

**SUBJECT: RTA Investment Policy Revisions**

Meeting	Meeting Date	Agenda Category	Agenda Item #
RTA Board	May 25, 2017	Discussion Action	5

**REQUESTED ACTION/SUGGESTED MOTION**

Direction to amend the RTA Investment Policy to establish a reimbursement management reserve policy, and to prepare all required documentation for the refunding of the RTA's Series 2011 bonds.

**ASSOCIATED OWP WORK ELEMENT/GOAL**

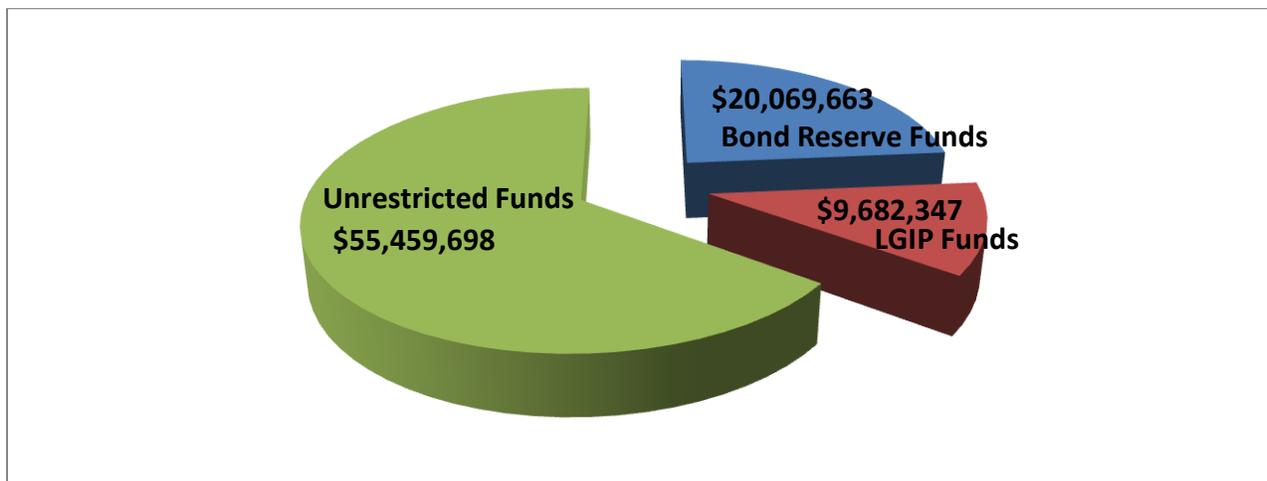
Work Element 46, Regional Transportation Authority

**SUMMARY**

With the adoption of the FY 2018 budget, and the continued drawdown of the Series 2014 bond proceeds for project reimbursements, the RTA will need to closely monitor the impact of project reimbursement requests on the RTA's cash flow. In prior years, the RTA has enjoyed a relative high fund balance, enabling the RTA to easily accommodate all reimbursement requests as they were made.

The RTA's Transaction Privilege Tax (TPT) revenues are relatively predictable and cyclical, with revenues peaking in February (for December holiday sales), remaining strong until May/June, before falling off for the balance of the year. Monthly TPT collections have ranged from \$5.8 M to \$7.4 M over the past 3 years.

