3,410,114	3,277,017	3,375,327	3,476,579	3,580,879	2,151,509	78,074,972	
Existing Local	2,911,928	5,691,551	5,116,049	5,652,336	5,126,031	4,783,211	4,163,911	4,283,519	4,412,035	4,355,074	4,161,851	1,846,386	1,901,766	1,958,825	2,017,593	2,078,113	1,055,544	1,087,207	1,119,819	1,153,418	693,009	65,569,178	
Existing (Interim) RAPID	1,088,209	2,954,709	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,042,918	
Interim Rural	0	311,938	858,608	884,375	910,908	938,232	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,904,060	
BRT/Express/RAPID	0	0	5,222,237	8,279,021	10,233,967	10,540,989	10,857,179	12,488,321	13,019,038	15,882,887	19,195,841	20,721,858	22,767,958	23,699,304	27,201,088	30,262,458	33,086,276	35,086,292	38,445,574	39,599,026	23,792,402	400,381,715	
Rural	0	0	0	0	0	0	1,090,884	1,123,607	1,157,314	1,192,041	1,227,797	1,264,631	1,302,563	1,341,641	1,381,885	1,423,344	1,466,051	1,510,028	1,555,333	1,601,991	962,532	19,601,642	
Supergrid	0	5,608,265	11,461,714	17,821,352	19,416,617	19,999,264	25,377,577	27,635,950	35,180,529	46,904,998	56,668,283	72,011,803	77,398,431	79,720,451	82,112,003	95,847,667	117,277,258	136,277,050	144,870,266	149,216,949	92,334,130	1,313,140,559	
Safety and Security	56,067	203,076	802,320	1,104,121	1,199,385	1,220,470	1,381,283	1,488,814	1,739,625	2,176,245	2,556,579	2,997,872	3,227,332	3,331,602	3,480,701	3,990,649	4,684,864	5,320,077	5,684,029	5,854,565	3,598,008	56,097,684	
Contingency	0	0	0	920,099	999,486	1,017,060	1,151,071	1,240,679	1,449,689	1,813,536	2,130,482	2,499,290	2,690,535	2,777,462	2,901,743	3,326,736	3,905,455	4,435,390	4,738,742	4,880,922	2,999,610	45,877,987	
ADA	2,348,159	6,624,259	9,717,078	10,010,000	10,626,000	11,326,000	12,096,000	12,915,000	13,783,000	14,700,000	15,715,000	16,772,000	17,920,000	19,124,000	20,426,000	21,826,000	23,261,000	24,857,000	26,523,000	28,231,000	17,577,000	336,377,496	
SCAT (County)	83,333	258,632	199,240	199,240	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	116,667	4,057,112	
RPTA Planning and Administration	2,625,081	5,149,047	8,753,241	7,202,004	5,626,503	5,795,298	5,969,157	6,148,232	6,332,678	6,522,659	6,718,339	6,919,889	7,127,485	7,341,310	7,561,549	7,788,396	8,022,048	8,262,709	8,510,590	8,765,908	9,028,885	146,171,008	
Regional Services	2,559,498	7,145,312	8,262,963	9,000,000	8,600,000	8,858,000	9,123,740	9,397,452	9,679,376	8,858,000	9,969,757	10,268,850	10,576,915	10,894,223	11,221,049	11,557,681	11,437,873	12,134,440	12,498,473	12,873,427	7,734,784	205,574,823	
Regional Paratransit Program (Enter "1" in Column B if included)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Uses of Operating Funds for Operations	13,236,632	37,822,100	53,902,614	65,239,465	67,230,824	69,099,233	75,964,112	81,017,307	91,171,916	107,923,703	122,808,524	139,895,112	149,637,288	155,048,859	162,151,045	181,591,351	208,016,522	232,545,519	247,622,406	255,958,084	160,988,537	2,678,871,152	
Operating Reserve target 12%	1,588,396	4,538,652	6,468,314	7,828,736	8,067,699	8,291,908	9,115,693	9,722,077	10,940,630	12,950,844	14,737,023	16,787,413	17,956,475	18,605,863	19,458,125	21,790,962	24,961,983	27,905,462	29,714,689	30,714,970	19,318,624	19,318,624	
Actual Operating Reserve Fund Balance (minimum 12%)	1,588,396	4,538,652	6,468,314	7,828,736	8,067,699	8,291,908	9,115,693	9,722,077	10,940,630	12,950,844	14,737,023	16,787,413	17,956,475	18,605,863	19,458,125	21,790,962	24,961,983	27,905,462	29,714,689	30,714,970	30,714,970	30,714,970	
Annual Contribution to Operating Reserve	1,588,396	2,950,256	1,929,662	1,360,422	238,963	224,209	823,785	606,383	1,218,553	2,010,214	1,786,178	2,050,391	1,169,061	649,389	852,262	2,332,837	3,171,021	2,943,480	1,809,226	1,000,281	0	30,714,970	
Total Uses, Including Contribution to Reserve	14,825,028	40,772,356	55,832,276	66,599,887	67,469,787	69,323,442	76,787,897	81,623,691	92,390,469	109,933,918	124,594,702	141,945,502	150,806,349	155,698,247	163,003,307	183,924,187	211,187,543	235,488,999	249,431,632	256,958,366	160,988,537	2,709,586,122	
Operating Fund Balance																							
Net Annual Surplus/(Deficit) without operating reserve	21,650,221	45,308,264	28,773,716	22,107,775	23,690,402	28,723,499	30,192,203	33,289,560	32,883,152	27,579,132	23,789,740	18,807,753	19,547,042	23,591,000	27,437,094	22,306,133	12,467,808	4,901,459	5,371,943	11,622,587		468,311,044	
Year End Operating Surplus/Deficit - Transferred to Fund Capital Program	20,061,825	42,358,007	26,844,055	20,747,353	23,451,439	28,499,290	29,368,418	32,683,176	31,664,598	25,568,918	22,003,561	16,757,362	18,377,981	22,941,612	26,584,832	19,973,296	9,296,787	1,957,980	3,562,716	10,622,305	4,270,562	437,596,074	
Annual Interest Earned on 12 % Operating Reserve	29,497	113,779	204,399	265,496	295,197	303,798	323,259	349,817	383,706	443,665	514,164	585,409	645,194	678,963	706,848	765,996	868,202	981,748	1,070,006	1,122,179	665,440	11,316,762	

