



FasTracks Monitoring Committee

Future Implementation of the FasTracks Program

March 31, 2009

Tonight's Meeting

- Overview
- Background
- Updated Results of 2009 Annual Program Evaluation
- Staff Recommendation
- Discussion of alternate scenarios

Overview

- The 2008 and 2009 Annual Program Evaluations identified a funding gap for the FasTracks program
- Over the last 6 months, RTD has worked closely with elected officials, local governments, corridor stakeholders and the public to identify how to move the FasTracks program forward
- The following presentation identifies four financial plans for board consideration
- Adoption of one of these plans by the RTD Board will provide direction to staff for the future build-out of FasTracks

Overview (cont.)

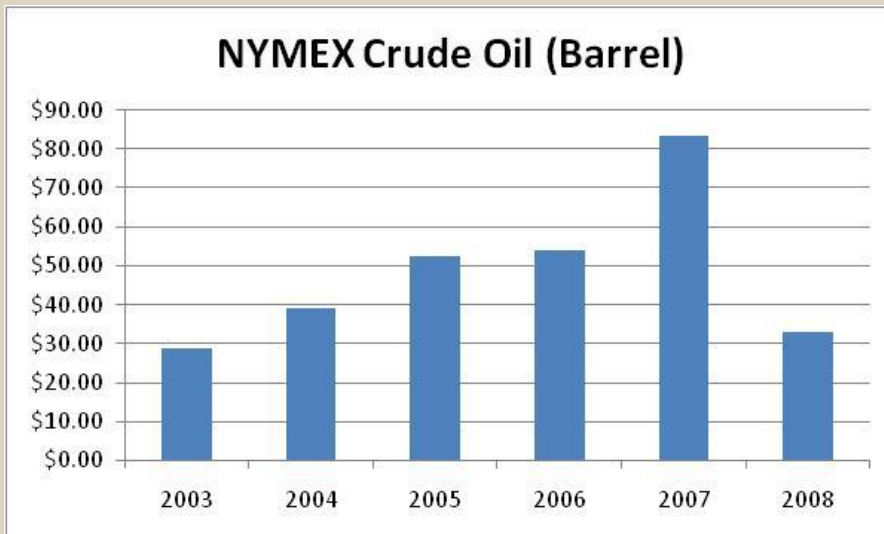
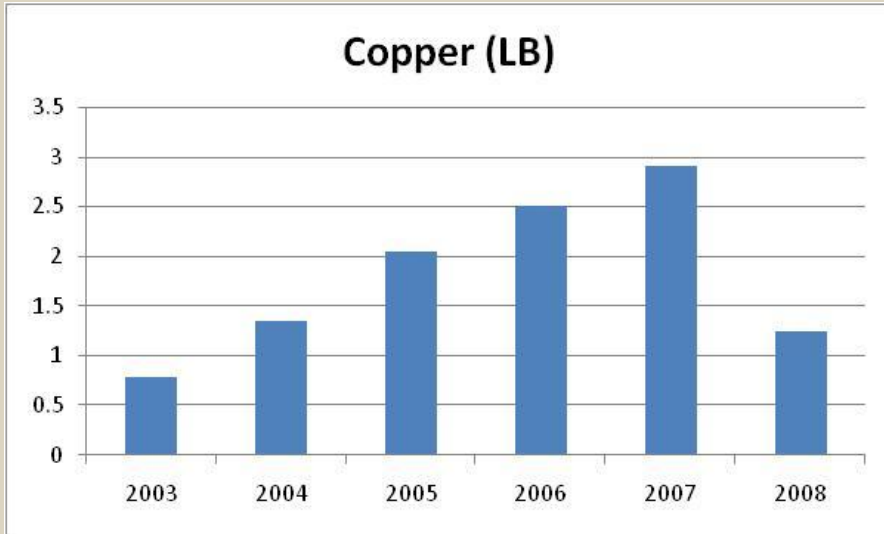
- The RTD Board needs to formally adopt a financial plan on April 7th in order to
 - Maintain compliance with Senate Bill 208
 - Keep current schedule with FTA for federal grant applications
 - Obtain DRCOG approval of financial plan to preserve the opportunity to go to the ballot in 2009 if the Board determines this to be the appropriate path forward

Background

How Have Economic Conditions Changed from 2008 APE?