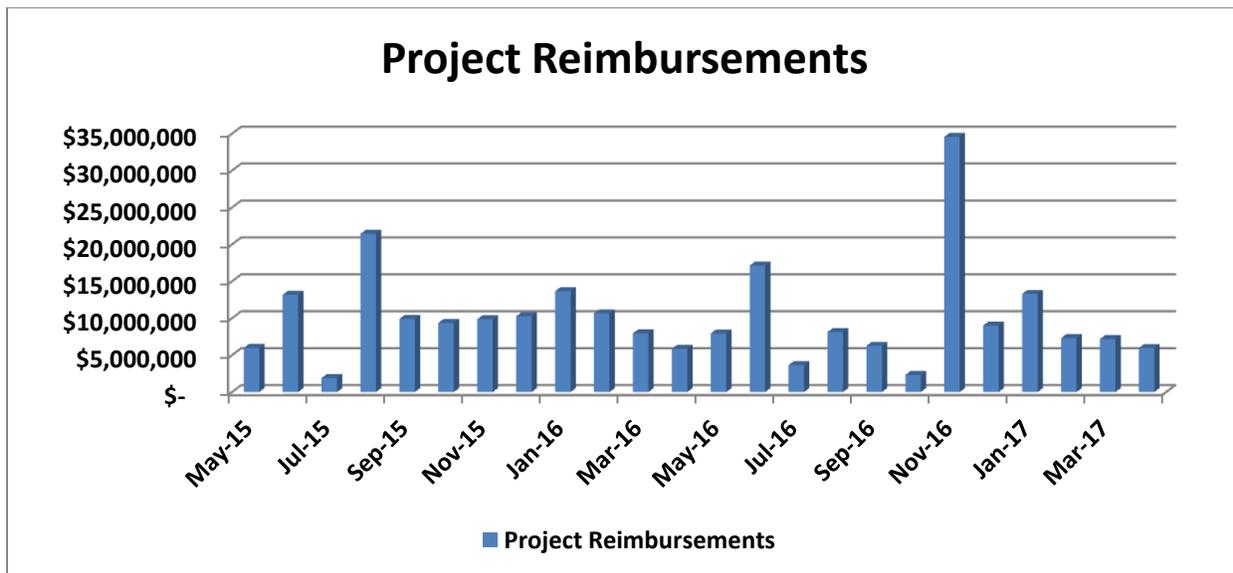
The RTA fund is made up of restricted and unrestricted funds. The restricted funds are held for bond debt service and for projects built for the RTA by ADOT. The fund balances, as of the end of April 2017, are shown below.



The RTA debt service payments for its Series 2011 and Series 2014 bonds are predictable, and are paid from restricted accounts established as a requirement of the RTA's bond covenants. The debt service payments are senior to all other financial commitments and RTA revenues are pledged first to repayment of these bonds. After these debt service transfers have occurred, the RTA has access to the remaining funds for other RTA program expenses.

The RTA's other restricted funds are in Local Government Investment Pool (LGIP) accounts established to fund work done on behalf of the RTA by ADOT. These funds currently amount to nearly \$10 million. The projects associated with these accounts are: Twin Peaks Interchange (\$255K), SR 77 Wildlife Crossings (\$9.4 M) and SR 86 Wildlife Crossings (\$33K). Any remaining funds in these accounts will be released back to the RTA once final account reconciliations have occurred.

Monthly project reimbursement requests are highly variable. The monthly reimbursements to Lead Agencies have ranged from less than \$2 million to nearly \$35 million over the past two years, as depicted below.



In order to ensure the RTA has sufficient financial resources at all times to honor reimbursement requests, staff recommends the development of a reimbursement management reserve of approximately 10% of annual TPT revenues. These funds will not be programmed for expenditure, but will create cash flow flexibility.

Refunding of the Series 2011 bonds to free up cash flow and lower interest payments is recommended. This will allow the funding of the recommended reimbursement management reserve During FY 2018 and 2019 without negatively impacting the RTA projects within the financially constrained Transportation Improvement Program (TIP). These bonds, which carry a 5% interest rate, may be refinanced at current, lower interest rates and be restructured to make interest only payments for FY 2018 and 2019 to free up approximately \$8.9 million in FY 2018 and \$8.6 million in FY 2019. Debt service payments would increase by approximately \$2.4 million a year

from FY 2020 to FY 2026, but with this refunding of the Series 2011 bonds, the RTA will also save approximately \$1 million in total debt service costs.

**PRIOR BOARD AND/OR COMMITTEE ACTION**

The RTA Board heard a preliminary report on the updated RTA Revenue model at its March meeting, as well as a report on the proposed FY 2018-22 PAG TIP. The RTA Board considered its FY 2018 Annual Budget on a prior agenda item.

The RTA Board initially approved the RTA Investment Policy in 2007 and revised the policy in April 2009.

**FINANCIAL CONSIDERATIONS**

Existing debt service payments for the Series 2011 and Series 2014 bonds are approximately \$27,586,000 annually.

**TECHNICAL, POLICY, LEGAL OR OTHER CONSIDERATIONS**

**ATTACHED ADDITIONAL BACKUP INFORMATION**

- A. RTA Investment Policy
- B. Bond refunding cashflow analysis

<b>Staff Contact/Phone</b>	Farhad Moghimi, 495-1420 James DeGroot, 495-1481 Rob Samuelsen, 495-1468 Corrina Gil, 495-1472
--------------------------------	---