



# Budget and Finance Subcommittee Meeting Packet

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NEXT MEETING OF THE

## Budget and Finance Subcommittee

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MEETING DATE	November 20, 2008
TIME	10:00 a.m.
LOCATION	Valley Metro RPTA 302 N. 1 <sup>st</sup> Avenue Suite 700 Phoenix, AZ



November 20, 2008

**Budget and Finance Subcommittee  
Valley Metro RPTA  
302 N. 1<sup>st</sup> Avenue, Suite 700  
RPTA Administrative Conference Room 7A  
Thursday, November 20, 2008  
10:00 a.m.**

	<b><u>Action Recommended</u></b>
1. <u>Summary Minutes</u>  Summary minutes from the October 2, 2008 meeting of the Budget and Finance Subcommittee (BFS) are presented for approval.	1. For action
2. <u>Transit Life Cycle Program Issues</u>  Paul Hodgins, Senior Management Analyst, will present 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.	2. For information and possible action
3. <u>Public Comment</u>  An opportunity for general public comment on issues related to Valley Metro RPTA. Up to three (3) minutes will be provided for each speaker.	3. For information
4. <u>Next Meeting and Future Agenda Items</u>  Chairman Ecton will request future Budget and Finance Subcommittee agenda items from the committee members. The next meeting is scheduled for Thursday, December 4, 2008 from 11:30 a.m. – 2:00 p.m.	4. For information and possible action

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 Nichole 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](http://www.ValleyMetro.org).**



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

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## Budget and Finance Subcommittee Information Summary

Agenda Item #1

**Date**

October 24, 2008

**Subject**

Summary Minutes from the Board Budget and Finance Subcommittee (BFS) Meeting of October 2, 2008.

**Summary**

The BFS met on October 2, 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 October 2, 2008 Budget and Finance Subcommittee meeting.

**Contact Person**

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

**Attachments**

Board Budget and Finance Subcommittee Meeting Summary



## Regional Public Transportation Authority

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

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

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Summary Minutes  
Budget and Finance Subcommittee  
October 2, 2008  
Valley Metro RPTA  
Conference Rooms  
302 N. 1<sup>st</sup> 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  
Councilman Les Presmyk, Town of Gilbert

Chairman Ecton called the meeting to order at 11:37 a.m.

#### 1. Summary Minutes

The summary minutes from the June 16, 2008 meeting of the Budget and Finance Subcommittee were presented for approval.

**IT WAS MOVED BY COUNCILMAN PRESMYK, SECONDED BY COUNCILMAN JOHNSON AND UNANIMOUSLY CARRIED TO APPROVE THE MINUTES FROM THE JUNE 16, 2008 MEETING.**

#### 2. Transit Life Cycle Program Issues

Paul Hodgins, Senior Management Analyst presented the following Transit Life Cycle Program (TLCP) issues:

- a. Revenue Shortfalls – The Executive Director has implemented some immediate measures to generate cost savings this fiscal year. Staff will develop a plan that may include service cuts, project delays and potential fare increases. Subcommittee members suggested fare comparisons from peer cities and or different fares for different routes. Members requested that all

