



2010 Annual Program Evaluation (APE)

Regional Transportation District
(Phillip A. Washington and Team)

January 5, 2010

Tonight's Presentation

- **Overview**
- **Internal/External Review of 2010 Key Financial Plan Assumptions**
- **2010 APE Results**
- **Construction Ready Plan**
- **Potential Critical Adjustments**
- **Next Steps**
- **Summary**

Overview

- **In 2009, the RTD Board approved a financial plan that assumed a sales tax election in 2009 or 2010 would be necessary to fill the \$2.2 B funding gap for the FasTracks program**
- **Over the past year, RTD has worked closely with elected officials, local governments, corridor stakeholders and the public to identify how to move the FasTracks program forward**
- **This presentation provides a variety of financial plan scenarios for board consideration**
- **Adoption of one of these plans by the RTD Board in February will provide direction to staff for the future build-out of FasTracks**



GUIDING PRINCIPLES

- Ensure every step contributes to full vision
- Focus money available to the greatest good
- Spend public money wisely
- Maximize outside funding before going to taxpayers
- Deliver key investments in all corridors

FINANCIAL PLAN

P3/\$1B FFGA

- ✓ _____
- ✓ _____
- ✓ _____

New Tax Revenues (2011)

- ✓ _____
- ✓ _____
- ✓ _____

BOARD DECISIONS: Dates

- Release P3 RFP: 9/09
- Approve 2010 Financial Plan: 2/10
- Award P3 Contract: 7/10
- 2010 Election: no later than 8/10

YES

NO

2010 PUBLIC VOTE

YES

NO



Alternate Universe (Plan B)

- Options
- Future tax increase
- Etc.

Steps For Next Key Decision Point: Approval of 2010 Financial Plan

- ✓ **Begin project cost updates – September 2009**
- ✓ **Determine schedule for 2010 Annual Program Evaluation process – September 2009**
- ✓ **Review 2010 Annual Program Evaluation process with RTD Board – October 8, 2009**
- ✓ **Continue to work with Metro Mayors Task Force and other stakeholders – Ongoing**
- ✓ **Run financial models and develop Financial Plan – December 2009**
- ✓ **Present results of 2010 APE and Financial Plan to RTD Board – January 2010**
- ❑ **RTD Board approval of 2010 Financial Plan – February 2010**

What is different with this Annual Program Evaluation (APE)?

	2004	2010
Majority of Environmental Studies Complete	?	✓
Additional Advanced Engineering	?	✓
Majority of Railroad Costs Confirmed	?	✓
3 rd Party Cost Reviews Conducted (On-going)	?	✓
DUS & West Corridor Costs Confirmed	?	✓

Internal/External Program Reviews

- **Lessons Learned**
- **Independent review by L.S. Gallegos**
- **Feedback from DRCOG during review of the 2009 APE**
- **Construction Inflation Peer Review**
- **Sales and Use Tax Working Group**
- **Operating and Maintenance Costs**
- **Construction Ready Plan**