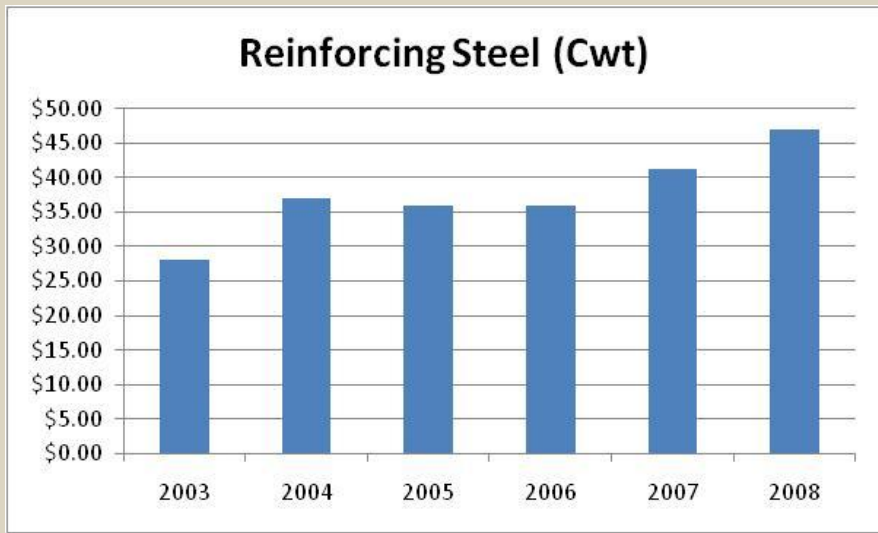
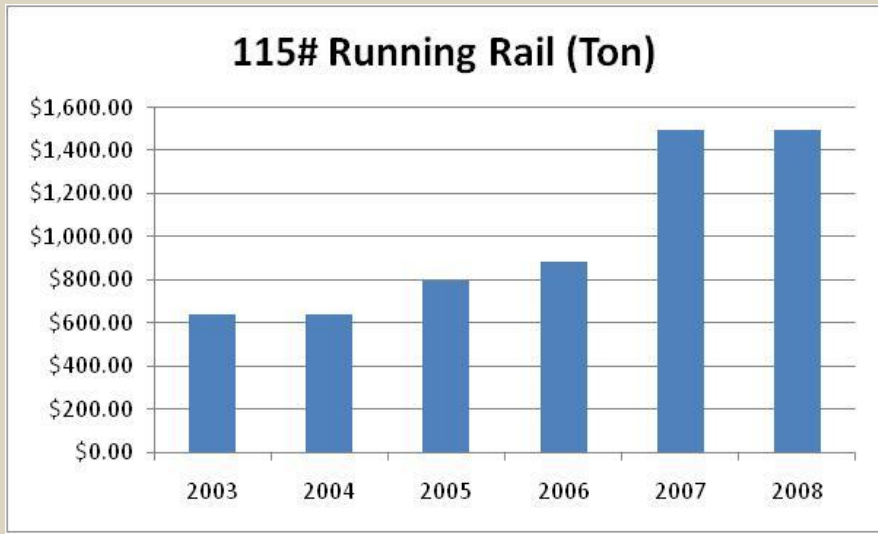
- Key commodity prices peaked in mid-2008
- Significant declines in crude oil prices
- Significant declines in raw materials prices
 - Have not been reflected consistently in finished goods prices
- Significant downturn in sales and use tax collections
- Major upheaval in capital markets

Difference in Key Commodity Prices from 2003 to 2008



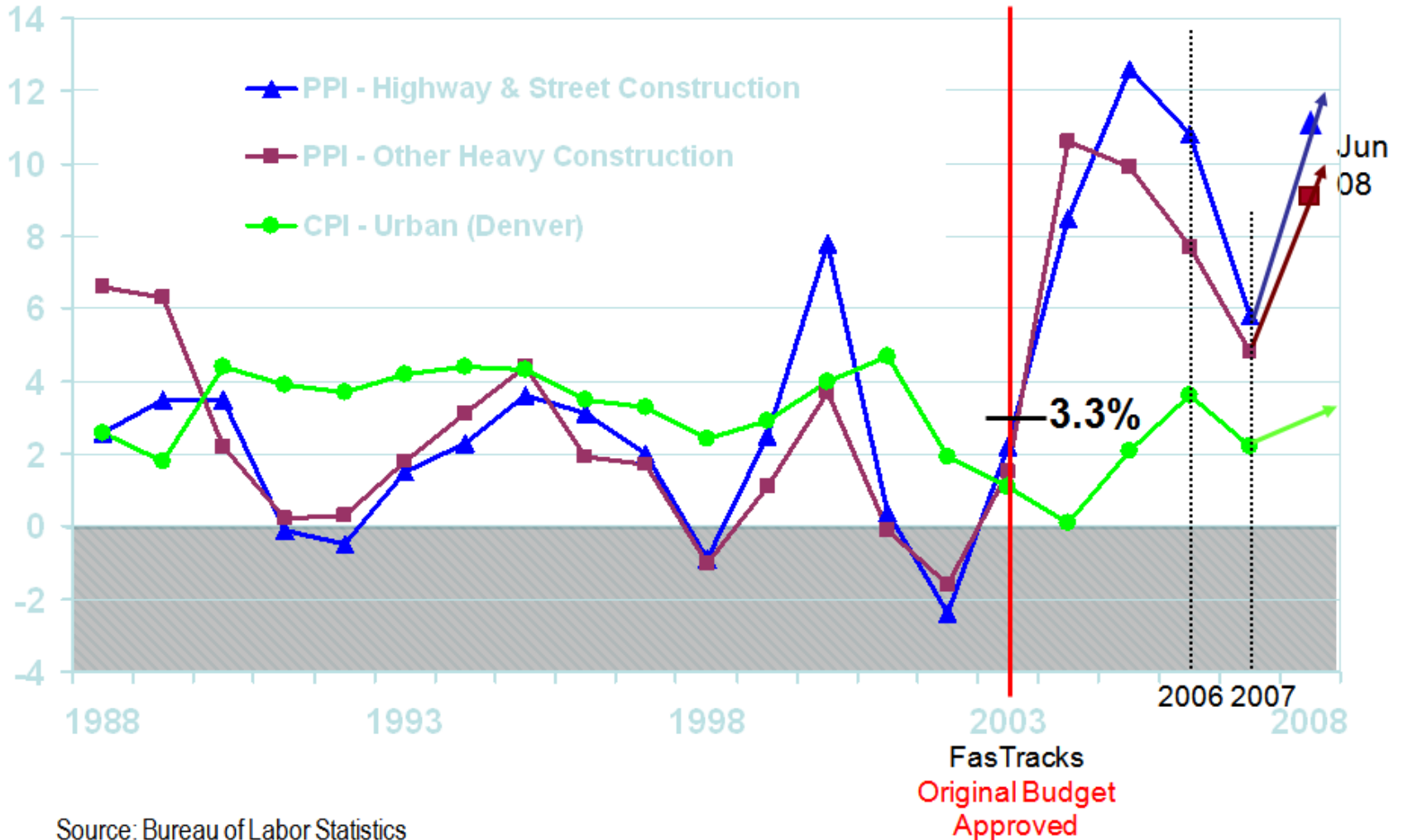
- Prices for raw materials decreased dramatically after mid-2008
- Prices remain higher than original estimates