Figure A-6: Scenario 2 - Annual Cash Flow for Bus Capital by Year

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	20-Year TOTAL
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Bus Capital Program Revenues																						
Sources of Funds																						
Federal 5309 Bus	0	3,976,450	66,492,698	32,384,912	5,698,468	8,285,310	8,802,652	9,343,579	9,909,038	10,500,016	11,117,534	11,762,654	12,436,475	13,140,139	13,874,829	14,641,776	15,442,251	16,277,578	17,149,126	18,058,317	19,006,625	318,300,425
Federal 5307	9,097,809	33,139,871	0	24,639,440	26,496,015	42,820,196	45,760,238	59,892,454	63,889,384	68,138,709	72,656,070	77,458,067	82,562,321	87,987,534	93,753,556	99,881,453	106,393,586	128,103,029	136,356,955	145,125,616	154,356,402	1,558,508,704
STP	1,678,923	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,678,923
CMAQ	2,014,708	4,279,080	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,293,788
Local Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of PTF Funds from Operations to Capital	20,061,825	42,358,007	26,844,055	20,747,353	23,451,439	28,499,290	29,368,418	32,683,176	31,664,598	25,568,918	22,003,561	16,757,362	18,377,981	22,941,612	26,584,832	19,973,296	9,296,787	1,957,980	3,562,716	10,622,305	4,270,562	437,596,074
Annual Interest Earned on 12% Operating Reserve	29,497	113,779	204,399	265,496	295,197	303,798	323,259	349,817	383,706	443,665	514,164	585,409	645,194	678,963	706,848	765,996	868,202	981,748	1,070,006	1,122,179	665,440	11,316,762
Total Sources of Funds	32,882,762	83,867,187	93,541,152	78,037,201	55,941,119	79,908,593	84,254,567	102,269,026	105,846,727	104,651,308	106,291,329	106,563,492	114,021,971	124,748,247	134,920,065	135,262,520	132,000,826	147,320,335	158,138,803	174,928,417	178,299,029	2,333,694,676
Bus Expenditures																						
Uses of Funds - Capital Fund																						
Local/SuperGrid - 40-ft - Replace	6,304,687	18,700,000	38,293,169	21,642,360	28,793,356	49,747,489	46,805,691	27,910,972	43,906,497	2,153,509	-	1,713,493	24,708,575	49,081,819	61,788,556	30,856,830	33,768,944	77,748,027	84,997,689	71,629,871	34,281,043	754,832,579
Local/SuperGrid - 40-ft - Expand	5,017,518	12,750,000	26,108,979	2,254,413	-	6,218,436	5,419,606	11,164,389	13,590,106	16,689,696	11,090,572	7,996,302	-	3,029,742	18,099,678	32,142,532	12,580,587	5,456,002	-	-	-	189,608,558
Local/SuperGrid - 60-ft - Replace	-	-	-	-	-	11,001,849	-	-	-	-	15,004,892	-	7,959,345	4,099,063	-	4,348,695	-	15,686,005	-	-	-	58,099,848
Local/SuperGrid - 60-ft - Expand	3,623,695	8,625,000	-	3,050,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,298,783
BRT/Express - 40-ft. Replace	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
BRT/Express - 40-ft. Expand	-	-	-	-	-	-	-	2,029,889	-	-	-	-	-	-	-	-	-	-	-	-	-	2,029,889
BRT/Express - 45 and 60-ft. Replace	-	-	-	-	-	-	-	-	46,617,139	48,015,653	-	-	7,378,313	21,954,579	4,348,695	-	-	-	13,305,423	3,915,596	29,239,713	174,775,112
BRT/Express - 45 and 60-ft. Expand	-	5,175,000	15,152,550	3,050,088	-	-	9,332,156	-	14,143,549	14,567,856	3,751,223	12,364,031	5,571,541	14,756,625	19,421,358	13,046,086	4,479,156	10,149,768	-	-	-	144,960,989
Paratransit - Replace	175,432	4,836,000	1,247,396	5,378,763	5,454,893	2,545,901	5,787,096	6,146,981	6,715,111	5,928,484	6,208,111	6,813,656	7,341,976	7,228,608	7,445,466	6,606,992	8,506,502	7,885,527	9,024,548	7,967,387	1,914,829	121,159,659
Paratransit - Expand	-	-	-	579,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579,251
Rural - Replace	-	-	-	-	-	526,738	-	-	-	-	305,317	733,778	-	-	-	353,946	850,650	-	-	-	410,320	3,180,750
Rural - Expand	392,521	-	-	-	-	-	361,694	-	-	-	-	-	-	-	-	-	-	-	-	-	-	754,215
Vanpool - Replace	-	3,540,000	1,123,467	1,432,215	1,475,181	-	1,565,020	1,611,971	1,660,330	1,710,140	1,761,444	1,814,287	1,868,716	1,924,777	1,982,521	2,041,996	2,103,256	2,166,354	2,231,344	2,298,285	2,367,233	36,678,536