2010 Annual Program Evaluation Results – Costs

Cost Escalation Assumptions

Materials Cost Escalation

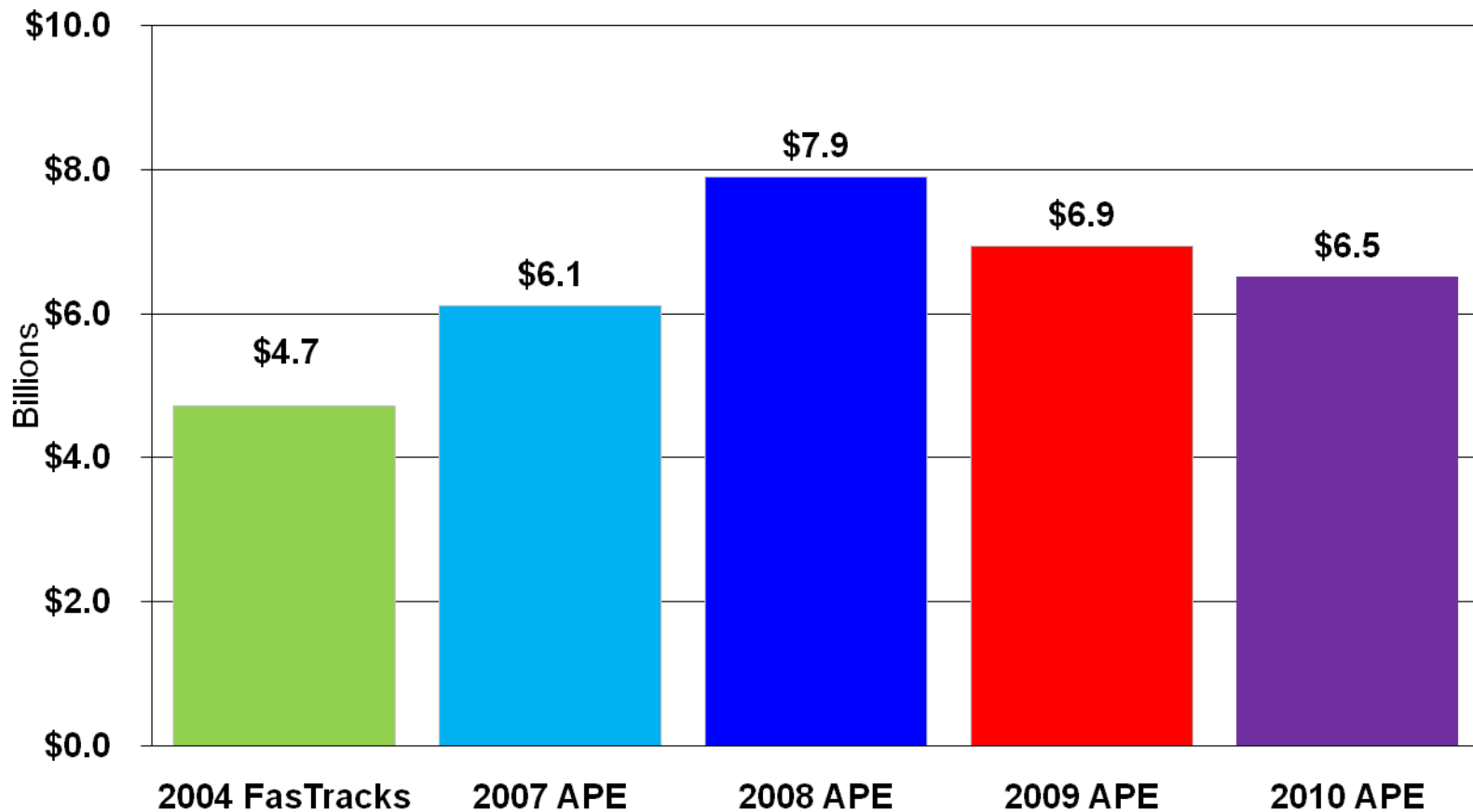
- On December 1, 2009 RTD held a workshop with a group of independent experts to review construction material inflation forecasts
- All participants were in agreement that RTD's current methodology (and forecast values) for estimating construction cost inflation is well founded and reasonable
- The following recommendation was incorporated into the 2010 APE:
 - Materials cost escalation in 2010 of 2%
 - Materials cost escalation from 2011 – 2017 of 5% per year

Escalation for Other Cost Elements

- Updated escalation assumptions based on Moody's Economy.com Consumer Price Index (CPI) forecasts for O&M, labor, fuel, etc.

FasTracks Program Capital Cost Summary (YOE)

FASTRACKS
FOR
TRANSIT



2010 APE – Capital Cost Refinements

- **FasTracks program capital costs have decreased in 2010 due to:**
 - More advanced engineering that better defines the project requirements
 - Modifications to design criteria
 - Updated unit costs
 - Lower cost of materials
- **Continuous, on-going value engineering for all projects**
 - Seeking opportunities for early procurement of materials, reuse of track, etc.

