

Regional Transit Authority

Motion No. 12

A motion of the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region authorizing the adoption of new Financial Assumptions for the purpose of RTA Financial Analysis and Planning.

Background:

At the March 6, 1996 Finance Committee meeting, the committee reviewed and discussed changes in the financial assumptions used for financial planning and cash flow analysis. RTA staff conducted a review of its existing financial assumptions with the investment banking community and bond counsel, and decided to update several of the financial assumptions. The changes in the assumptions were also discussed at the March 7 meeting of the Expert Review Panel (ERP), who concurred the changes were reasonable.

Motion:


It is hereby moved that the Board of the Regional Transit Authority that the attached financial assumptions be approved, and used in the development of the draft Financial Plan.

Approved by the RTA Board on March 22, 1996.



Bob Drewel
RTA Board Chair

ATTEST:



Marcia Walker
Board Administrator

Adjustments to Financing Plan Assumptions

Inflation

- Annual inflation rate on revenues and costs from 4% to:
 - 1995-1999: 3.0%
 - 2000-2020: 4.0%

Revenue Sources

- Interest earnings from 5.5% to 4.5%; this will lower the gap between borrowing rate and reinvestment rate from 275 to 150 basis points.
- MVET real growth rate incrementally lowered to match sales tax real growth rate after 20 years.

Debt Financing Assumptions

- Interest rate on long term bonds from 8.25% to 6%.
- Debt coverage ratio changed from a minimum constraint of 1.3x of pledged resources to an average coverage ratio of 2.0x for net income over annual debt service costs. Not to fall below 1.3x in any single year.
- Bond term from 40 years to 30 years.

Reserve Funds

- Debt Reserve Fund increased from one half year interest on all outstanding bonds to 10% of the principal amount of the combined borrowings.
- Operating Reserve Fund decreased from 20% of annual bus and rail operating costs to 2 months of annual operating costs.
- Capital replacement fund will be determined based on individual depreciation schedule for the various capital facilities.