Difference in Steel Prices from 2003 to 2008



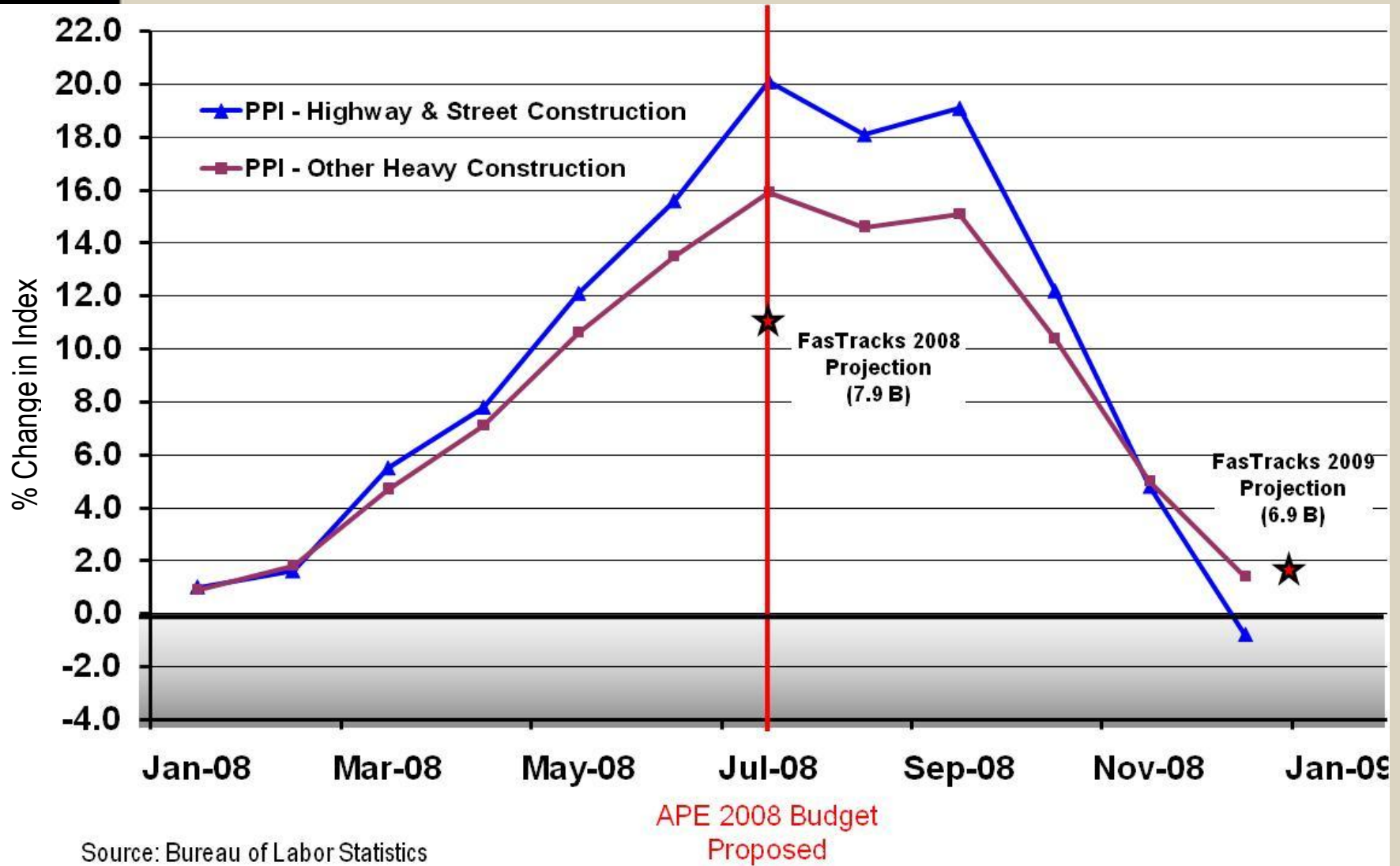
- Decreases in raw materials prices have not been reflected consistently in prices for finished goods