Vanpool - Expand	-	930,000	936,223	795,675	819,545	844,132	869,456	895,539	922,405	950,078	978,580	1,007,937	1,038,175	1,069,321	1,101,400	1,134,442	1,168,476	1,203,530	1,239,636	1,276,825	1,315,130	20,496,504
Vehicle Upgrades includes ITS/VMS, Fareboxes, Eng Rebuild	39,865	2,543,727	2,029,889	2,090,786	2,153,509	2,218,114	2,284,658	2,353,198	2,423,794	2,496,507	2,571,403	2,648,545	2,728,001	2,809,841	2,894,136	2,980,960	3,070,389	3,162,501	3,254,613	3,351,725	3,454,837	46,806,058
Capital Contingency on Vehicles	0	0	0	1,431,857	1,370,362	2,658,170	2,630,277	1,865,990	3,035,175	3,323,134	3,266,842	1,216,631	1,818,312	3,321,310	4,942,258	3,558,008	2,379,659	4,511,071	4,154,949	3,265,799	2,607,310	51,357,114
Regional Office Center	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Park & Ride Facilities - New	0	0	0	20,233,659	4,675,940	3,101,746	3,951,114	6,257,374	2,207,078	5,535,241	5,701,299	5,750,816	3,564,422	0	0	136,773	2,654,984	4,132,142	0	0	0	67,902,587
Passenger Facilities																						
Transit Centers	0	0	0	4,598,904	1,364,311	43,058	806,350	2,488,852	9,659,530	4,822,665	3,554,586	1,480,069	3,610,589	2,413,158	561,803	9,065,626	596,017	716,213	8,957,783	0	0	54,739,515
Bus Stop Improvements	0	0	0	1,001,117	506,708	521,909	537,567	553,694	570,304	1,938,465	1,996,618	2,056,517	2,118,212	2,181,759	2,247,212	3,754,455	3,867,088	3,983,101	4,102,594	4,225,670	4,352,440	40,515,429
O&M Facilities	0	8,450,058	24,836,153	61,223,247	0	0	0	0	0	1,966,367	24,223,277	11,866,804	0	851,217	48,221,416	21,673,335	0	3,832,207	16,765,127	59,282,095	283,191,302	
Dedicated BRT ROW	0	0	1,225,000	13,953,896	0	0	11,764,000	12,116,920	0	19,820,559	30,885,630	10,784,568	0	0	0	0	0	20,723,766	21,345,479	0	0	142,619,817
Capital Contingency on Facilities	0	0	0	3,734,465	604,025	314,480	1,652,146	2,086,315	1,186,661	3,017,847	4,210,788	4,223,873	1,904,182	241,316	141,302	5,742,382	2,492,434	484,836	3,351,376	3,811,061	5,928,210	45,127,699
Total Uses of Funds, Bus Capital Program	15,553,718	65,549,785	110,952,825	146,450,783	47,217,832	79,742,022	93,766,830	77,482,084	100,020,541	129,571,319	141,269,323	84,827,781	76,098,851	99,535,650	143,431,485	168,339,837	100,191,476	137,285,078	157,550,004	138,178,647	141,698,324	2,254,714,194
Net Yearly Surplus/Deficit Prior to Bonding	17,329,044	18,317,403	(17,411,673)	(68,413,582)	8,723,287	166,571	(9,512,263)	24,786,943	5,826,186	(24,920,012)	(34,977,994)	21,735,711	37,923,120	25,212,598	(8,511,420)	(33,077,317)	31,809,350	10,035,257	588,799	36,749,770	36,600,706	78,980,482
Bond Proceeds	8,285,000			101,000,000				0			45,000,000				70,000,000			0				224,285,000
Debt Service Subtotal	(171,845)	(8,588,231)	0	(4,459,321)	(8,918,643)	(8,918,643)	(8,918,643)	(8,918,643)	(8,918,643)	(8,918,643)	(11,821,751)	(14,724,860)	(14,724,860)	(14,724,860)	(14,724,860)	(20,753,459)	(26,782,058)	(26,782,058)	(26,782,058)	(26,782,058)	(13,391,029)	(278,725,163)
Net Yearly Capital Surplus/Deficit with Bonding	25,442,199	9,729,172	(17,411,673)	28,127,096	(195,355)	(8,752,072)	(18,430,906)	15,868,300	(3,092,457)	(33,838,655)	(1,799,745)	7,010,852	23,198,260	10,487,738	(23,236,280)	16,169,225	5,027,292	(16,746,801)	(26,193,259)	9,967,712	23,209,677	24,540,319
Ending Cumulative Cash Balance, Bus Capital Program without Bonding	17,329,044	35,646,446	18,234,773	(50,178,810)	(41,455,522)	(41,288,951)	(50,801,214)	(26,014,272)	(20,188,085)	(45,108,097)	(80,086,091)	(58,350,380)	(20,427,260)	4,785,337	(3,726,083)	(36,803,400)	(4,994,050)	5,041,207	5,630,006	42,379,776	78,980,482	78,980,482
Ending Cumulative Cash Balance, Bus Capital Program with Bonding	25,442,199	35,171,370	17,759,697	45,886,793	45,691,437	36,939,365	18,508,460	34,376,759	31,284,303	(2,554,352)	(4,354,097)	2,656,755	25,855,015									

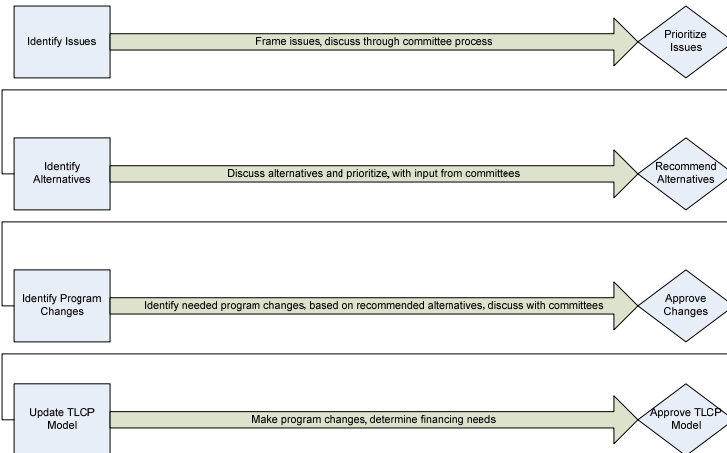


TLCP Policy Issues

January 22, 2009



TLCP Process Review





TLCP Policy Issues Recommendations

- 3 Categories of Recommendations
 - Changes to adopted TLCP policies
 - Guidance in implementing policies
 - Additional research work needed

