

**Regional Transit Authority
Finance Committee Meeting Notes**

February 28, 1996

Call to Order

The meeting was called to order by Chairman Nickels at 12:10 p.m.

Attendance

Greg Nickels
Rob McKenna
Paul Miller

Report of the Chair

Mr. Nickels indicated that he had no report.

Finance Director Report

Ms. Hendrickson reported that Committee members would find three items in their packets: financial policies, financing assumptions, and a progress report on budget performance (copies on file).

Financial Policies - Discussion

Ms. Hendrickson stated that staff would not be asking the Committee to make recommendations or take action, but to discuss the policies further and perhaps to refine some ideas. (Copy of draft policies with rewrites suggested by Committee members on file.)

The objectives of the financial policies are as follows: 1) to provide a vehicle by which the Board can solidify its commitment to subarea equity; and 2) to maintain adequate flexibility for the Board to manage its financing plan.

Ms. Hendrickson reviewed the financial policies with the Committee. In addition, she had prepared a diagram to aid the Committee's discussion (copy on file).

In response to a question from Mr. Miller regarding excess revenues, Ms. Hendrickson stated that the policies were silent on that issue. Several options remain open, but the Board, not the subareas, holds the authority to make the final decisions.

Committee members discussed the benefits of reviewing subarea budgets every year as opposed to every two years. There was general agreement to that proposition.

Mr. Miller raised the point that subarea budgets could influence the overall RTA budget without reaching the 5% adjustment trigger (see draft financial policies, pg. 2, adjustments to subarea budgets).

Mr. McKenna suggested a mechanism be developed by which net changes in forecasted revenues and/or expenditures would be measured accumulatively.

Mr. White indicated that the 5% trigger recognizes that delivery of the product as outlined in the system plan is more important than 100% adherence to subarea principles.

Ms. Hendrickson stated that the financial policies are not intended to define equity. The guiding principles accomplish that. The financial policies will, however, provide assurance to the voters of the Board's intent to provide subarea equity.

Ms. Janet Ash stated that a contingency for Americans with Disabilities Act (ADA) standards would be useful.

Mr. White indicated that ADA belongs in the service description.

Mr. Miller asked about debt capacity.

Ms. Hendrickson responded that, while a debt ceiling is current RTA policy, the question remains if the ceiling ensures adequate flexibility. As an alternative, the Board may consider a coverage ratio policy (i.e., debt can only be incurred if the funds can be covered two times).

Mr. McKenna asked if one subarea would be able to utilize another subarea's unused debt financing.

Ms. Hendrickson suggested that the RTA hold some funds in reserve to allow the Board to manage unforeseen circumstances. However, the guiding principles indicate that a subarea can only incur debt that it can pay for.

Mr. Miller agreed that a debt coverage ratio would work better than a debt ceiling.

Mr. Nickels urged Committee members not to set a debt ceiling. By assuming no state or federal assistance, the Board had already constrained itself artificially (in the case of federal funds).

The Committee agreed to continue its discussion at the next meeting of the Finance Committee.

Financing Assumptions for Financing Plan

This agenda item was not discussed.

Next Meeting

The next meeting of the RTA Finance Committee is scheduled for Wednesday, March 6, 1996, from 12:00 to 1:30 p.m.

As there was no other business, the meeting was adjourned at 1:40 p.m.