Historical Incremental Percent Change



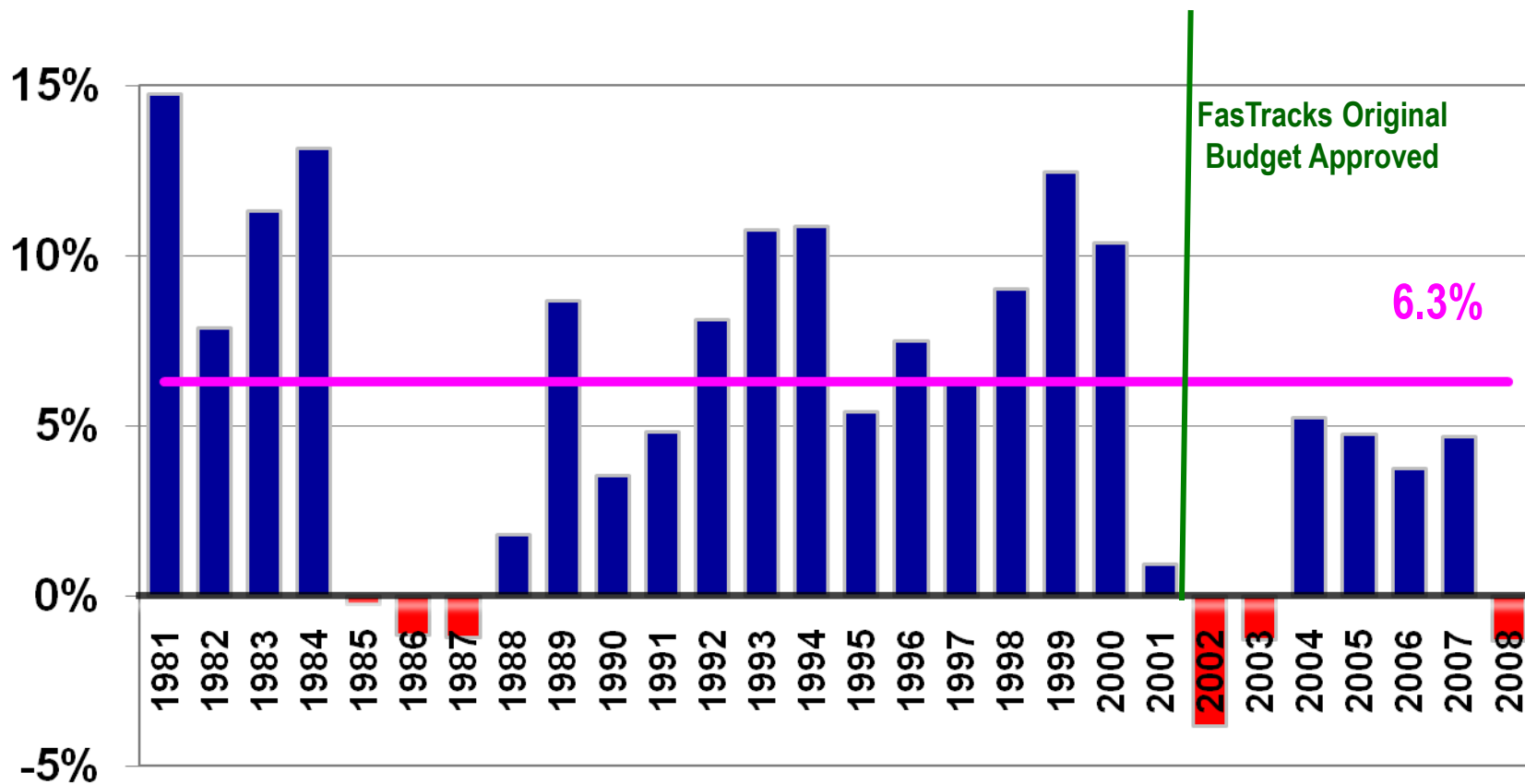
Source: Bureau of Labor Statistics

How Has Materials Cost Escalation Changed in 2008?



Source: Bureau of Labor Statistics

How Has RTD Sales Tax Changed From 1981-2008?