3



Policy Changes

4



Recommendation for Policy Change

- Inflation
 - Inflation will occur throughout the TLCP. The original project budgets listed in the 2003 approved RTP were expressed in 2002 dollars. The annual update of the TLCP will require that the project budgets be adjusted to account for the past year's inflation.
 - The regional funding specified in the original RTP for a project will be adjusted annually for inflation based on the All Goods United States Consumer Price Index (CPI) except for the following categories.
 - Transit vehicle costs will be adjusted using the Producer Price Index, Total Manufacturing Industries
 - Capital facilities costs will be adjusted using the Engineering News Record Construction Cost Index
 - Forecasted inflation for future costs will be differentiated between short term (3 years) and long term rates.
 - Short term rates will use the following categories and be based on recent experience and/or published forecasts:
 - Transit vehicles
 - Capital facilities construction
 - Operating costs
 - Other costs
 - Long term rates will be used for all categories beginning in the fourth year of planned expenditures and will be based on Consumer Price Index history.

5



Recommendation for Policy Change

- Federal Revenues
 - Capital projects in the TLCP shall be matched with federal funds in order to be eligible for regional funding. The minimum amount of federal funds shall be 50% of estimated costs for all projects more than \$1 million and less than \$20 million. Projects estimated at more than \$20 million shall have a minimum of 25% federal funds. Projects under \$1 million are exempt from this requirement, but may still seek federal funding.

6



Guidance

7



Guidance for Model Update

- Contract Rates
 - RPTA to differentiate its operating contract rate between express and local to remain consistent with other regional service providers .

8



Guidance for Model Update

■ Revenue Shortfalls

- The following measures may be implemented in the financial model in priority, as needed:
 - Fares - Adjust the average fare recovery up, the amount depending on the result of the fare increase process
 - Limit administrative costs – Limit RPTA's planning and administration costs and regional services costs to inflationary increases based on the current reduced budget amount.
 - Limit scope of service improvements – Service improvements should be phased in. New routes should be implemented at 30 minute headways and improved only after demand is demonstrated. Existing routes should be implemented at existing headways unless demand is high enough to warrant better headways, up to the maximum revenue miles allocated in the TLCP.

9



Guidance for Model Update

■ Revenue Shortfalls

- The following measures may be implemented in the financial model in priority, as needed:
 - Eliminate regional funding for certain capital projects – Regional funds should only be provided for capital projects that are integral to providing service and/or directly serve passengers.
 - Delay service improvements – Assume funding of existing service according to the original schedule, but delay any improvements to the service. Delay implementation of new routes.

10



Guidance for Model Update

- Financing
 - Include bond financing with minimal project changes, then evaluate
 - If costs outweigh benefits, change project schedules to reduce financing costs

11



Additional Work

12



Regional Services

- Customer Service Staffing
 - A detailed analysis of customer service staffing will be conducted and brought back to the Subcommittee for their review .

13



TLCP Process

- Review model impacts with staff committees, based on policy changes and guidance
- Finalize program changes based on input
- Bring program changes to Subcommittee
- Subcommittee to make policy recommendations to Board

14



Questions

Staff Contacts

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Regional Public Transportation Authority
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Budget and Finance Subcommittee Information Summary

Agenda Item #5

Date

January 12, 2009

Subject

FY 2008/09 Quarterly Budget versus Actual report for the 2nd quarter period ending December 31, 2008.

Summary

At this time the agency had not received the Public Transportation Fund (PTF) sales tax revenue for the month of December. PTF revenues are usually received the last week of the following month. For the first 5 months (July – November) of this fiscal year, the Public Transportation Fund (PTF) sales tax revenue is 13.91% (\$7.66 million) below the budgeted amount. PTF revenue is 10.43% (\$5.53 million) lower than last year comparing to the same period.

Total expenditures through December are under budget by \$ 79.3 million. This is mainly due to Transit Service Operations (\$16.5 million), Rail (\$21.4 million), Capital Projects (\$22.0 million), and Debt Service (\$16.5 million) being under budget. The original adopted budget for FY 2008/09 of \$319,020,613 has been reduced by \$3.5 million that included a hiring freeze, reduction in employee programs, consultants, advertising, bus book expenses, printing expenses, website expenses, travel, conferences, job skill development, bond issuance and interest expenses, and safety and security expenses. Also, the FY 2008/09 adopted budget was further reduced by \$14.8 million to revise the budget in FY 2007/08 for the funding of the Tempe Operations & Maintenance facility and was approved by the Board of Directors on September 18, 2008.

Fiscal Impact

The projected shortfall in PTF tax revenues is \$10 million (bus side only). The Executive Director has taken steps to reduce expenses in the current budget. The cuts total approximately \$3.5 million for the current fiscal year. There is likely \$24 million to \$26 million in the capital budget that will be deferred to next fiscal year. The deferments are sufficient to resolve the remaining deficit in the current budget.

Considerations

The decline in forecasted revenues will severely impact the FY 2009/10 Operating and Capital budget. The loss in revenues will surely mean that projects will need to be delayed, modified or deleted in order to balance the budget for FY 2009/10.