2010 Annual Program Evaluation Results – Revenues

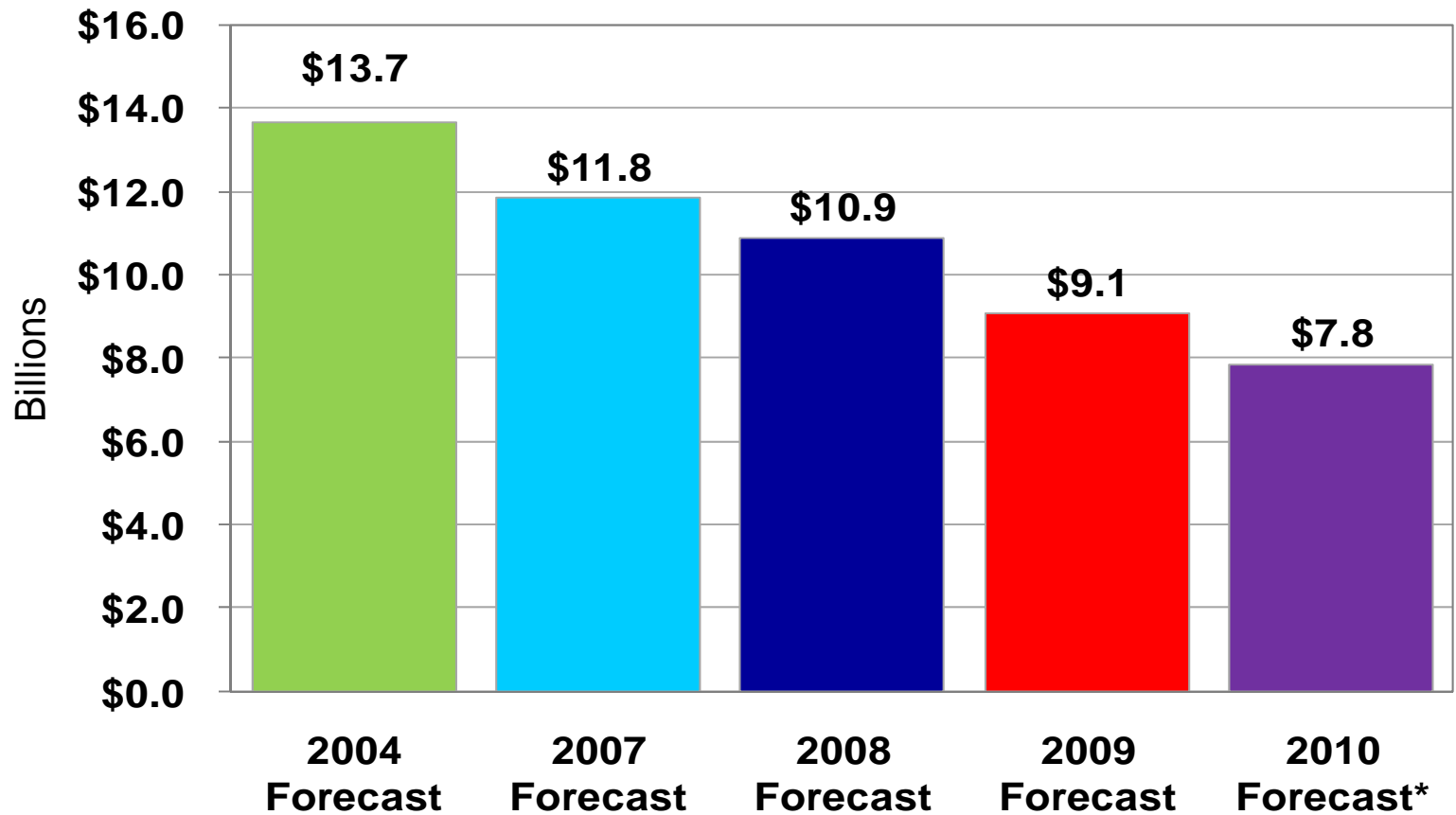
Sales and Use Tax Growth Rates

- RTD developed a staff-to-staff working group with regional economists and financial experts to evaluate and recommend modifications to RTD's forecasting methodology
- Results – Annual Average Growth Rate Through 2035 as compared to:
 - 6.06% average annual growth rate assumed in 2004 (sales and use tax combined)
 - 4.8% average annual growth rate assumed in 2009 (sales and use tax combined)