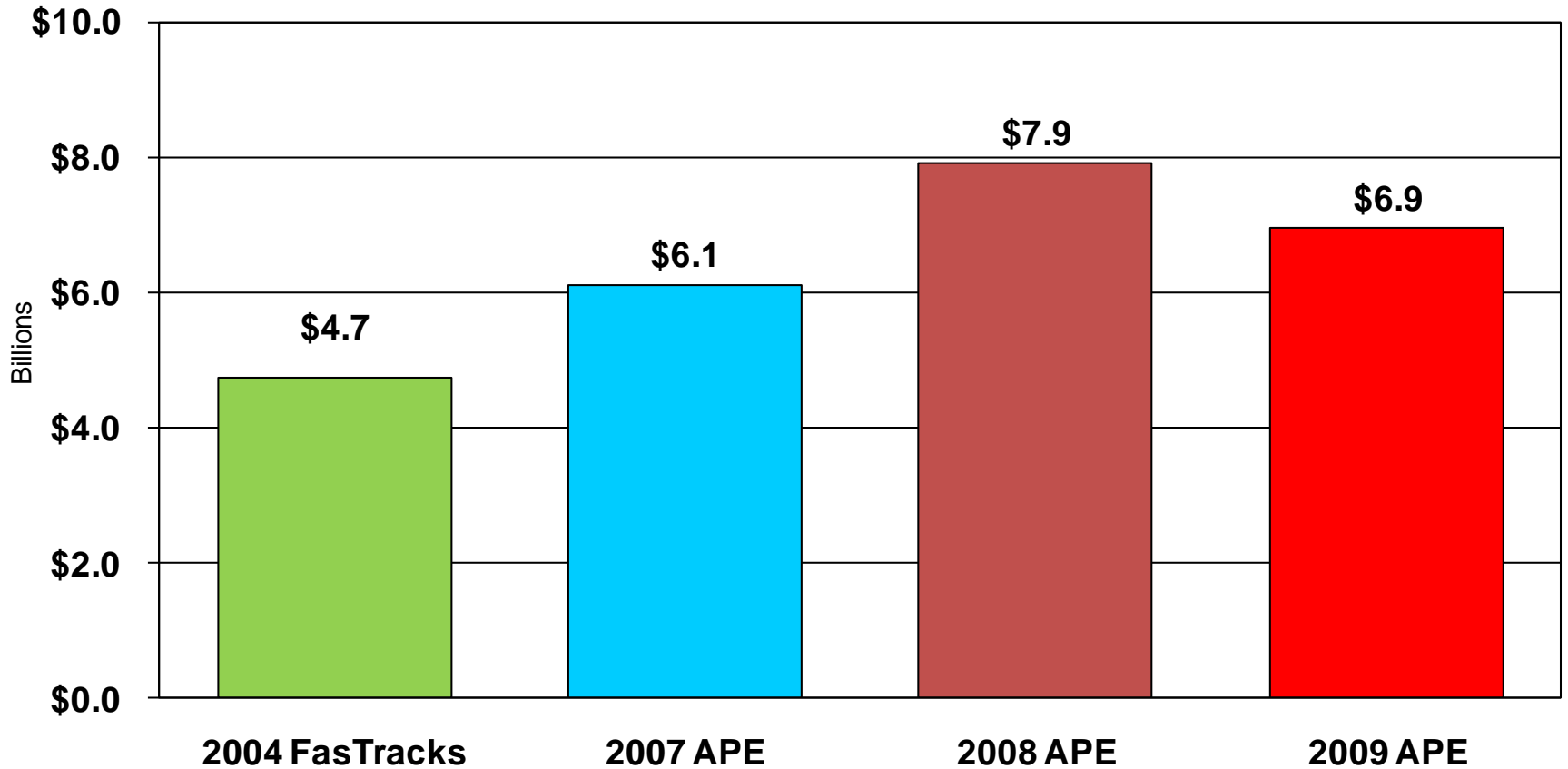
■ Actual Growth
 ■ Actual Decrease
 — Average Annual Growth - 1980-2002

Updated Results of 2009 Annual Program Evaluation

Latest March 2009 Updates to Annual Program Evaluation

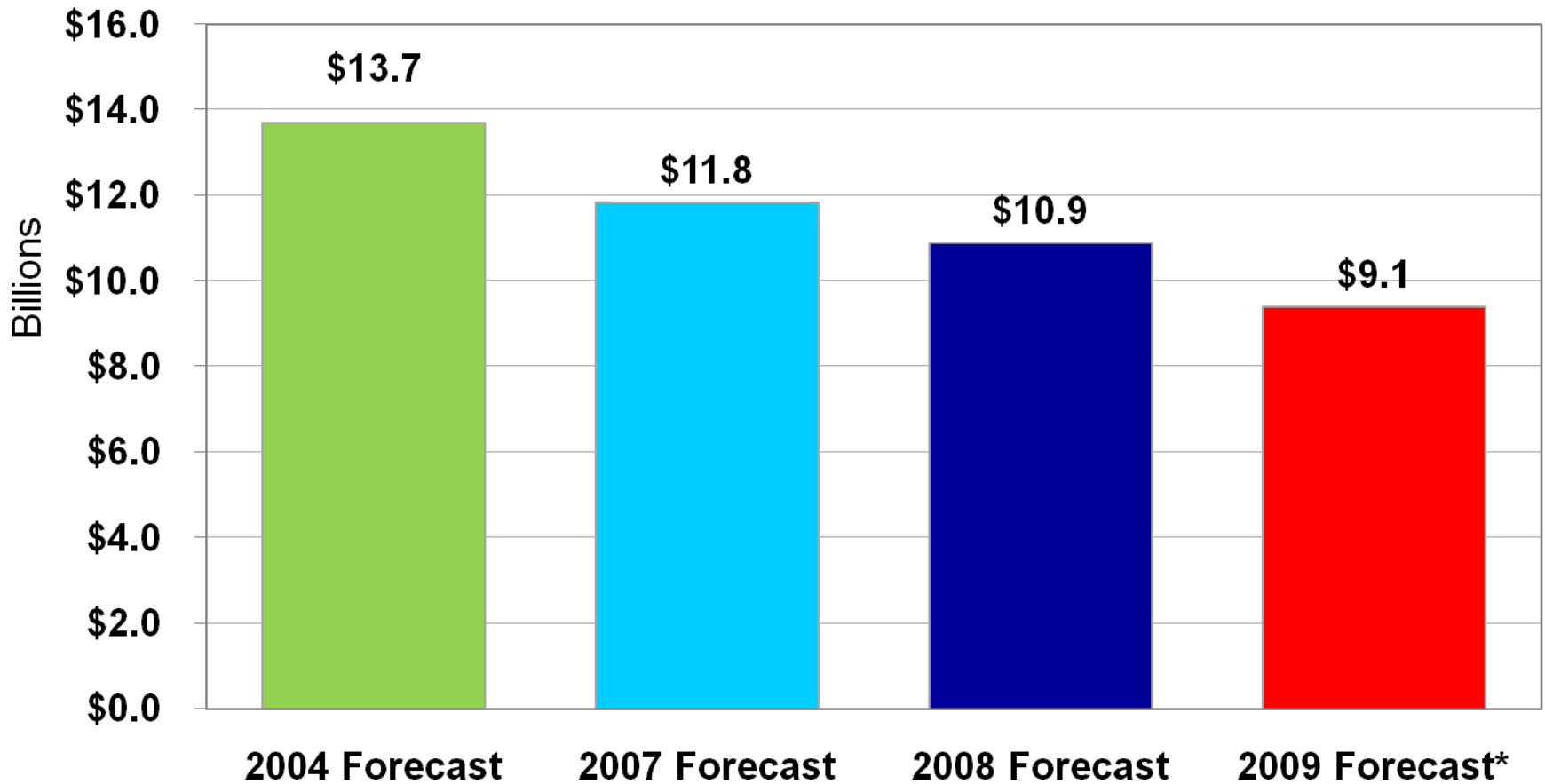
- Incorporated FasTracks economic stimulus funding
- Updated sales and use tax growth projections and short-term escalation rates from State
 - Colorado Legislative Council (CLC) and Office of State Planning and Budgeting (OSPB) updates received on March 20, 2009
- Assumed a 0.4% sales tax increase sunset over time as revenue targets are met
- Developed alternative scenarios for comparison purposes