- recommended cuts be brought back to the Subcommittee before going to the Board for approval. The Subcommittee agreed that this is the highest priority issue.
- b. Inflation – Presently, CPI is used as the sole TLCP inflation rate. Staff suggests using more appropriate indexes for different costs. The BFS directed staff to compare CPI and other indices and present them to the Subcommittee for consideration. The Subcommittee agreed that this issue should be resolved prior to the TLCP Update. Councilman Presmyk distributed a chart of indexes as a sample that he uses at his workplace.
  - c. Contract Rates – Staff may recommend modifying the cost allocation model for service to make it more comparable to what the cities use or conversely may ask the cities to modify their models. This topic will be considered after the cost per mile audit results are final. Subcommittee members expressed concern that RPTA not dictate what rates the cities could charge. The Subcommittee agreed that this issue should be resolved prior to the TLCP Update.
  - d. Federal Revenues – Urban Area Formula and Earmarks. Staff suggests a comprehensive review of discretionary fund estimates used in the TLCP. Members asked for a comparison study of earmarks received in comparable urban areas, lobbying of our Congressional delegation, as well as other representatives that are pro transportation. The Subcommittee agreed that this issue should be resolved prior to the TLCP Update.
  - e. Financing – Speaking primarily for bus, not rail, the issue is whether to finance to meet the approved project schedules or adjust project schedules to meet available funding. Subcommittee members suggested that debt financing will not be considered without specific policies in place, which will be presented to the Subcommittee. Staff will present alternatives for consideration. The Subcommittee agreed that this issue should be resolved prior to the TLCP Update. Councilman Ecton distributed information regarding financing questions that should be answered prior to making any decisions.
  - f. Regional Services – Presently the PTF pays for all Regional Services. As services are increased, the additional costs are not accounted in the TLCP model. Subcommittee members suggested that consideration should be given to an alternate policy which would allocate costs to the cities. Staff will provide cost implications of maintaining present policy as well as re-allocating costs. Staff to provide alternatives for Subcommittee consideration. The Subcommittee agreed that this issue should be resolved prior to the TLCP Update.
  - g. Contingencies – Staff will develop a recommendation, based in part on a review of peer region/city policies, regarding appropriate contingency levels by project, and a plan to restore the contingency levels in the financial model. The Subcommittee agreed that this issue could not be resolved prior to the

- TLCP Update given the current economic conditions; however, staff should conduct the research and recommend the appropriate policy.
- h. Flexibility – Staff will present information regarding building in some plan flexibility to allow for changes in both economic situations and in the level of service requirements. The Subcommittee agreed that this issue did not need to be resolved prior to the TLCP Update, but could be addressed after resolution of the high priority issues.
  - i. Jurisdictional Equity – The policy issue is determining how jurisdictional equity can be maintained and what role it plays in making significant plan changes. Subcommittee members agreed that the issue is important, but does not need to be resolved prior to the TLCP Update. The plan flexibility and jurisdictional equity issues should be addressed concurrently.
  - j. Lead Agency Commitments – Changes in the language included in inter-governmental agreements are being considered to strengthen oversight and to tighten control. These changes are more along the lines of control and not necessarily cost savings. This issue is not a priority for the Subcommittee, but will be addressed as new inter-governmental agreements are negotiated.
  - k. RPTA Office Space – A one year lease extension has been approved through the end of the 2009 calendar year and an additional one year extension option is available. Prior to December 2010, RPTA must develop a strategy to address office space needs. The cost for the Regional Office Center, which was planned but is no longer an option, will be removed from the TLCP financial model and replaced with estimated lease costs. The Subcommittee agreed that this issue is a low priority.
  - l. RPTA Staffing – Staff suggests developing a long term staffing plan and to determine how it would affect the TLCP financial model. Members suggested completing a strategic staffing study, including redundancy issues, consultant use, and a review of staffing levels including management as the agency continues to grow. The Executive Director suggested that this issue is important, as the agency responsibilities are growing and staff needs may become pressing. The Subcommittee agreed that this issue does not need to be resolved prior to the TLCP Update.

Mr. Hodgins specified that the top seven issues that needed to be addressed immediately were: Revenue Shortfalls; Inflation; Contract Rates; Federal Revenues; Financing; Regional Services and Contingencies.

At the November 6<sup>th</sup> meeting, white papers will be presented on a number of the six issues that the Subcommittee want resolved prior to the TLCP Update. Additional meetings will be scheduled for presentation of white papers on remaining issues. After the Subcommittee has considered the white papers initially, they will be presented to the staff committees for input, which will be brought back to the Subcommittee for consideration.

This item was presented for information only and no action was taken.

3. Public Comment

None

4. Next Meeting and Future Agenda Items

The next regularly scheduled meeting will be held November 6, 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 1:42 p.m.