Model	Sales Tax	Use Tax
High	4.3%	4.4%
Medium	3.7%	3.7%
Low	2.8%	2.9%

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

2005 - 2035



* Medium sales and use tax growth scenario

2010 Annual Program Evaluation Results – Financial Plan

2010 APE Financial Analyses – Questions to Answer

1. What is the current funding gap for the FasTracks program (assuming no additional revenues)?
2. How would this gap change assuming high, medium and low growth in sales tax?
3. If no additional revenues are identified, when could the full program be completed?
4. What additional sales tax rate would be needed in a 2010 election to complete the full FasTracks plan by 2017?
5. Assuming a maximum increase in sales tax of 0.4% in a 2010 election, when could the full program be completed?
6. Assuming a maximum increase in sales tax of 0.4% in a 2010 election, but no federal funding for the East and Gold Lines, when could the full program be completed?
7. Assuming a maximum increase in sales tax of 0.4% in a 2012 election, when could the full program be completed?
8. Assuming a maximum increase in sales tax of 0.4% in a 2010 election, when could the full program be completed assuming the new sales tax could only be applied to I-225, North Metro, Northwest Rail, US 36 BRT Phase 2 and the extensions?

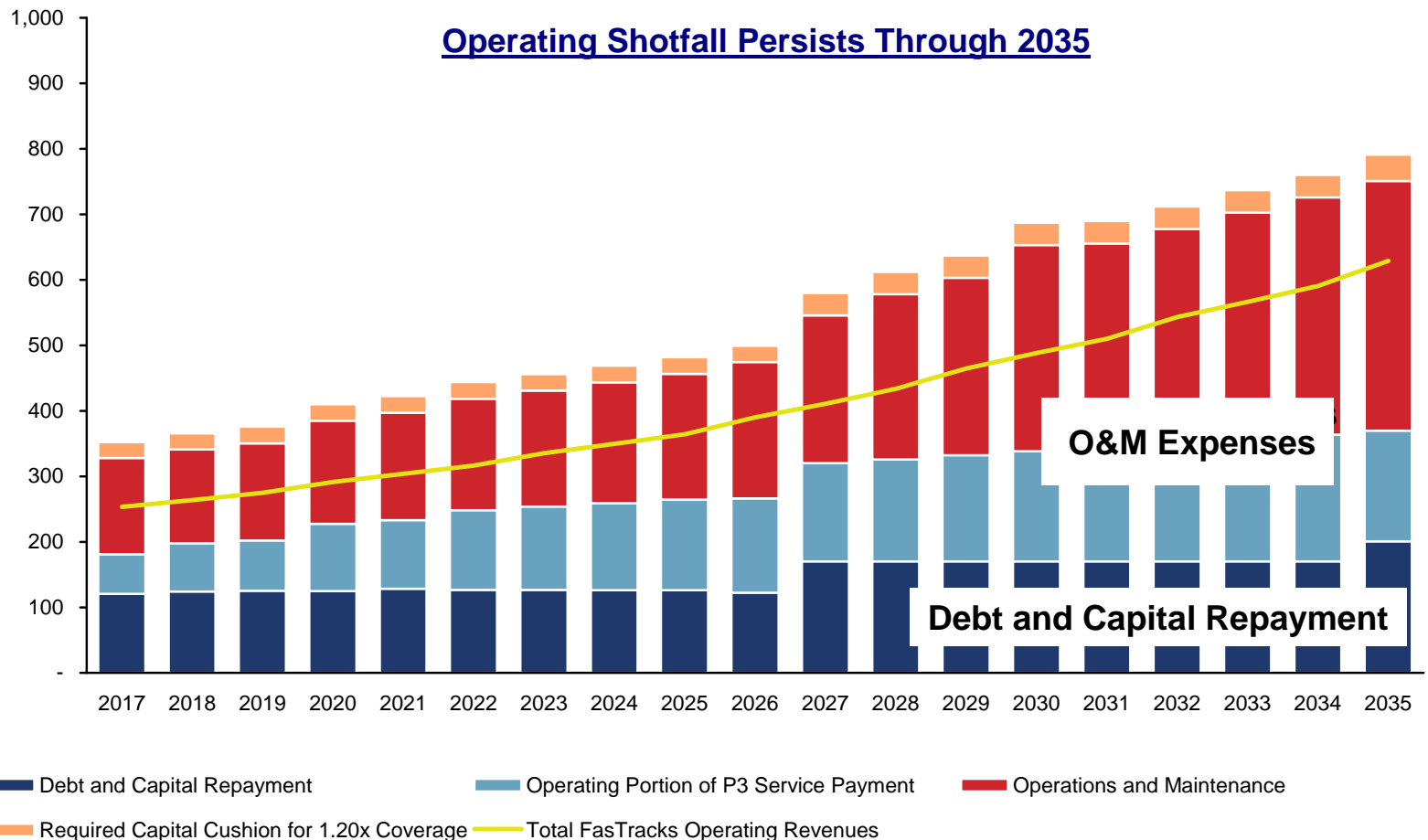
Qs 1&2 – FasTracks Capital Funding Gap Assuming No Additional Revenues

