

**Summary of the Board Study Session Meeting/Financial Workshop held on Tuesday
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Memorandum



To: All Board Members/Staff
From: Paula Perdue, Executive Manager to the Board
Date: April 27, 2010
Subject: Minutes of the Study Session/Financial Workshop Meeting held on Tuesday April 27, 2010 at 5:30 p.m. in Rooms T & D

**Board
Members**

Present: Chair Kemp; Directors Brohl, Busck, Christopher, Cohen, Daly, James, McMullen, Malpiede, Martinez, O'Boyle, Tayer and Tobiassen.

Board Members

Absent: Directors Bagley and Pulliam

Staff Present: Bruce Abel, Jenny Barket, Rick Clarke, Bob Downes, David Genova, Mike Gil, Terry Howerter, Marla Lien, Caitlin Magee, Robert Merriman, Jerry Nery, Todd Nikkel, Paula Perdue, Scott Reed, Daria Serna, Cal Shankster, John Shonsey, Bill Sirois, John Tarbert, Phil Washington, Susan Wood

Others Present: Steve Fisher, George Scheurenstahl, Holman Carter (ATU), Mark Calcione (USNC), Frank Cannon (USNC), Tom Gougeon (USNC), Roger Sherman (CRL), Bill Mosher (DUSPA)

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Call to Order: Chair Kemp called the Study Session meeting to order at 5:33 p.m.

I. DUSPA Update

Bill Mosher provided an abbreviated update from the last meeting. He indicated the PNRS contract has been executed between RTD and CDOT where RTD will act in an operational role (pass through) for CDOT which provides authorization for the execution of the TIFIA funds. They will close on TIFIA and working on RIF. They are in the signature process for a MOA with Amtrak for a temporary agreement to relocate facilities. Construction efforts include three actions of excavation of regional bus facilities, LRT and Amtrak facility. Rail is being pulled up behind the station.

Bill Mosher turned the presentation over to Roger Sherman, CRL, to provide a status update on the public information, communications effort.

Roger shared that the project calls for a 15% DBE goal but we are currently

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committed to a 25% goal. They have spent time coordinating communications efforts with RTD, CDOT, CACDenver and other companies on the team such as Kiewit. Neighborhood canvassing has begun and they have targeted property owners/managers within a 3 mile radius of the development project to tap into their communications plan. Roger observed that the interest of these property owners will start to peak more when construction starts.

Other elements of their communications plan include web site access, posting of public meeting notices, planned groundbreaking ceremony and serving as information clearing house.

Tom Gougeon, USNC, provided a presentation on DUSPA project update. A copy of this presentation is attached to the study session minutes located in the Board office.

Some of the highlights of this presentation included:

- Photos of the projected use of the space that identifies five different mixed use types including retail, office, residential, and hotel and parking garage.
- View of the South Wing floor plan, parking plan and conceptual sketch based on point of entry.
- View of North Wing floor plan, parking plan, and conceptual sketch based on point if entry.
- A schedule of activities for the North and South Wing.
- List of goals for the Wynkoop Plaza
- Photo of water feature that will be built on a ground, flat surface.

Several Directors asked questions or expressed concerns:

- Director Daly inquired about the possibility of widening the bus box. Jerry Nery provided an explanation of where they are with this analysis. Director Tayer requested a follow-up of this request to the full Board. Rick Clarke indicated there is a board action item they are working to provide details from this analysis by June 1.
- Director McMullen expressed concerns about the ongoing maintenance and care of the open space. What types of trees were being considered and their survival rate? Bill Moser responded they are taking lessons from the 16 Street Mall as well as working with some environmentalist preservation group on this issue.
- Director Christopher asked about the square footage for this area and expressed concern over the cost for this high quality and how it could impact the RTD fixed operational budget costs in the future.
- Director Martinez expressed this would be a great opportunity to increase signage, perhaps the Millennium Bridge as a location. Director Brohl noted there is so much activity already in process but signage would be good.

Rick Clarke provided a quick update on the DUS Historical building and

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indicated Bill Sirois was part of an inter-departmental task force looking at different alternative uses for this building. Bill Sirois reiterated this group is an information gathering group for the Board review looking at how we determine the future use of this building.

Jerry Nery noted Tom Gougeon would be leaving the project soon but had served RTD and the project well.

