



Council Communication

Office of the City Manager

Date

March 22, 2010

Agenda Item No. 42

Roll Call No. 10-

Communication No. 10-148

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Approving amendment to the Des Moines Area Regional Transit Authority (DART) 28M agreement to allow DART's issuance of general obligation (G.O.) bonds.

SYNOPSIS:

Approving amendment to the DART 28M agreement to allow DART's issuance of G.O. bonds. G.O. bonds can be issued at lower interest rates than revenue bonds, thereby reducing annual debt service expenses and service level reductions, or avoiding operating tax rate increases. This amendment will be effective only if approved by all 19 DART participating communities. The amendment includes a bonding limitation based on debt service obligations that would limit the DART property tax rate at \$.04 per thousand dollars.

FISCAL IMPACT:

Amount: \$6.0 - \$6.3 million maximum debt allowed, based on current property valuations.
\$3 million letter of credit to be refinanced.

Funding Source: DART regional property tax levy.

ADDITIONAL INFORMATION:

DART is facing budget challenges for their FY2011 budget due to the regional economy, rising operating costs and the payment of unusually large accident claims. The FY2011 budget adopted by the DART Commission on February 23, 2010 included a reduction in staffing and a reduction in bus route intervals.

An analysis of DART's borrowings has been performed by Public Financial Management (PFM), their independent financial advisor. DART has \$3,000,000 in outstanding debt related to accident claims. The study has determined that the outstanding debt could be refinanced with G.O. bonds to reduce annual payments by \$340,000 as compared to the current bank line of credit and \$100,000 as compared to revenue bonds. However, the 28M agreement signed by 19 participating communities in December 2005 does not allow the issuance of G.O. debt.

The DART Service and Budget Committee, made up largely of city administrators, met with PFM to review their recommendation to allow G.O. debt to be issued. The Committee recommended that G.O. debt be allowed, but limited to an amount equivalent to a DART property tax rate of \$.05 per thousand dollars of taxable value. This tax rate would yield approximately \$6 million at today's values. The

Committee felt there should be some additional debt capacity beyond the current \$3,000,000, due to the possibility of future accident claims or any other unexpected event.

The DART Commission approved the language of proposed revisions to the 28M to be considered by all participating communities at their meeting on March 9, including the \$.05 per thousand dollar property tax rate cap for debt purposes. The proposed rate has since been reduced to \$.04 to more closely match the estimated need for future borrowings.

PREVIOUS COUNCIL ACTION(S):

Date: March 8, 2010

Roll Call Number: 10-394

Action: Approving Grants to Des Moines Area Regional Transit Authority (DART) for maintenance of property tax rate, \$680,000 and restoration of services, \$150,000. (Council Communication No. 10-113) Moved by Hensley to adopt and recommend to DART that they create materials to promote use of the bus service. Motion Carried 7-0.

Date: November 24, 2008

Roll Call Number: 08-2095

Action: Approving revised agreement with Des Moines Regional Transit Authority (DART) providing for City contributions to DART and uniform regional funding of mass transit operations. (Council Communication No. 08- 712) Moved by Hensley to adopt. Motion Carried 7-0.

Date: December 19, 2005

Roll Call Number: 05-3055

Action: Approving Amended and Restated Agreement for The Des Moines Regional Transit Authority. (Council Communication No. 05-729) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.