Sales and Use Tax Growth Assumption	Total Capital Funding Gap on 12/31/17
High	\$2.43 B
Medium	\$2.45 B
Low	\$2.45 B

- In 2009, the funding gap for the FasTracks program was \$2.2 B
- Projected sales and use tax revenues do not change significantly among the three growth scenarios in the short term (i.e., through 2017), resulting in little change in the funding gap during this period

Qs 1&2 – FasTracks O&M Funding Gap Assuming No Additional Revenues

- An operating and maintenance funding gap exists through 2035 and beyond for the FasTracks program



Q 3 – Date the Program Can Be Completed (No Additional Revenues)

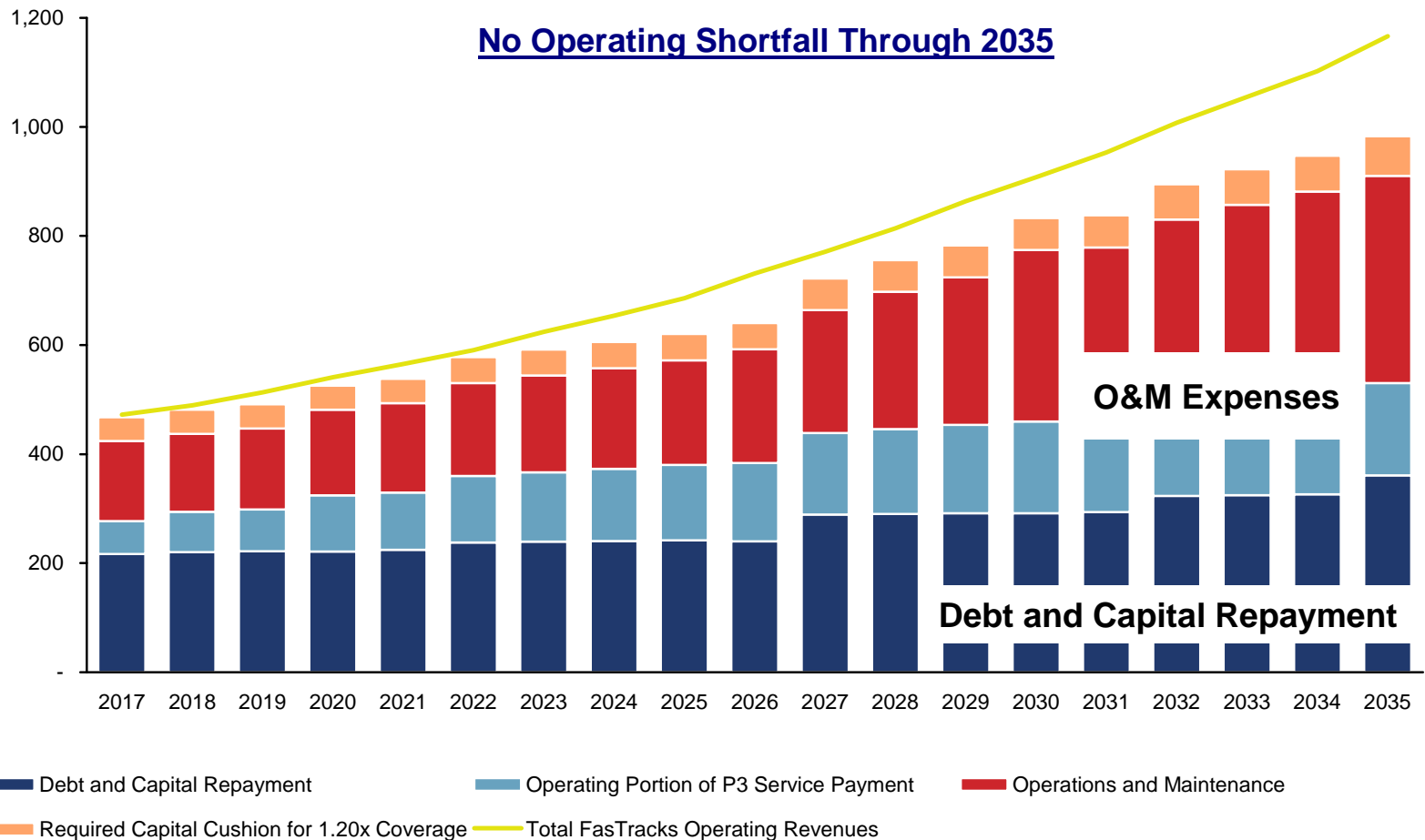
If no additional revenues are identified for the FasTracks program – the full program would not be completed and operated until after 2035

