



Council Communication

Office of the City Manager

Date April 12, 2010

Agenda Item No. 60
Roll Call No. 10-
Communication No. 10-201
Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

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

SYNOPSIS:

Approving amendment to the Des Moines Regional Transit Authority (DART) 28M agreement to allow DART's issuance of GO bonds for the payment or refinancing of accident claims arising from accidents that occurred prior to March 1, 2010, and in an amount not to exceed \$3,500,000. GO 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.

FISCAL IMPACT:

Amount: Up to \$3.5 million

Funding Source: DART regional property tax levy. No impact on City General Fund or tax rate.

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 GO 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 GO debt.

The DART Service and Budget Committee, made up largely of city administrators, met with PFM to review their recommendation to allow GO debt to be issued. The Committee recommended that GO debt be allowed, but limited to \$3,500,000 and that GO debt be limited to the cost of accident claims existing prior to March 1, 2010. Any future accident claim payments would need to be funded from another source or the 28M agreement would need to be revised again.

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

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