Prior Committee Action

None

Recommendation

For information only

Contact Person

Mike Taylor
Acting Deputy Executive Director of Finance
602-262-7433

Attachments

FY 2008/09 Quarterly Budget versus Actual report for the 2nd quarter period ending December 31, 2008.

Regional Public Transportation Authority
Quarterly Budget Variance Report
FY 2008/09
Through December 31, 2008



January 8, 2009

Quarterly Budget Variance Report
FY 2008/09
Through December 31, 2008

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FY 2008/09 Quarterly Budget Variance Report Through December 31, 2008

Executive Summary

This report summarizes the Regional Public Transportation Authority's second quarter financial performance for revenues, transit operations, capital outlays, regional services and administrative operating expenses. The discussion and graphs below summarize the budget, the agency's performance to budget, followed by detailed financial data.

Arizona's economy continues to shrink with little prospect for recovery in the near term. State and local governments are struggling to balance budgets, which are heavily reliant on sales taxes. RPTA is no exception to the reduced sales tax revenues that other local governments are experiencing so the Executive Director took steps to reduce the original adopted budget for FY 2008/09 by \$3.5 million. This reduction included a hiring freeze, reduction in employee programs, consultants, advertising, bus book expenses, printing expenses, website expenses, travel, conferences, job skill development, bond issuance and interest expenses, and safety and security expenses. Also, the FY 2008/09 adopted budget was further reduced by \$14.8 million to revise the budget in FY 2007/08 for the funding of the Tempe Operations & Maintenance facility and was approved by the Board of Directors on September 18, 2008.

Included in the following pages are reports that list revenue summaries, expenditures by departments and a detail report of revenues and expenditures.

Regional Public Transportation Authority
Budget versus Actual Summary
For the Six Months Ending December 31, 2008

Revenues	FY 2008/09 Adopted Budget	FY 2008/09 Revised Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Total Revenues	\$ 319,020,613	\$ 300,640,791	\$ 39,675,255	\$ 27,757,043	\$ 67,432,298	\$ 151,641,950	\$ 84,209,652	44.5%
Total Expenditures	\$ 319,020,613	\$ 300,640,791	\$ 29,080,417	\$ 44,554,185	\$ 73,634,602	\$ 152,952,646	\$ 79,318,044	48.1%
Net Difference	\$ -	\$ -	\$ 10,594,838	\$ (16,797,142)	\$ (6,202,304)	\$ (1,310,696)	\$ 4,891,608	

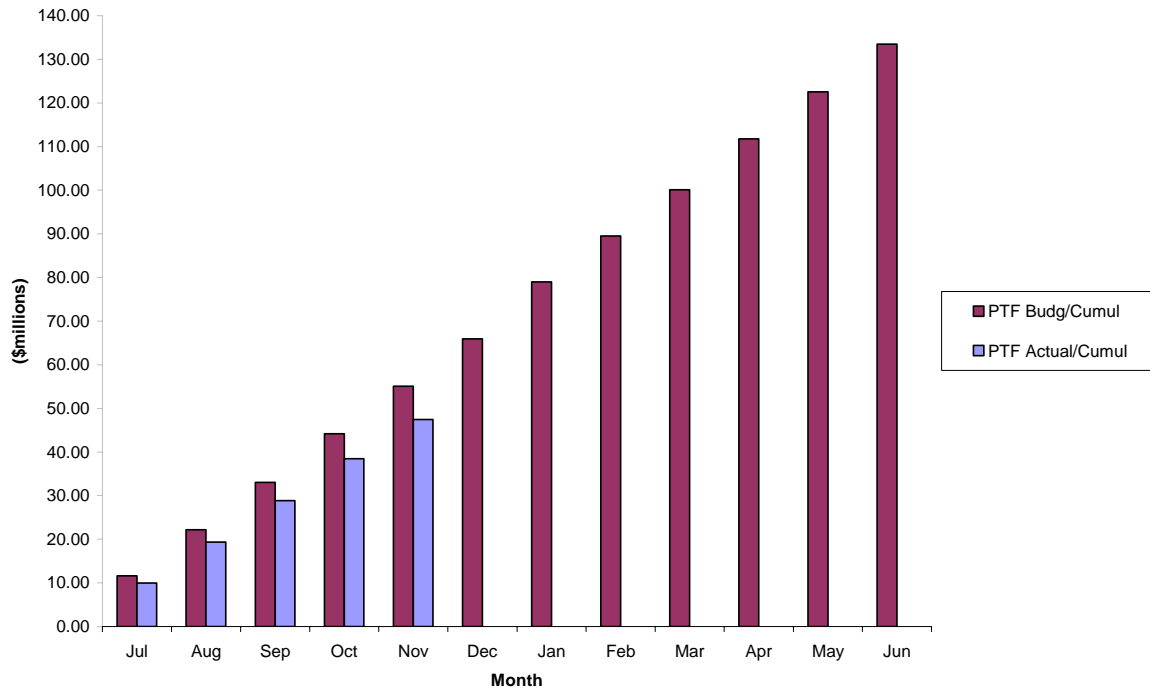
Revenues

At the time of the printing of this quarterly budget variance report, the agency had not received the Public Transportation Fund (PTF) sales tax revenue for the month of December. PTF revenues are usually received the last week of the following month. For the first 5 months (July – November) of this fiscal year, the Public Transportation Fund (PTF) sales tax revenue is 13.91% (\$7.66 million) below the budgeted amount. PTF revenue is 10.43% (\$5.53 million) lower than last year comparing to the same period. The agency is forecasting a total

FY 2008/09 Quarterly Budget Variance Report Through December 31, 2008

shortfall in PTF revenue for FY 2008/09 of approximately \$18 million (\$10 million for Bus and \$8 million for Rail). Below is a graph that illustrates the cumulative variance of PTF revenues through November.