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## Budget and Finance Subcommittee Information Summary

Agenda Item #2

### **Date**

November 14, 2008

### **Subject**

Transit Life Cycle Program Issues

### **Summary**

Attached are the first three white papers that discuss TLCP policy issues. The papers are on the subjects of Financing, Revenue Shortfalls and Federal Revenues.

### **Considerations**

It is important to realize that these issues are all inter-related. The analysis done within each issue assumes no changes to any other assumption. However, it is clear that changes will all have impacts on each other. Staff is seeking guidance on broad policy issues or strategies and the analyses are included to show relative impacts.

None of the papers currently have recommendations. At this point they are intended to present alternatives and generate discussion. After discussions with the Subcommittee and staff committees, recommendations will be added based on the input received.

### **Committee Action Process**

Valley Metro Operations and Capital Committee December 16

Finance Oversight Advisory Committee December 16

Transit Management Committee January 7

Budget and Finance Subcommittee January 8, 2009 for action

Board of Directors January 22, 2009 for action

### **Recommendation**

This item is for information and discussion.

### **Contact Person**

Paul Hodgins

Manager, Capital Programming

### **Attachments**

Financing White Paper  
Revenue Shortfalls White Paper  
Federal Revenues White Paper

# 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 pushes 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 or deferred 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.

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 agency budgets, as they help offset the agencies' ADA costs. Any further reduction in ADA reimbursement allocations would directly impact several agencies which are already drawing 100% of their ADA allocations. Because of the direct relationship to agencies' 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

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.

### Recommendation

**Transportation Excise Tax Revenues  
Public Transportation Fund Share  
Comparison of Actual and Forecast**  
(millions of dollars)

Fiscal Year	Actual	2008 Forecast	2007 Forecast	2006 Forecast	2005 Forecast	2004 Forecast	RTP Forecast
2006	\$51.15	\$51.15	\$51.15	\$51.15	\$47.27	\$45.70	\$44.44
2007	\$130.19	\$130.19	\$130.19	\$132.20	\$121.71	\$117.30	\$115.19
2008	\$126.32	\$126.32	\$136.10	\$139.40	\$128.90	\$125.60	\$125.56
2009	\$115.27	\$126.70	\$143.00	\$148.10	\$137.20	\$134.70	\$136.86
2010		\$132.10	\$151.80	\$157.70	\$146.25	\$144.30	\$149.17
2011		\$143.70	\$161.80	\$168.30	\$155.78	\$154.90	\$161.11
2012		\$155.80	\$172.80	\$179.60	\$166.40	\$165.70	\$174.00
2013		\$168.30	\$184.50	\$196.40	\$177.76	\$177.40	\$187.92
2014		\$181.50	\$196.90	\$209.30	\$190.04	\$190.10	\$202.95
2015		\$195.00	\$210.00	\$218.10	\$203.10	\$203.90	\$217.16
2016		\$208.70	\$224.50	\$232.50	\$217.35	\$218.30	\$232.36
2017		\$223.30	\$239.60	\$248.20	\$232.47	\$234.00	\$248.62
2018		\$238.10	\$256.00	\$264.20	\$248.65	\$250.60	\$266.03
2019		\$252.90	\$273.20	\$281.70	\$265.90	\$269.00	\$281.99
2020		\$269.70	\$291.80	\$304.30	\$284.75	\$288.10	\$298.91
2021		\$287.10	\$311.80	\$319.90	\$305.09	\$309.60	\$316.84
2022		\$305.70	\$332.30	\$340.40	\$325.77	\$332.50	\$335.85
2023		\$325.90	\$355.10	\$362.60	\$349.72	\$356.30	\$352.64
2024		\$347.60	\$378.90	\$386.20	\$373.56	\$381.60	\$370.28
2025		\$370.40	\$403.30	\$411.20	\$400.67	\$410.40	\$388.79
2026		\$229.30	\$251.10	\$255.40	\$250.35	\$256.60	\$242.24
06-09	\$422.93	\$434.36	\$460.43	\$470.85	\$435.08	\$423.30	\$422.04
10-26		\$4,035.10	\$4,395.40	\$4,536.00	\$4,293.61	\$4,343.30	\$4,426.84