FasTracks Program Capital Cost Summary (YOY)



What Is The Impact of The Reduction in Sales and Use Tax Forecasts?

2005 - 2035

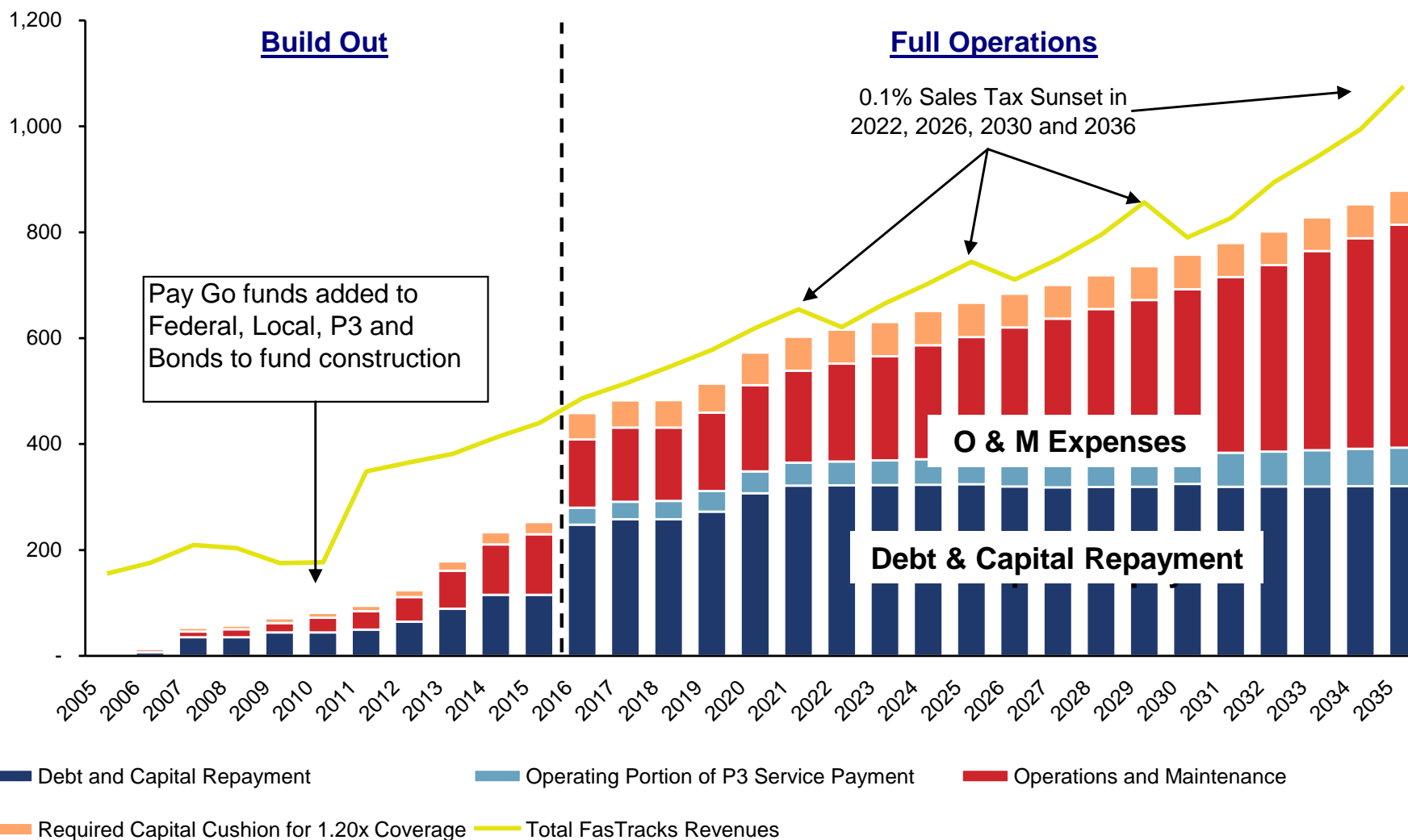


*Updated state forecasts for sales and use tax growth resulted in decrease in revenue projections from \$9.4 B to \$9.1 B

