

Review of FasTracks Status and Future Strategic Direction

Regional Transportation District

August 21, 2008

Overview

- RTD has experienced a dramatic increase in ridership over the past year, showing that the need for transit investment is greater now than ever
- Our ability to respond to current service needs and build the FasTracks program has been undermined by increases in fuel costs, construction cost escalation and a decrease in RTD required revenues from sales tax
- Options have been developed to respond to the FasTracks program given these challenges

Tonight's Presentation

- Challenges for the FasTracks Program and the Base RTD System
 - Costs
 - Revenues
- Options for Moving the Program Forward
- Key Recommendations
- Next Steps

Challenges: Historic Average Cost Escalation and Revenue Assumptions

- RTD's 2007 Annual Program Evaluation identified the following risk factors:
 - Sales tax revenue fluctuations
 - Continued construction/materials escalation
- DRCOG SB 208 Report, and RTD's own monitoring of market conditions, indicated that these risk factors are being realized and recommended more conservative revenue and cost projections
- Necessitates adjustments to RTD's long term revenue assumptions and cost escalation to adapt to changing economic conditions

Cost Escalation

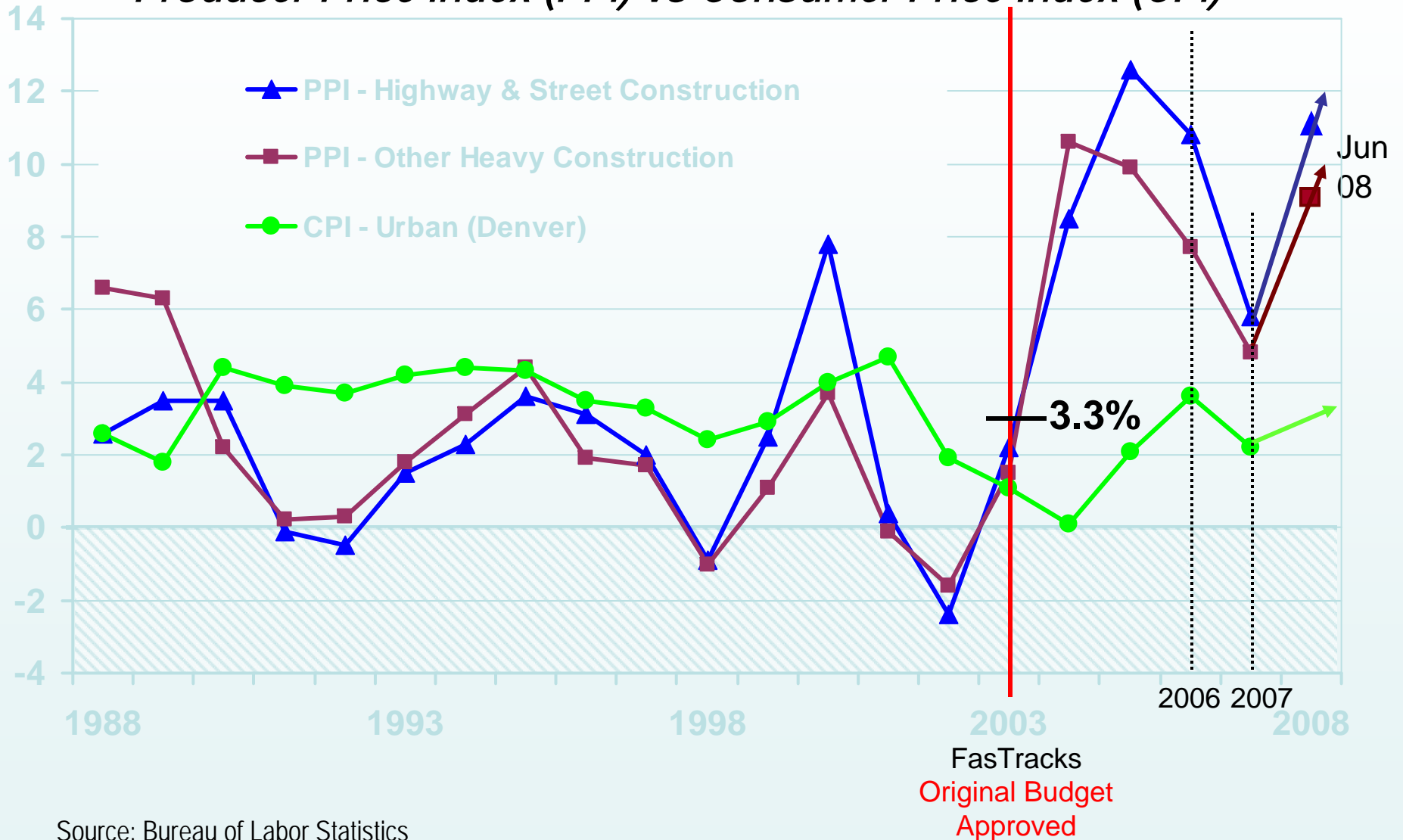
2004 FasTracks Plan CPI and Construction Inflation Experience and Projection