NOTES:

\* RTP estimated revenues in 2002 \$; which were inflated by 3% per year for this comparison

\* FY 2009 actual is based on first 3 months only

# 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.

### 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.

Current revenues are sufficient to support operating costs and the local match on fleet acquisition (assumed at 20% for analysis purposes) through 2018. Beginning in 2019, fleet acquisition costs are more than the available PTF after operations costs. This is due in large part to the replacement cost of vehicles purchased earlier in the program (the useful life of a bus is 12 years). Services would need to be slowed throughout the program to lower the replacement costs in later years. Alternatively, buses could be used for a year or two longer to reduce replacement costs. However, this approach results in higher maintenance costs toward the end of the bus' life. Delaying operations implementation by 2 years would allow for fleet to be purchased with current revenues, with the exception of 2 years toward the end of the program, where large replacements occur. This also results in having a surplus of \$236 million at the end of the program, which would be sufficient to pay financing costs to maintain the schedule for capital facilities construction.

In order to "pay as you go" for all projects, operations projects not yet implemented would need to be delayed by approximately 18 months. This would free up enough PTF funding to pay for the local match for capital. However, the schedule for capital facilities construction would need to be severely delayed. At least half of the projects not yet begun would need to be deferred to the final 5 years of the plan. Currently, the projects are spread fairly equally across the four phases of the plan. The final 5 year phase would be heavily weighted with capital facilities.

## Recommendation

# 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.

### Recommendation

**Arizona and Phoenix Urbanized Area FTA Allocations and Appropriations 2004 - 2008**

Source: Federal Transit Administration

[http://www.fta.dot.gov/funding/apportionments/grants\\_financing\\_88.html](http://www.fta.dot.gov/funding/apportionments/grants_financing_88.html)

Excerpts for Arizona in years 2006, 2007, and 2008 are included as separate worksheets

Note: These are total announced FTA apportionments and allocations for each year. Totals are greater than Congressional appropriations for each year due to revisions for prior year unobligated funds.

Section 5303, 5310 and 5311 funds are not identified specifically because the funds are reported by FTA as totals for the state. See separate worksheets for 2006, 2007 and 2008