FY 09: PTF Budget (cumulative) & PTF Actual (cumulative)



Total revenues through December are under budget by \$84 million mainly due to the shortfall in PTF revenues, federal revenues, bond proceeds, and capital assets reserve applied. Federal revenues are under budget year to date mainly due to capital projects not being completed and therefore reimbursement from federal grants not being requested. At this time the agency has not needed to finance any capital projects so therefore bond proceeds revenue is zero. Finally, the agency has not needed to use the capital asset reserve to fund capital projects through December and therefore revenues are shown as zero.

Expenditures

Total expenditures through December are under budget by \$ 79.3 million. This is mainly due to Transit Service Operations (\$16.5 million), Rail (\$21.4 million), Capital Projects (\$22.0 million), and Debt Service (\$16.5 million) being under budget. Transit service operations are under budget mainly due to the timing of transit contractor invoices and therefore all payments for these services through December have not been made. Valley Metro Rail expenditures are under budget mainly due to the shortfall in PTF revenues disbursed and no bond proceeds being disbursed. Capital projects are under budget mainly due to

**FY 2008/09 Quarterly Budget Variance Report
Through December 31, 2008**

budgeted projects not being completed and lower than budgeted capital PTF disbursements to other agencies. Debt Service is under budget as the agency has not needed to finance at this time.

**Regional Public Transportation Authority
Revenue Summary
Budget versus Actual Report
For the Six Months Ending December 31, 2008**

Revenues	FY 2008/09 Revised Annual Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Sales Tax	\$ 137,792,000	\$ 33,094,918	\$ 18,611,680	\$ 51,706,598	\$ 70,217,554	\$ 18,510,956	73.6%
Federal & State Grants	17,810,602	167,066	158,836	325,902	8,905,301	8,579,399	3.7%
VMR Charges for Services	10,087,924	-	2,391,440	2,391,440	5,043,962	2,652,522	47.4%
Transit Service Reimbursement	24,122,857	5,896,756	5,869,255	11,766,011	12,061,429	295,418	97.6%
Other Revenue	3,373,127	516,515	725,831	1,242,347	1,686,563	444,216	73.7%
Bond proceeds	80,000,000	-	-	-	40,000,000	40,000,000	0.0%
Undesignated Fund Balance Applied (RARF)	398,379	-	-	-	199,190	199,190	0.0%
Capital Assets Reserve Applied	27,055,902	-	-	-	13,527,951	13,527,951	0.0%
Total Revenues	\$ 300,640,791	\$ 39,675,255	\$ 27,757,043	\$ 67,432,298	\$ 151,641,950	\$ 84,209,652	44.5%

**Regional Public Transportation Authority
Expenditure Summary by Departments
Budget versus Actual Report
For the Six Months Ending December 31, 2008**

Expenditures by Fund & Department	FY 2008/09 Revised Annual Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
General Fund							
Finance & Management Services	\$ 466,023	\$ 64,001	\$ 84,425	\$ 148,426	233,012	84,586	63.7%
Executive Director's Office	1,227,273	240,585	250,379	490,964	613,637	122,673	80.0%
Non-Departmental	1,655,256	2,575	(2,575)	-	827,628	827,628	0.0%
Total General Fund	\$ 3,348,552	\$ 307,161	\$ 332,229	\$ 639,390	\$ 1,674,276	\$ 1,034,886	38.2%
Special Revenue Fund							
Administrative Capital Outlay	\$ 590,000	167,911	\$ 53,186	\$ 221,097	295,000	73,903	74.9%
Transportation Demand Mgmt	2,357,105	339,057	494,833	833,890	1,178,553	344,663	70.8%
Planning	3,559,886	445,420	558,166	1,003,586	1,779,943	776,357	56.4%
Regional Services	8,866,400	1,944,226	1,772,450	3,716,676	4,489,950	773,274	82.8%
Total Special Revenue Fund	\$ 15,373,391	\$ 2,896,614	\$ 2,878,635	\$ 5,775,249	\$ 7,743,446	\$ 1,968,197	74.6%
Enterprise Fund							
Transit Service Operations	\$ 67,001,749	6,219,617	\$ 10,830,757	\$ 17,050,374	33,500,875	16,450,501	50.9%
Valley Metro Rail	94,413,324	12,343,609	13,467,695	25,811,304	47,206,662	21,395,358	54.7%
Capital Projects	87,512,809	7,313,416	17,044,869	24,358,285	46,331,905	21,973,620	52.6%
Total Enterprise Fund	\$ 248,927,882	\$ 25,876,642	\$ 41,343,321	\$ 67,219,963	\$ 127,039,441	\$ 59,819,478	52.9%
Debt Service	\$ 32,990,966	\$ -	\$ -	\$ -	16,495,483	16,495,483	0.0%
Total Debt Service	\$ 32,990,966	\$ -	\$ -	\$ -	\$ 16,495,483	\$ 16,495,483	0.0%
Total Expenses	\$ 300,640,791	\$ 29,080,417	\$ 44,554,185	\$ 73,634,602	\$ 152,952,646	\$ 79,318,044	48.1%

**Regional Public Transportation Authority
Detailed Budget versus Actual Report
For the Six Months Ending December 31, 2008**