- 3.3 % = Historic Average Annual CPI increase 1991 – 2003*)
- 3.3 % = Average Annual Construction Inflation Growth Rate Projection used by RTD
- 2004 FasTracks Plan reviewed and approved by DRCOG, Metro Mayors Caucus and Denver Metro Chamber of Commerce

*Note: analysis uses 12 years of historic averages since RTD's plan projects all construction to be completed within a 12 year period

Historical Incremental Percent Change

Producer Price Index (PPI) vs Consumer Price Index (CPI)



Source: Bureau of Labor Statistics

Construction Inflation Forecast vs. Actual

- Original construction escalation forecast for 2004-2017 was 3.3% per year, equal to CPI
- Actual experience has been different

Year	Actual CPI	Construction Inflation
2004	0.1%	9.6%
2005	2.1%	11.2%
2006	3.6%	9.2%
2007	2.2%	5.3%
2008	2.9% (1 st half of 2008)	14.5% (June YTD)

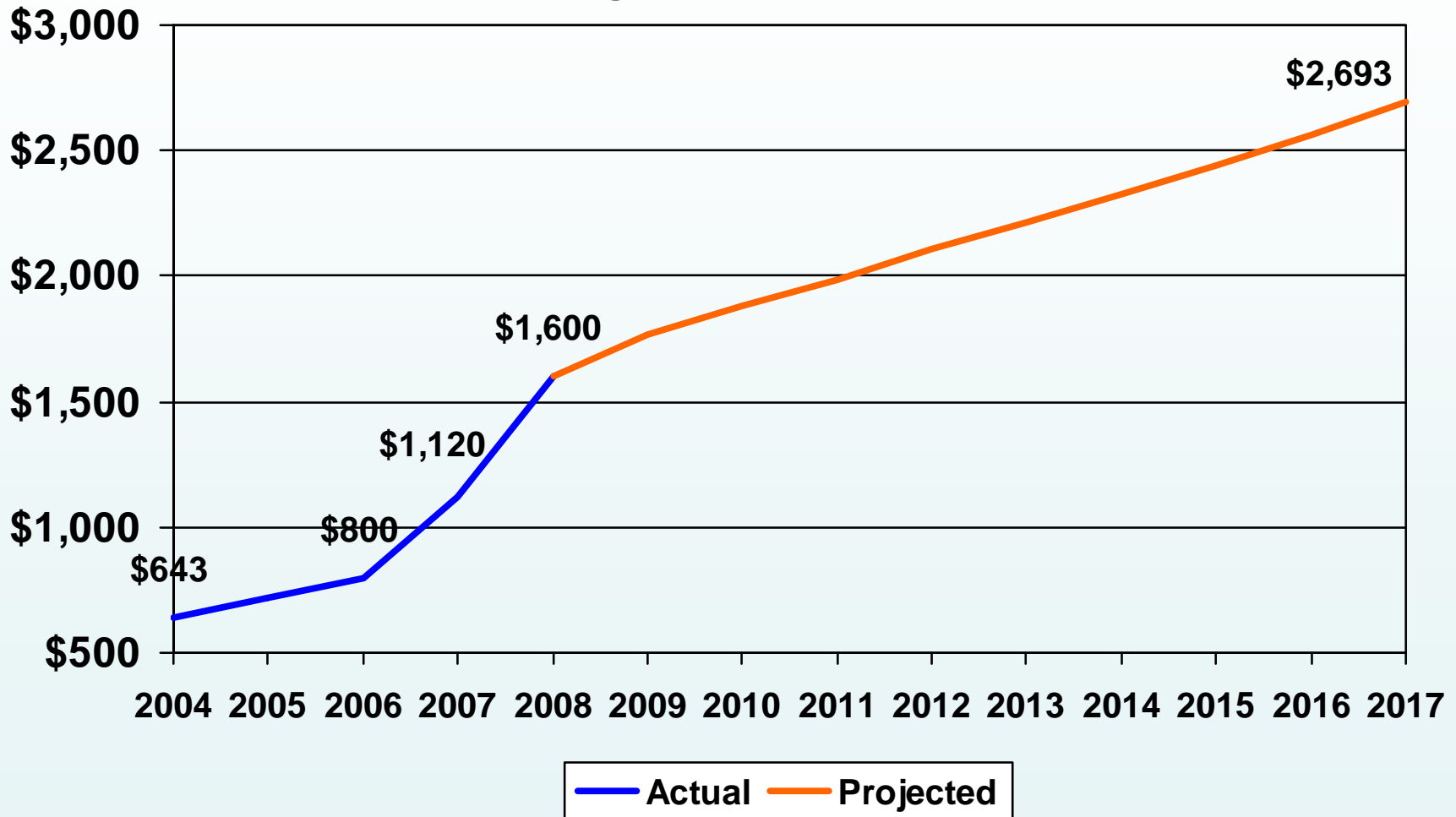
Source: Bureau of Labor Statistics

CPI: Denver Boulder CPI-U

Construction: Average of Highway, Street Construction, Other Heavy Construction Indices