Qs 4 & 5 – Sales Tax % Needed in 2010 To Complete the Program by 2017

- **To complete and operate the entire FasTracks program by 2017 would require an additional 0.4% sales and use tax**
 - Drop in capital costs from last year's APE provides more flexibility in the financial plan
- **This is true under high, medium and low sales and use tax revenue growth forecasts**
 - “Low” forecast is tight, and provides very little flexibility for changes in financial assumptions

Qs 4 & 5 – Sales Tax % Needed in 2010 To Complete the Program by 2017

- With a 0.4% sales and use tax in 2010, there is no operating gap for the program long-term



Q 6 – Date the Program Can Be Completed (0.4% in 2010/No Federal \$)

- Assuming an additional sales and use tax of 0.4% in 2010, but no federal funds are received for the Eagle Project, the full FasTracks program can be built out by 2025
 - Receiving federal funding for the Eagle Project results in an **eight year** difference in the timeframe required to build out the entire FasTracks program

Q 7 – Date the Program Can Be Completed Assuming 0.4% in 2012

Assuming an additional sales and use tax of 0.4% in 2012, the full FasTracks program can be built and operated by 2019 – a two year delay

Q 8 – Date the Program Can Be Completed Assuming 0.4% in 2010

- **This scenario assumes that the new sales and use tax can only be applied to projects that are not currently committed to or under construction (e.g., DUS, West, Eagle Project, US 36 BRT Phase 1, existing corridor enhancements, etc.)**
- **If the existing 0.4% can be shared and cross collateralized with the new tax, the entire FasTracks program can be built out and operated by 2017**
- **If the new and existing taxes can not be shared and cross collateralized, it will result in a delay in building out the remaining corridors past 2017**
 - The length of delay for the remaining corridors will be provided to the RTD Board on January 26th

Results of 2010 APE Analyses – Overview

- **The capital funding gap by 2017 for the FasTracks program has grown from \$2.2 B to \$2.4 B**
 - Projected sales and use tax revenues do not change significantly among the three growth scenarios in the short term (i.e., through 2017), resulting in little change in the funding gap during this period
 - An O&M funding gap also exists through 2035 and beyond for the FasTracks program absent additional revenues
- **The full FasTracks program can be completed by:**
 - **2017**: Assuming a successful election in 2010 that increases sales and use tax by 0.4% (under the high, medium and low sales tax growth scenarios)
 - **2019**: Assuming an election in 2012 that increases sales and use tax by 0.4%
 - **2025**: Assuming a successful election in 2010 that increases sales and use tax by 0.4%, but no federal funding for the East and Gold Line corridors
 - **After 2035**: Assuming no additional revenues