Account Description	FY 2008/09 Revised Annual Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Revenues							
4000 Sales tax (RARF)	\$ 4,292,000	\$ 4,277,292	\$ -	\$ 4,277,292	\$ 4,292,000	\$ 14,709	99.7%
4001 Public Transportation Funds	133,500,000	28,817,626	18,611,680	47,429,306	65,925,554	18,496,248	71.9%
4005 ADEQ	400,000	60,307	-	60,307	200,000	139,693	30.2%
4010 ADOT	447,105	-	-	-	223,553	223,553	0.0%
4200 FTA - Planning Program	224,720	-	97,571	97,571	112,360	14,789	86.8%
4205 FTA - section 5307	10,835,436	-	-	-	5,417,718	5,417,718	0.0%
4210 FTA - section 5309	2,185,466	-	-	-	1,092,733	1,092,733	0.0%
4211 FTA - section 5311	341,487	-	58,218	58,218	170,744	112,525	34.1%
4213 FTA - Section 5317	593,000	-	-	-	296,500	296,500	0.0%
4215 FTA - section 3037	243,236	-	-	-	121,618	121,618	0.0%
4240 FHWA - CMAQ	1,468,000	106,759	3,046	109,806	734,000	624,194	15.0%
4250 FHWA - SPR	42,000	-	-	-	21,000	21,000	0.0%
4255 FHWA - STP	1,030,152	-	-	-	515,076	515,076	0.0%
4300 VMR Charges For Services	10,087,924	-	2,391,440	2,391,440	5,043,962	2,652,522	47.4%
4400 TSR - Maricopa County	20,000	-	-	-	10,000	10,000	0.0%
4418 TSR - Chandler	748,161	190,800	190,799	381,599	374,081	(7,518)	102.0%
4430 TSR - Gilbert	1,098,736	317,878	317,878	635,756	549,368	(86,388)	115.7%
4445 TSR - Mesa	7,180,962	1,650,693	1,650,693	3,301,386	3,590,481	289,095	91.9%
4454 TSR - Phoenix	6,038,933	1,509,733	1,509,733	3,019,467	3,019,467	(0)	100.0%
4460 TSR - Scottsdale	5,797,052	1,417,900	1,390,400	2,808,300	2,898,526	90,227	96.9%
4469 TSR - Tempe	3,239,013	809,752	809,752	1,619,504	1,619,507	2	100.0%
4600 Interest earnings - RPTA	1,580,256	300,495	84,972	385,467	790,128	404,661	48.8%
4700 Other revenue	-	5,801	150,402	156,203	-	(156,203)	-
4715 Vanpool farebox revenue	802,871	210,220	159,337	369,557	401,436	31,879	92.1%
4800 IRS fuel tax credit	990,000	-	331,120	331,120	495,000	163,880	66.9%
4991 Sales of Public Transportation Bond Proceeds	80,000,000	-	-	-	40,000,000	40,000,000	0.0%
Undesignated Fund Balance Applied (RARF)	398,379	-	-	-	199,190	199,190	0.0%
Capital Asset Reserves Applied	27,055,902	-	-	-	13,527,951	13,527,951	0.0%
Total Revenues	\$ 300,640,791	\$ 39,675,255	\$ 27,757,043	\$ 67,432,298	\$ 151,641,950	\$ 84,209,651	44.5%

Account Description	FY 2008/09 Revised Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
Expenditures							
5000 Wages	\$ 13,119,738	2,553,196	\$ 3,299,991	\$ 5,853,187	6,559,869	706,682	89.2%
5100 Fringe Benefits	4,603,200	791,842	1,023,983	1,815,825	2,301,600	485,775	78.9%
6000 Overhead allocation	3,367,657	757,986	464,325	1,222,311	1,683,829	461,517	72.6%
7000 Transit service contractors	55,755,908	4,322,506	8,855,670	13,178,176	27,877,954	14,699,778	47.3%
7010 Vehicle parts & supplies	-	8,690	-	8,690	-	(8,690)	-
7011 Vehicle make-ready costs	-	-	9,085	9,085	-	(9,085)	-
7021 Fuel costs (CNG)	1,050,647	370,521	765,987	1,136,508	525,324	(611,185)	216.3%
7022 Fuel costs (Diesel)	2,179,933	697,456	382,686	1,080,142	1,089,967	9,824	99.1%
7024 Fuel costs (LNG)	357,046	153,698	124,801	278,499	178,523	(99,976)	156.0%
7025 Fuel costs (Unleaded)	7,000	664	356	1,020	3,500	2,480	29.1%
7030 Facility rent and utilities-pre FY09	-	18,889	(18,889)	-	-	-	-
7035 Safety and security	356,762	105,828	706	106,533	178,381	71,848	59.7%
7040 Contingent liability insurance	250,000	-	-	-	125,000	125,000	0.0%
7050 Facility Utilities	437,501	77,366	133,818	211,185	218,751	7,566	96.5%
7051 Facility equipment rental	250,000	-	-	-	125,000	125,000	0.0%
7052 Facility equipment maintenance and repairs	660,324	2,076	241,981	244,058	330,162	86,104	73.9%
7053 Facility building maintenance and repairs	250,392	141,545	(67,716)	73,829	125,196	51,367	59.0%
7055 Facility Svs on Jan, Insp, Exterm, Lands	259,450	21,922	38,985	60,906	129,725	68,819	47.0%
7056 Facility other misc expenses	41,854	4,841	19,631	24,472	20,927	(3,545)	116.9%
7110 RCS-Phones	-	1,642	1,674	3,316	-	(3,316)	-
7113 RCS-Pool Vehicle O&M	11,000	1,627	1,375	3,002	5,500	2,498	54.6%
7114 RCS-Memberships	113,500	90,000	8,500	98,500	113,500	15,000	86.8%
7116 RCS-Utilities	5,000	-	-	-	2,500	2,500	0.0%
7117 RCS-Office Supplies	40,300	7,330	6,787	14,116	20,150	6,034	70.1%
7150 Bus books	450,000	236,975	35	237,010	225,000	(12,010)	105.3%
7155 Outreach materials & promotnal lims	10,000	760	2,843	3,603	5,000	1,397	72.1%
7158 Website	302,500	25,060	56,257	81,317	151,250	69,933	53.8%
7200 Consultants (direct)	4,001,703	266,610	338,483	605,093	2,000,852	1,395,759	30.2%
7210 Maintenance agreements	336,260	27,802	111,853	139,655	168,130	28,475	83.1%