Trends in Commodities Costs – 2004-2017

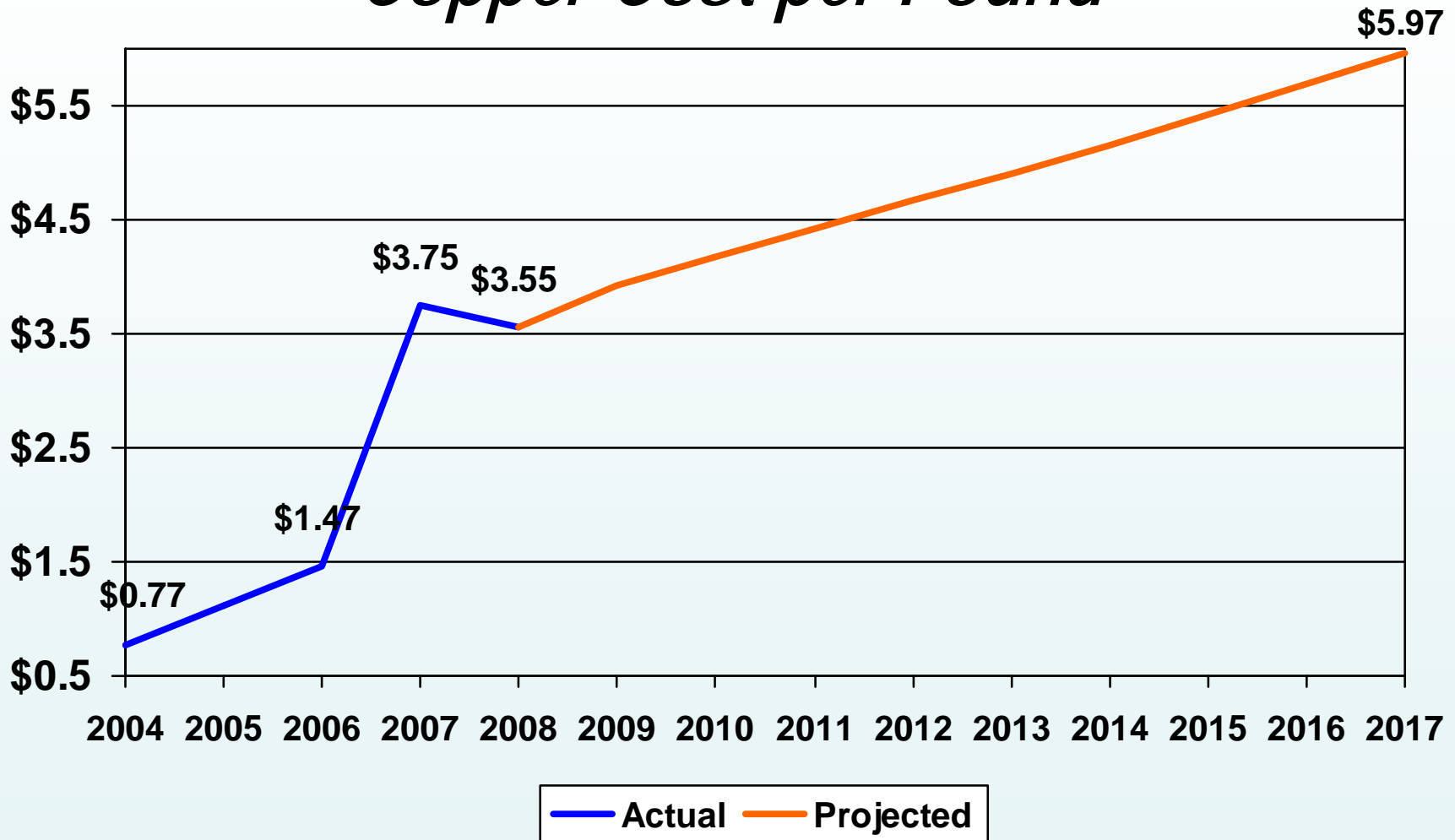
Steel Running Rail – Cost per Ton



Sources: Historic Costs Based on Actual Bid Prices; Forecasts Based on RTD's Revised Financial Assumptions (See Pages 12 and 13)