2009 Annual Program Evaluation Results

- Decrease of \$1 B in capital costs was not enough to accommodate the continued declines in projected sales and use tax without an additional source of revenue
- With an additional 0.4% sales tax increase, the entire FasTracks program can be built out by 2017
 - Additional sales tax would cover both capital costs and O&M
- Additional sales tax increase can begin sunseting as early as 2022, based on economic conditions

2009 Annual Program Evaluation Results



Staff Recommendation

Staff Recommendation

- So as not to preclude any potential revenue options, FasTracks Monitoring Committee recommends adopting a financial plan scenario for the FasTracks program that assumes the passage of 0.4% sales and use tax increase commencing in January, 2011
 - Results in completion of the full FasTracks program by 2017 as originally planned
- FasTracks Monitoring Committee reaffirms RTD's commitment to pursue a New Starts Full Funding Grant Agreement in an amount estimated at over \$1 B for the East and Gold Corridors

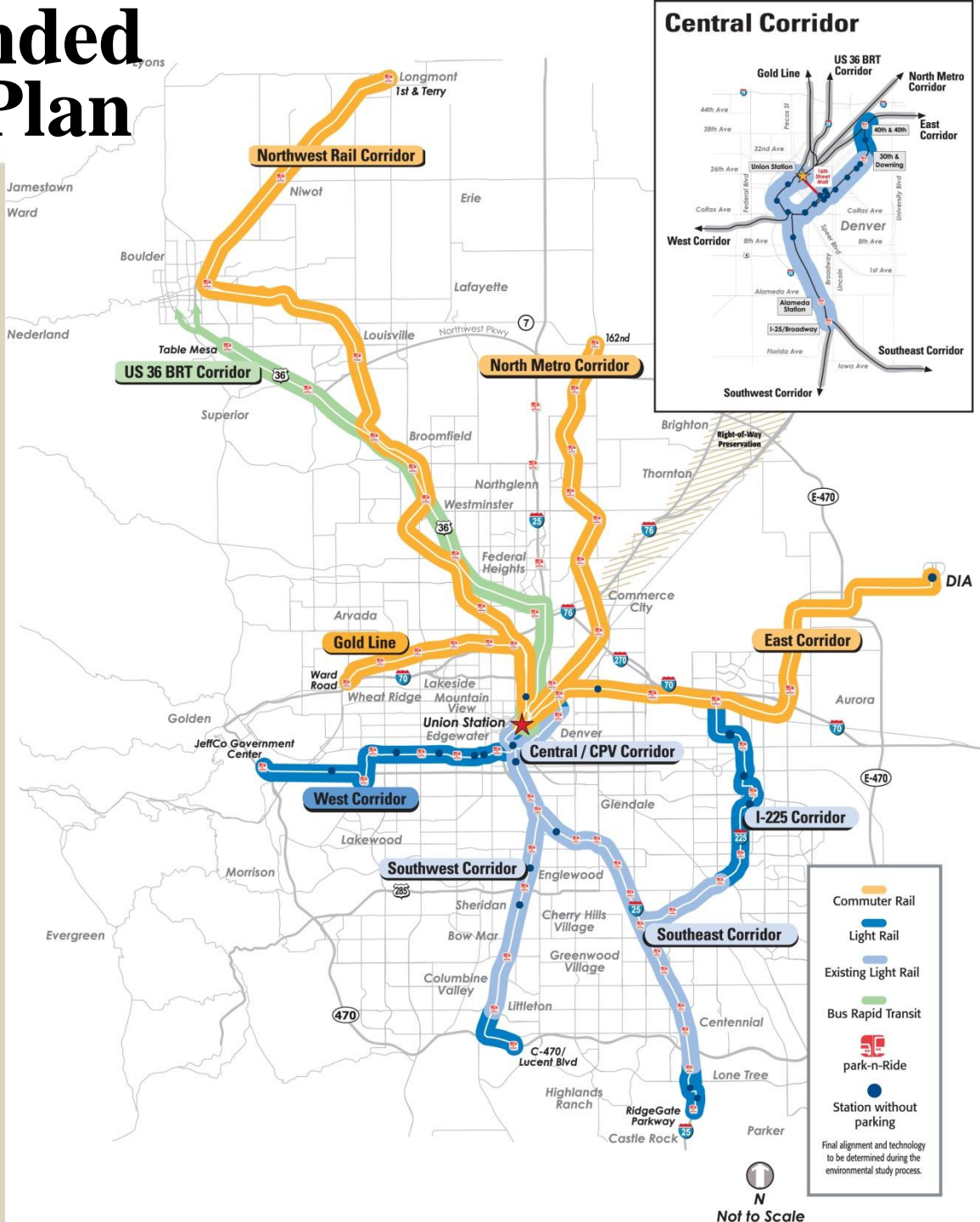
Staff Recommendation (cont.)