**Regional Public Transportation Authority
Detailed Budget versus Actual Report
For the Six Months Ending December 31, 2008**

Account Description	FY 2008/09 Revised Annual Budget	Q1 Actuals	Q2 Actuals	YTD Actuals	YTD Budget	YTD Actuals (over)/under YTD Budget	YTD Actuals as % of YTD Budget
7300 Job skill development	6,100	3,258	79	3,337	3,050	(287)	109.4%
7305 Conferences & seminars	27,050	14,334	820	15,154	13,525	(1,629)	112.0%
7310 Organizational development	11,700	-	552	552	5,850	5,298	9.4%
7400 Advertising	1,434,134	119,398	129,063	248,462	717,067	468,605	34.6%
7500 Printing	652,000	103,568	110,831	214,399	326,000	111,601	65.8%
7505 Graphics	15,100	6,470	-	6,470	7,550	1,080	85.7%
7600 Postage	74,280	19,127	9,281	28,408	37,140	8,732	76.5%
7700 Public meetings & information	27,450	(1,784)	8,972	7,188	13,725	6,537	52.4%
7800 Other direct expenditures	265,178	17,628	109,085	126,713	132,589	5,876	95.6%
7803 Computer unit cost under \$5K	-	403	-	403	-	(403)	-
7804 Software unit cost under \$5K	-	-	435	435	-	(435)	-
7805 Copies	10,125	2,968	3,693	6,661	5,063	(1,598)	131.6%
7809 Preparation costs for sales of vehicle/parts	-	3,252	-	3,252	-	(3,252)	-
7815 Local meetings & mileage	78,057	12,530	19,321	31,851	39,029	7,177	81.6%
7820 Travel expenses	31,450	16,917	8,086	25,002	15,725	(9,277)	159.0%
7824 Immaterial shortage adjustment	-	-	0	0	-	(0)	-
7826 Refund of prior year revenue	-	-	49,722	49,722	-	(49,722)	-
7830 Bank charges	500	(90)	-	(90)	250	340	-36.0%
7850 Vanpool Rewards	-	170	202	371	-	(371)	-
7901 Lead agency PTF disbursements	104,832,433	10,572,917	19,653,476	30,226,393	52,416,217	22,189,824	57.7%
7902 Lead agency RARF disbursements	500,000	-	-	-	250,000	250,000	0.0%
7903 Lead agency Bond disbursements	26,100,000	-	-	-	13,050,000	13,050,000	0.0%
7993 Bond issuance costs	400,000	-	-	-	200,000	200,000	0.0%
8000 Expenses Reimbursement Clearing Acct	-	2,575	(2,575)	-	-	-	-
9000 Other capital outlay	380,000	-	580	580	190,000	189,420	0.3%
9001 Regional fleet	19,447,695	2,142,248	8,566,371	10,708,619	9,723,848	(984,771)	110.1%
9003 Equipment	317,700	3,824	1,228	5,052	158,850	153,798	3.2%
9004 Furniture & fixtures	62,500	10,962	11,605	22,567	31,250	8,683	72.2%
9005 Computers & software	664,200	189,234	65,185	254,420	332,100	77,680	76.6%
9006 Buildings	5,151,000	5,151,690	(953)	5,150,737	5,151,000	263	100.0%
9007 Infrastructure	1,350,000	-	-	-	675,000	675,000	0.0%
9009 Site Improvements	9,201,607	259	5,921	6,180	4,600,804	4,594,623	0.1%
9010 Regional transit capital outlay	-	1,725	-	1,725	-	(1,725)	-
9105 Debt service - interest	600,000	-	-	-	300,000	300,000	0.0%
9900 Contingency	7,104,382	-	-	-	3,552,191	3,552,191	0.0%
Reserved for Cash Balance	1,230,256	-	-	-	615,128	615,128	0.0%
Reserved for Vanpool Capital	32,253	-	-	-	16,127	16,127	0.0%
Reserved for Compensated Absenses	425,000	-	-	-	212,500	212,500	0.0%
Reserved for Capital Assets	31,990,966	-	-	-	15,995,483	15,995,483	0.0%
Total Expenditures	\$ 300,640,791	\$ 29,080,417	\$ 44,554,185	\$ 73,634,603	\$ 152,952,646	\$ 79,318,043	48.1%
Net Difference	\$ 0	\$ 10,594,838	\$ (16,797,143)	\$ (6,202,304)	\$ (1,310,696)	\$ 4,891,608	

Note:

December PTF revenues have not been received as of the date of this quarterly report. Monthly PTF revenues have been averaging approximately \$9.5 million.



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Budget & Finance Subcommittee

Information Summary

Agenda Item #6

Date

January 15, 2009

Subject

Public Comment

Summary

Opportunity for general public comment on issues related to Valley Metro RPTA.

Fiscal Impact

None

Considerations

None

Prior Committee Action

None

Recommendation

No formal action is required

Contact Person

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(602) 256-4302

Attachments

None



Budget & Finance Subcommittee Information Summary

Agenda Item #7

Date

January 15, 2009

Subject

Next Meeting and Future Agenda Items.

Summary

Next meeting is scheduled for Thursday, February 5, 2008 at 11:30 a.m. Chairman Ecton will request future Budget & Finance Subcommittee agenda items from the subcommittee members. The Subcommittee may wish to schedule additional meetings to review progress on the TLCP policy issues.

Fiscal Impact

None

Considerations

None

Prior Committee Action

None

Recommendation

No formal action is required

Contact Person

Michael Taylor
Acting Deputy Executive Director, Finance
(602) 256-4302

Attachments

None