Trends in Commodities Costs – 2004-2017

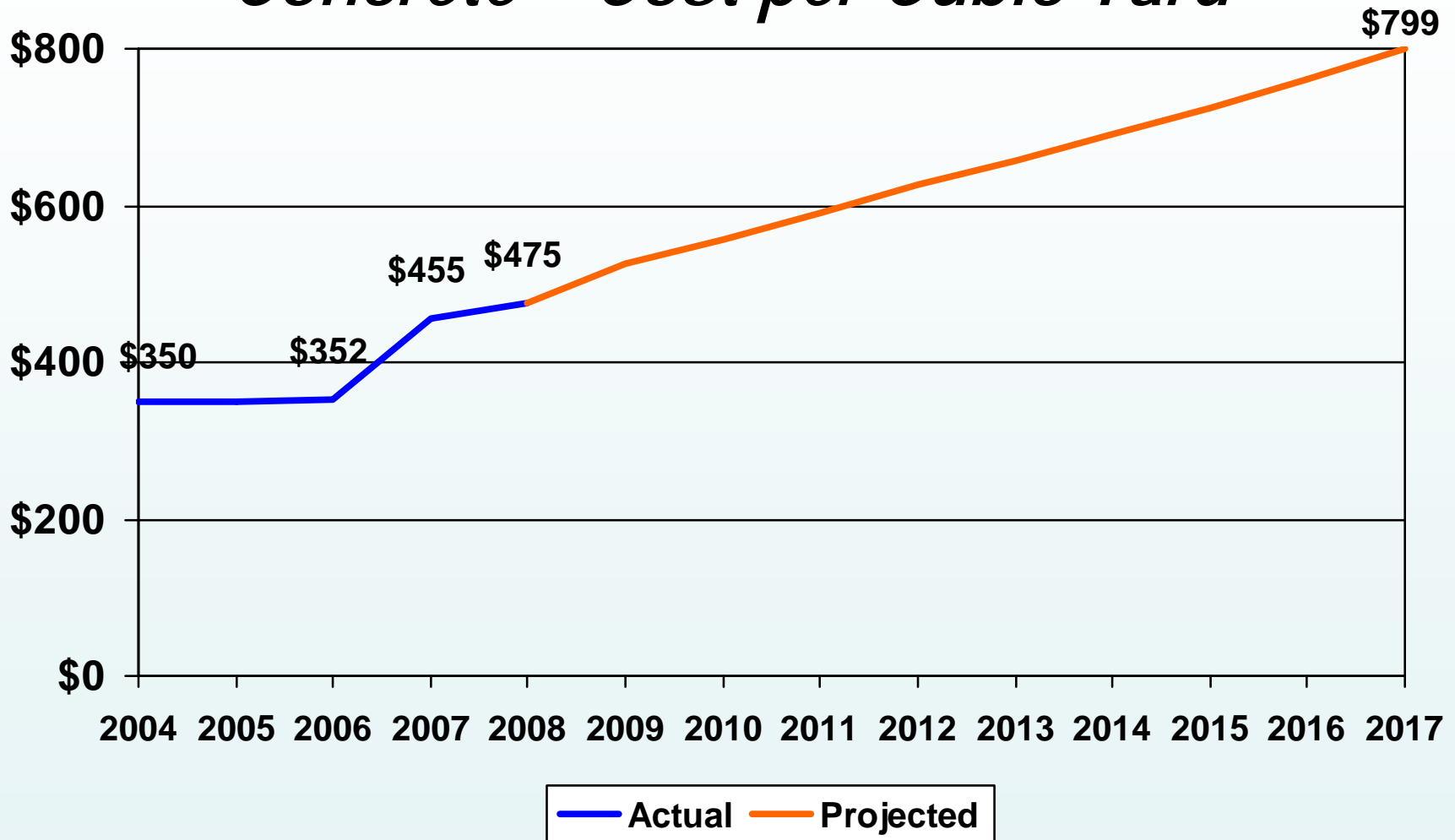
Copper Cost per Pound



Sources: Historic Costs Based on Actual Bid Prices; Forecasts Based on RTD's Revised Financial Assumptions (See Pages 12 and 13)

Trends in Commodities Costs – 2004-2017

Concrete – Cost per Cubic Yard



Sources: Historic Costs Based on Actual Bid Prices; Forecasts Based on RTD's Revised Financial Assumptions (See Pages 12 and 13)

What Cost Escalation Rates Do We Assume Moving Forward?

	Revised Assumptions
Materials Cost Escalation after 2007	<ul style="list-style-type: none">• 2008 = 11.65%• 2009 = 10.71%• 2010 – 2012 = 6% / year• 2013 – 2017 = 5% / year• 2018 – 2035 = 3.3% / year (CPI)

Sources of Assumptions:

- 2008: Average monthly increases in PPI indices for Highway and Street Construction and Other Heavy Construction, December 2003-June 2008
- 2009: Average monthly increase in PPI index for Other Heavy Construction, December 2003-June 2008
- 2010-2012: Associated General Contractors construction inflation forecast
- 2013-2017: RTD internal estimate

How Do Our Assumptions Compare to Forecasted Escalation Rates Being Used By Other Transit Agencies?

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Compounded
San Diego (TransNet)	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	101.36%
Los Angeles (Metro)	7.50%	7.50%	7.50%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	61.86%
San Francisco (TJPA)	5.00%	4.00%	4.00%	4.00%	4.00%	3.30%	3.30%	3.30%	3.30%	3.30%	44.49%
San Jose (VTA)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	41.06%
Houston (Metro)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	48.02%