Possible Alternative Financing Opportunities

- **New revenue sources will be needed to implement the entire FasTracks program by 2017. Possible alternative financing opportunities include:**
 - Continue to pursue all available federal transportation grant revenues
 - Additional job creation or stimulus funding
 - Ensure other corridors are “construction ready” if funding becomes available
 - Partner with CDOT for possible future transportation initiative
 - Pursue additional Public-Private Partnership funding opportunities (requires TABOR debt authorization)
 - Optimize RTD’s operating revenues (parking fees, fares, advertising)

Construction Ready Task Force

- **RTD developed a plan to have the entire FasTracks program ready for procurement as quickly as possible after additional revenues are identified**
 - Take advantage of favorable bidding environment
 - Potentially reduce costs by lowering inflation impacts
 - Ability to break ground soon after a successful election
- **Task force worked closely with industry representatives to determine plan**

Construction Ready Task Force – Recommendations

- **North Metro & I-225:** These are the most technically-advanced corridors that will take the longest to build
 - Issue Requests-for-Qualifications (RFQs) in June, 2010, and shortlist qualified teams by October, 2010
 - Issue Draft Requests-for-Proposals (RFPs) for industry review prior to November, 2010
- **Northwest Rail:** Complete environmental evaluation, US Army Corps of Engineers permit, and negotiations with BNSF prior to November, 2010
- **US 36 BRT Phase 2:** Committed \$30M in 2010/2011 to match successful TIGER grant
- **Southeast/Southwest/Central Corridor Extensions:**
 - Environmental evaluations complete in early 2010
 - Less complex, shorter projects that can proceed, starting in 2011, to final design/construction if funds become available

Potential Critical Adjustments

Potential Critical Adjustments – For RTD Board Consideration

- **Potential Critical Adjustments provide options for the RTD Board to build out the FasTracks program**
- **Potential Critical Adjustments are defined as possible changes to the original FasTracks plan that do not fundamentally alter**
 - Length of corridors
 - Number and general location of stations
 - Vehicle types
- **Potential Critical Adjustments involve lowering service levels, which reduces infrastructure costs, decreases O&M costs and requires fewer vehicles**
 - Service levels can be increased as demand and funding dictate

Examples of Service Frequencies From Other Transit Agencies

Name	Estimated Ridership	Service Summary	Characteristics
North Star Commuter Rail – Minnesota	5,600 per day	<ul style="list-style-type: none"> -Trains operate during AM and PM peaks -30 minute headways -6 trains per peak period -Limited service on weekends/holidays 	<ul style="list-style-type: none"> -40 miles -6 stations (5 more planned)
Rail Runner Express – New Mexico	4,500 per day	<ul style="list-style-type: none"> -Trains operate during AM and PM peaks and provide limited weekend service 	<ul style="list-style-type: none"> -97 miles -11 stations (3 more planned)
Heritage Corridor – Illinois	2,800 weekly daily average	<ul style="list-style-type: none"> -3 inbound trains to Chicago during the morning rush -3 outbound trains in the evening 	<ul style="list-style-type: none"> -37.3 miles -6 stations
West Coast Express – Vancouver	10,500 per day	<ul style="list-style-type: none"> -5 trains per day running in the AM and PM peaks -Reduced service for weekends and holidays 	<ul style="list-style-type: none"> -42.8 miles -8 stations
Sounder – Washington State	9,979 per day	<ul style="list-style-type: none"> -Service operates Monday through Friday during peak hours from Seattle, Washington, north to Everett and south to Tacoma -25 to 30 minute headways (peak only) 	<ul style="list-style-type: none"> -82 miles -9 stations (3 more planned)

Critical Adjustments Already Applied To The FasTracks Program

- **West Corridor – 15 minute peak headways/single-track from the Federal Center to the Jeffco station**
- **Gold Line – Peak headways changed from 7.5 minutes to 15 minutes**
- **Light Rail Maintenance Facility – Expanding current facility vs. building a new one**
- **Central Corridor Extension – Adjustments include:**
 - Operating plan revised to reflect single-car in-traffic operations
 - No through-routing of D-Line or H-Line (originally in FasTracks Plan)