- This action does not represent a decision or commitment at this time by the Board of Directors to place a sales and use tax increase on the ballot
 - Preserves the capability for the RTD Board of Directors to continue consideration of all potential scenarios for completion of the FasTracks program
- Should the Board choose not to seek a tax increase, or if a tax increase initiative is not approved by the voters, a revised, updated financial plan would be adopted by the Board at that time

Recommended Financial Plan

RTD receives federal funding for East and Gold, and a 0.4% sales tax increase is passed

Full capital build out of the entire FasTracks program by 2017



Upsides/Downsides of Staff Recommendation

Upsides of Adopting the Staff Recommendation	Downsides of Not Adopting the Staff Recommendation
<ul style="list-style-type: none">• Complete the entire FasTracks program by 2017• Receive \$1 B of Federal funding• Preserve the capability for RTD to continue consideration of all potential scenarios for completing FasTracks – including a ballot initiative• Defer capital expenditures for the East and Gold Lines – provide additional revenue for other corridors during the first 5 years of construction• Cap capital, financing and operation costs for the Eagle Project long-term	<ul style="list-style-type: none">• Delay the construction of FasTracks – currently estimated to be completed in 2034• Do not receive \$1 B of federal funding, increasing the funding gap for the FasTracks program from \$2.23 B to \$3.23 B• Limit RTD’s ability to continue consideration of all potential scenarios for completing FasTracks – including a ballot initiative

Alternative Financial Scenarios

Alternative Financial Scenarios

- For review purposes, RTD has run the following three alternative financial scenarios:
 - **Scenario #1:**
 - RTD receives federal funding for East and Gold
 - 0.4% sales tax is not passed
 - **Scenario #2:**
 - RTD does not receive federal funding for East and Gold
 - 0.4% sales tax increase is not passed
 - **Scenario #3:**
 - RTD does not receive federal funding for East and Gold
 - 0.4% sales tax increase is passed

Alternative Financial Scenarios – Assumptions

- Specific corridor improvements and implementation schedules in each of these alternative scenarios are illustrative only and are subject to change
- Total cost to complete the following projects by 2017 = \$4 B (under scenario #2, adjustments may need to be made to these assumptions):
 - Environmental documentation and basic engineering for all corridors
 - Purchase or lease agreements for railroad right-of-way to end-of-line for all corridors
 - Projects currently in construction (i.e., West, US 36 Phase 1, four car platforms on Southeast, Southwest, Central and CPV)
 - Projects required to operate the FasTracks corridors (i.e., Denver Union Station, all maintenance facilities)
 - Operations and maintenance for all capital improvements
 - Eagle Project

Alternative Financial Scenarios - Results

Scenario #1: RTD receives federal funding for East and Gold, and a 0.4% sales tax is not passed

- Under this scenario, it is estimated that \$4.64 B will be available for capital improvements for the FasTracks program by 2017, leaving a funding gap of approximately \$2.23 B
- \$640 M would be available to build phased operating segments of other corridors by 2017 (subject to sales and use tax revenues) - Entire FasTracks program built out by 2034
- Scope of the public-private partnership will include full extent of the East and Gold Line Corridors and associated improvements (e.g., Commuter Rail Maintenance Facility, shared section of Northwest Rail and Gold Line track)

Alternative Financial Scenarios - Results

Scenario #2: RTD does not receive federal funding for East and Gold and a 0.4% sales tax increase is not passed

- Under this scenario, it is estimated that \$3.64 B will be available for capital improvements for the FasTracks program by 2017, leaving a funding gap of approximately \$3.23 B
- Limited funding would be available to build phased operating segments of other corridors by 2017 - Entire FasTracks program built out by 2034
- Under this scenario, there is a potential that the RTD Board would modify/expand the scope of the Eagle Project to include adding phased operating segments for other corridors

Alternative Financial Scenarios - Results

Scenario #3: RTD does not receive federal funding for East and Gold, and a 0.4% sales tax increase is passed

- With an additional 0.4% sales tax increase, the entire FasTracks program can be built out by 2017
 - Additional sales tax would cover both capital costs and O&M
- Sunsetting of the new 0.4% sales tax would be delayed 4 - 5 years (as compared to recommended financial plan)
- Scenario is highly sensitive to changes in sales and use tax growth projections
- Scope of the public-private partnership will include full extent of the East and Gold Line Corridors and associated improvements (e.g., Commuter Rail Maintenance Facility, shared section of Northwest Rail and Gold Line track)

Comparison of Results – If Sales Tax Increase Passes

0.4% Sales Tax Increase With \$1 B Federal Funding	0.4% Sales Tax Increase <u>Without</u> \$1 B Federal Funding
High certainty of full build out	Less certainty of full build out
Fewer bonds issued for projects – lower total interest cost	Significantly more debt issued - higher total interest cost
Earlier sunset of new tax	Later sunset of new tax
Lower long-term cost	Higher long-term cost

Next Steps

- **April 7th** – Special Board Meeting formally adopts financial plan
- **April through August** – Development, submittal and approval of Senate Bill 208 Report
- **May** – Release of final RFP for Eagle Project
- **August** – Submittal of Full Funding Grant Application for East and Gold
- **August** – Potential board decision on sales tax initiative