Seattle (SoundTransit)	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	41.75%
Portland (TriMet)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	48.02%
Dallas (DART)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	62.88%
Utah (UTA)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	79.08%
Phoenix (Valley Metro)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	79.08%
Hawaii (HART)	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	96.71%
Boston (MBTA)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	62.88%
Average	5.32%	5.23%	5.23%	5.03%	5.03%	4.97%	4.80%	4.80%	4.80%	4.80%	62.24%
RTD*	11.65%	10.71%	6.00%	6.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	87.89%

* Note: Assumes Revised Financial Assumptions

- RTD is forecasting higher escalation rates in 2008 & 2009 due to current construction market trends

What Else Has Staff Done to Validate the Revised Assumptions?

- Staff met with Ken Simonson, Chief Economist of The Associated General Contractors of America (AGC), on August 15, 2008 to review and discuss escalation rates
- He noted that using CPI as an indicator for construction cost escalation made sense in 2004 for FasTracks – but since then we have entered a “new era”
- The transit industry depends on specific materials that are:
 - In high demand by a world-wide market that is experiencing dramatic growth
 - Heavily dependent on fuel for the delivery of heavy, bulky products
 - Cost escalation is anticipated to increase above CPI over the long term
- Mr. Simonson reviewed RTD’s revised financial assumptions and found them reasonable given current market conditions