II. Board 2011-2016 Transit Development Program and 2011 Budget Study Session

General Manager Phil Washington kicked this off by telling the Board that the four priorities that came out of the Board Advance Planning Session are being worked into the TDP.

Terry Howerter, CFO, and Robert Merriman, Financial and Budget Manager, team-tagged on the presentation. A copy of the revised 2011-2016 Transit Development Program is available with the minutes in the Board office.

Terry Howerter shared that these revisions were due to vetting this information with the senior leadership team and adjustments made to the 2010 budget. The TDP focuses only on the base operations and does not include FasTracks.

The revenue assumptions assume a slow climb out of the recession with slow sales and use tax growth rates. The projected sales and use tax rate for 2011 is 0.8%. Cost assumptions will be based on 2010 proposed amended budget, costs increase escalated at the rate of inflation. Diesel fuel cost is based on \$2.64 per gallon if we had locked in by April 16, 2010. At this rate, this would give a projected increase over the 2010 diesel fuel cost of approximately \$4.3M. The inflation rate of 1.8%-2.3% is based on the Colorado Legislative Council forecast, March 2010.

Chair Kemp wanted to know if hybrid vehicles are saving us money in fuel costs. Terry Howerter indicated he would follow-up.

Terry Howerter reviewed the various sources of funds which show the two highest, sales and use tax at 55%, and grant revenue at 17%. He also reviewed the uses of fund with operating expenses at 81%, followed by debt payments at 11%.

Terry Howerter reviewed the TDP cash flow pointing out such significant changes as an anticipated drop in grant revenue from 2010 to 2011 of \$64.1M due to the effect of one time stimulus funds. The vendor allowance temporary suspension will also end June 30, 2011. With the assumptions embedded, and no mitigating action, the year end transit development reserve deficit is projected to grow significantly through 2016.

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Terry also presented the options they will be working through to solve for the gap in 2011 and requested the Board members to provide their input to finance on other options for consideration by May 4, 2010. Such adjustment can include any number of variables or modifications such as:

- Capital deferral
- Fare increase (12.5%)
- Additional service reductions
- Continued salary freeze
- Additional cost controls operating expense
- voluntary furlough days
- 5% operating reserve
- new revenue sources

Q&A:

- Director Christopher inquired about the 153.9 capital expenditure in 2010. Terry Howerter explained this number was for cash outlay of appropriated capital projects.
- Director James asked what were the plans to merge the FasTracks operational and base budgets together. Marla Lien, Legal Counsel talked to the language around when the debt is paid off and what happens to the remaining .4.
- Director O'Boyle spoke to the current imbalance and reliance on sales use tax. He would like to see us look at the current model including exploring increasing fares as an overall percent of our revenue sources. This would reduce our dependency on sales and use tax.
- Director Tayer encouraged the team to look at options around interest income and debt holdings.
- Director Tobiassen wanted to know if as we roll out FasTracks, will this reduce our cost for bus services. Bruce Abel responded that hours are simply redeployed and in some cases could be increased.
- Director Tayer inquired if the vendor allowance could be brought back. Marla Lien responded this is state law.
- Director Martinez wanted to know what a 12.5% fare increase mean and how it would affect the ECOpass program and others. Director Brohl added she wants to see various options (scenarios) that include fare boxes, ECOpass, etc and look at ramifications to these.
- Director O'Boyle expressed interest in achieving more systematic changes that will reduce the projected \$35M. Terry Howerter indicated we are trying to solve for more systematic changes. The \$35M could be a combination from revenue increases to service cuts.
- Director Brohl indicated concerns around additional service cuts, and implementing service change options. She wants staff to highlight any change where elimination or changes to that service will foreclose transit in that area.

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- Director McMullen stated a desire to know what the numbers will be if we kept the bus and costs static. Marla Lien responded that deficit spending is not an option for us as we do not have the authority to do this.

General Manager Washington indicated we are going to solve this together and we will walk the Board right down the line to balance the 2011-2012 and everywhere else. This may look a little overwhelming now but we can solve this but do have tough decisions to make.

The Board was again reminded to submit their input sheet to Finance by 5/4/2010.

III. Other Matter

There was no other matter.

VI. Adjournment

The Study Session adjourned at 7:00 p.m.