	2004	2005	2006	2007	2008	Annual Average 2005-2008	
<b>TOTAL FTA Apportionments and Allocations</b>	\$7,123,900,000 <i>estimate</i>	\$10,891,100,000 <i>estimate</i>	\$11,602,984,446 <i>source: FTA</i>	\$10,766,775,521 <i>source: FTA</i>	\$13,160,249,395 <i>source: FTA</i>	<b>\$11,605,277,341</b>	National
<b>Total Funding to Arizona</b>	\$88,336,180	\$153,565,012	\$174,611,215	\$168,349,884	\$180,105,661	<b>\$169,157,943</b>	Arizona
Arizona as % of Total FTA	1.24%	1.41%	1.50%	1.56%	1.37%	<b>1.46%</b>	
<b>Total Funding to Phoenix Urbanized Area</b>	\$61,447,599	\$126,554,218	\$137,861,336	\$139,810,396	\$147,980,687	<b>\$139,820,183</b>	Phoenix Total
Phoenix as % of Arizona	69.56%	82.41%	78.95%	83.05%	82.16%	<b>82.66%</b>	
Phoenix as % of TOTAL FTA	0.86%	1.16%	1.19%	1.30%	1.12%	<b>1.20%</b>	
<b>FORMULA PROGRAMS</b>							
<b>Section 5307 - Urbanized Area Formula Program</b>	<b>\$32,339,948</b>	<b>\$37,130,533</b>	<b>\$37,688,964</b>	<b>\$41,539,986</b>	<b>\$46,102,262</b>	<b>\$40,615,436</b>	Phoenix 5307
<b>Section 5309 - Capital Investment - Fixed Guideway</b>	<b>\$2,300,373</b>	<b>\$2,293,390</b>	<b>\$2,654,002</b>	<b>\$2,727,749</b>	<b>\$3,560,398</b>	<b>\$2,808,885</b>	Phoenix 5309 Fixed Guideway
<b>Section 5316 - Job Access and Reverse Commute</b> <i>Section 3037 for MAG JARC Projects</i>	<b>\$1,734,705</b> \$1,734,705		<b>\$1,437,345</b>	<b>\$1,515,115</b>	<b>\$1,641,374</b>	<b>\$1,531,278</b>	Phoenix 5316 JARC (3-yr avg)
<b>Section 5317 - New Freedom Program</b>			<b>816,250</b>	<b>817,306</b>	<b>882,893</b>	<b>\$838,816</b>	Phoenix 5317 New Freedom (3-yr avg)
<b>DISCRETIONARY PROGRAMS</b>							
<b>Section 5339 - Alternatives Analysis</b> Mesa Extension Alternatives Analysis, Mesa METRO I-10 Extension Alternative Analysis Tempe Extension Alternatives Analysis, Tempe					<b>\$1,568,000</b> \$196,000 \$1,176,000 \$196,000	<b>\$1,568,000</b>	Phoenix Alternatives Analysis (1-yr)
<b>Section 5309 - New Starts</b> Central Phoenix/East Valley LRT Project	<b>12,794,325</b>	<b>74,400,000</b>	<b>88,209,000</b>	<b>90,000,000</b>	<b>88,200,000</b>	<b>\$85,202,250</b>	Phoenix 5309 New Starts
<b>Section 5309 - Bus and Bus Facility Program</b>	<b>12,278,248</b>	<b>12,730,295</b>	<b>7,055,775</b>	<b>3,210,240</b>	<b>6,025,760</b>	<b>\$7,255,518</b>	Phoenix 5309 Bus and Bus Facility
<b>Bus Facilities</b>							<i>Facility Totals</i>
Mesa Operating Facility	\$1,964,520						Mesa 1,964,520
East Valley Bus Maintenance Facility	\$3,929,039	\$6,753,859	\$1,980,000	\$1,304,160	\$1,804,840		E Valley 15,771,898
Phoenix/Glendale West Valley Operating Facility	\$4,911,299	\$3,401,224	\$1,941,786	\$1,003,200	\$1,821,800		W Valley 13,079,309
Dial-a-Ride Facility, Phoenix, Arizona		\$340,123	\$180,839	\$200,640	\$217,360		Dial-a-Ride 938,962
Phoenix/Regional Heavy Maintenance Facility	\$982,260		\$190,357	\$200,640	\$707,360		Heavy 2,080,617
Tempe Downtown Transit Center	\$491,130	\$777,422					Tempe TC 1,268,552
Intermodal Center, Scottsdale			\$1,277,793	\$501,600	\$739,400		Scottsdale 2,518,793
<b>Buses</b>							
Phoenix, Glendale, and Avondale Bus Replacement		\$1,457,667					
Phoenix, Glendale, and Avondale Bus Expansion			\$1,485,000		\$245,000		
Main Street Bus Rapid Transit Buses, Mesa					\$490,000		

## FEDERAL APPROPRIATIONS EARMARKS

### UNDER THE “BUS AND BUS FACILITIES” ACCOUNT

#### PHOENIX AREA VS. COMPARABLE METROPOLITAN AREAS

According to 2007 census figures, the Phoenix-Mesa-Scottsdale metropolitan area is the 13<sup>th</sup> largest metropolitan area in the U.S. Here are the metro regions just larger and smaller than the Phoenix region:

8. Washington, DC-Maryland-Virginia: 5,306,565
9. Atlanta: 5,278,904
10. Boston MA-NH: 4,482,857
11. Detroit: 4,467,592
12. San Francisco-Oakland-Fremont: 4,203,898
13. **Phoenix-Mesa-Scottsdale: 4,179,427**
14. Riverside-San Bernadino-Ontario: 4,081,371
15. Seattle-Tacoma-Bellevue: 3,309,347
16. Minneapolis-St. Paul-Bloomington: 3,208,212
17. San Diego: 2,974,859
18. St. Louis MO-IL: 2,803,707

I think the most comparable regions to the Phoenix region are the fast-growing Western regions and the least comparable are the older, slower-growing Eastern metro regions. So this study will compare the Phoenix area with: San Francisco Bay, Riverside, etc. CA, the Seattle area, Minneapolis-St. Paul and the San Diego region.

Action on the FY 2009 Transportation-HUD (THUD) Appropriations bill hasn't been completed yet and there weren't any earmarks in the FY 2007 THUD bill, so this study will look at the Bus and Bus Facilities earmarks in the FY 2008 and FY 2006 THUD Appropriations conference reports.

Here are my best estimates, subject to the caveats below, on how much each of these regions received in those bills:

<b>Metro Region</b>	<b>FY 2006</b>	<b>FY 2008</b>
San Francisco Bay	\$3.1m	\$1.2m
<b>Phoenix-Mesa-Scottsdale</b>	<b>\$4.31m</b>	<b>\$3.6m</b>
Riverside-San Bernadino-Ontario	\$750K	\$700K
Seattle-Tacoma-Bellevue	\$7.505m	\$3.75m
Minneapolis-St. Paul	\$4.039m	\$3.07m
San Diego	\$3.7m	\$1.435m

Both bills contained earmarks for “Greater Minnesota Transit Bus and Bus Facilities” in addition to individual requests in the Twin Cities and elsewhere in the state. I decided to attribute 80% of the “Greater Minnesota” earmarks (\$3m in 08, \$1.5m in 06) to the Minneapolis-St. Paul region.

It was also difficult to figure out exactly where some earmarks belonged, especially in northern and southern California where metropolitan regions border each other. That decision-making was a little easier for 08 because the new rules require the bill to show which Member sponsored the request!

Political questions help explain some of these numbers. The numbers for the Seattle region can be attributed somewhat to the fact that Senator Patty Murray (D-WA) was the Chair of the Senate THUD Appropriations Subcommittee during both bills. Rep. Martin Sabo (D-MN) was the Ranking Minority Member of the House THUD Subcommittee in 06, but was retired by 08, which helps explain those numbers. Rep. Nancy Pelosi of San Francisco was House Speaker in 08 and Democratic Minority Leader in 06, which might have influenced the San Francisco Bay numbers. Rep. Pastor, a member of the House THUD Subcommittee for both bills, helped the Phoenix area numbers. On the other hand, Rep. Jerry Lewis (R-CA), who represents San Bernadino, was Chairman of the full House Appropriations Committee in 06 and Ranking Republican on the Committee in 08, which you couldn’t tell from the San Bernadino numbers.

As noted earlier, many states besides Minnesota make statewide bus and bus facilities requests (often supplemented by individual requests). Here are the others from the 08 conference report:

Arkansas: \$3.35m  
Colorado: \$3.6m  
Idaho: \$3.212m  
Illinois: \$6.0m  
Indiana (for electric hybrid bus initiative): \$2.8m  
Michigan First District: \$4.02m  
Missouri: \$1.5m  
North Carolina: \$1.25m  
North Dakota: \$1,633,500  
Nevada: \$750K  
Tennessee: \$4.45m  
Vermont: \$670K  
Wisconsin: \$3.35m

Tim Lovain  
10/28/08



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## Budget & Finance Subcommittee

### Information Summary

Agenda Item #3

**Date**

November 12, 2008

**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**

Michael Taylor  
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(602) 256-4302

**Attachments**

None



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## Budget & Finance Subcommittee

### Information Summary

Agenda Item #4

**Date**

November 12, 2008

**Subject**

Next Meeting and Future Agenda Items.

**Summary**

Next meeting is scheduled for Thursday, December 4, 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