Additional Potential Critical Adjustments – Eagle Project

- **The Eagle Project bidder teams are developing “Alternative Technical Concepts” (ATCs) for RTD’s review and approval**
 - ATCs are defined as any technical concept that differs from the specific requirements included in the Request for Proposals
- **ATCs are currently being reviewed by RTD, feedback will be provided to the bidding teams prior to submittal of their final proposals**

Potential Critical Adjustments: Service Reductions

	Opening Day Service Plan	Opening Day Projected Ridership (per day)	Range of Capital Cost Savings (YOE, Millions)
Northwest Rail	<p><u>Current:</u> 30 minute peak and 60 minute off-peak</p> <p><u>Potential:</u> 4 trains per peak period and no off-peak service</p>	<p><u>Current:</u> 4,400</p> <p><u>Reduction of:</u> 3,100 – 3,700 (72% - 84%)</p>	\$170 – \$237
SE Extension	<p><u>Current:</u> 4.3 minute peak and 6 minute off-peak</p> <p><u>Potential:</u> 30 minute peak and off-peak</p>	<p><u>Current:</u> 8,500 (53,900 full corridor)</p> <p><u>Reduction of:</u> 4,000 - 5,400 riders (47% - 64%) for the extension (4% - 6% drop for all of SE Corridor)</p>	\$7 – \$11
SW Extension	<p><u>Current:</u> 7.5 minute peak and 10 minute off-peak</p> <p><u>Potential:</u> 30 minute peak and off-peak</p>	<p><u>Current:</u> 3,500 (19,500 full corridor)</p> <p><u>Reduction of:</u> 2,250 – 2,600 riders (64% - 74%) for the extension (2% - 5% drop for all of SW Corridor)</p>	\$8 – \$12
I-225	<p><u>Current:</u> 10 minute peak and 15 minute off-peak</p> <p><u>Potential:</u> 30 minute peak and off-peak</p>	<p><u>Current:</u> 17,300</p> <p><u>Reduction of:</u> 6,500 – 6,800 (38% - 39%)</p>	\$110 – \$158
North Metro	<p><u>Current:</u> 15 minute peak and 30 minute off-peak</p> <p><u>Potential:</u> Ranges from 30 minute peak, 90 minute off peak to 30 minute all day service</p>	<p><u>Current:</u> 11,100</p> <p><u>Reduction of:</u> 4,900 – 8,100 (44% - 73%)</p>	\$168 – \$270
34		Maximum Potential Cost Savings	\$688

Pros/Cons of Moving Forward With Potential Critical Adjustments

Pros	Cons
Potential for lower tax increase in 2010*	Lowers initial service levels
Delivers initial service to all corridors at lower cost	Higher cost to increase service levels at a later date
Allows flexibility to increase service levels over time as demand and funding dictate	Lower projected opening day ridership
Follows best practices of peer agencies	Potential for later sunset of additional tax*

*Additional analyses to be provided on January 26th

Fixed Financial Commitments – Not Applicable for Critical Adjustments

- **Denver Union Station – Financial commitment to DUSPA**
- **US 36 BRT Phase 1 – Funds committed, nearing completion**
- **US 36 BRT Phase 2 – Financial commitment to CDOT-led project**
- **Existing LRT Corridor Enhancements – Funds committed, nearing completion**

Next Steps

- Present more detailed information on Potential Critical Adjustments to the RTD Board – January 26, 2010
- RTD Board adopts a Financial Plan – February 2010
- Continue to work with Metro Mayors Caucus Task Force and Coalition for Smart Transit – Ongoing
- Seek feedback from region's elected officials and civic leaders – February/March 2010
- Complete research/polling based on 2010 APE findings – February/March 2010

Next Steps (cont.)

- ❑ **Complete analysis of private sector's capacity to support campaign – March 2010**
- ❑ **Complete analysis of likelihood a campaign would be successful – March/April 2010**
- ❑ **RTD Board provides direction on timing of ballot initiative – March/April 2010**
- ❑ **Award Eagle Project – July 2010**
- ❑ **RTD Board approves ballot language – No later than August 2010**

Summary

Questions?