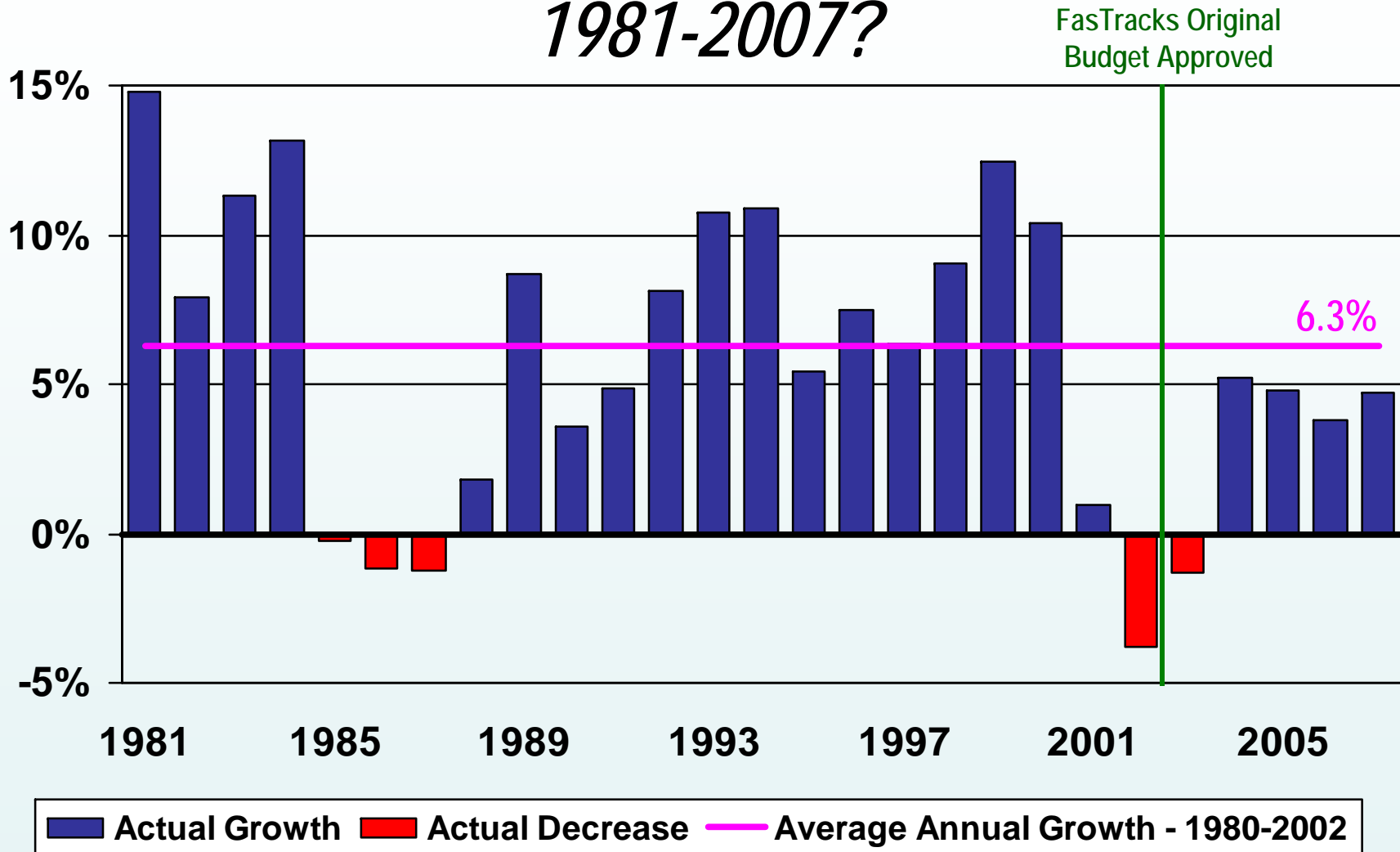
Revenue Forecasts

2004 FasTracks Plan Sales and Use Tax Growth Rate Experience and Projection

- 6.3 % = Historic Average Annual RTD Sales Growth Rate (1980 – 2002*)
- 6.06 % = Average Annual Sales and Use Tax Growth Rate Projection used by RTD
- 2004 FasTracks Plan reviewed and approved by DRCOG, Metro Mayors Caucus and Denver Metro Chamber of Commerce

*Note: analysis uses 20+ years of historic averages since RTD's 2004 plan projected revenues and expenditures over a 20+ year period

How Has RTD Sales Tax Changed From 1981-2007?



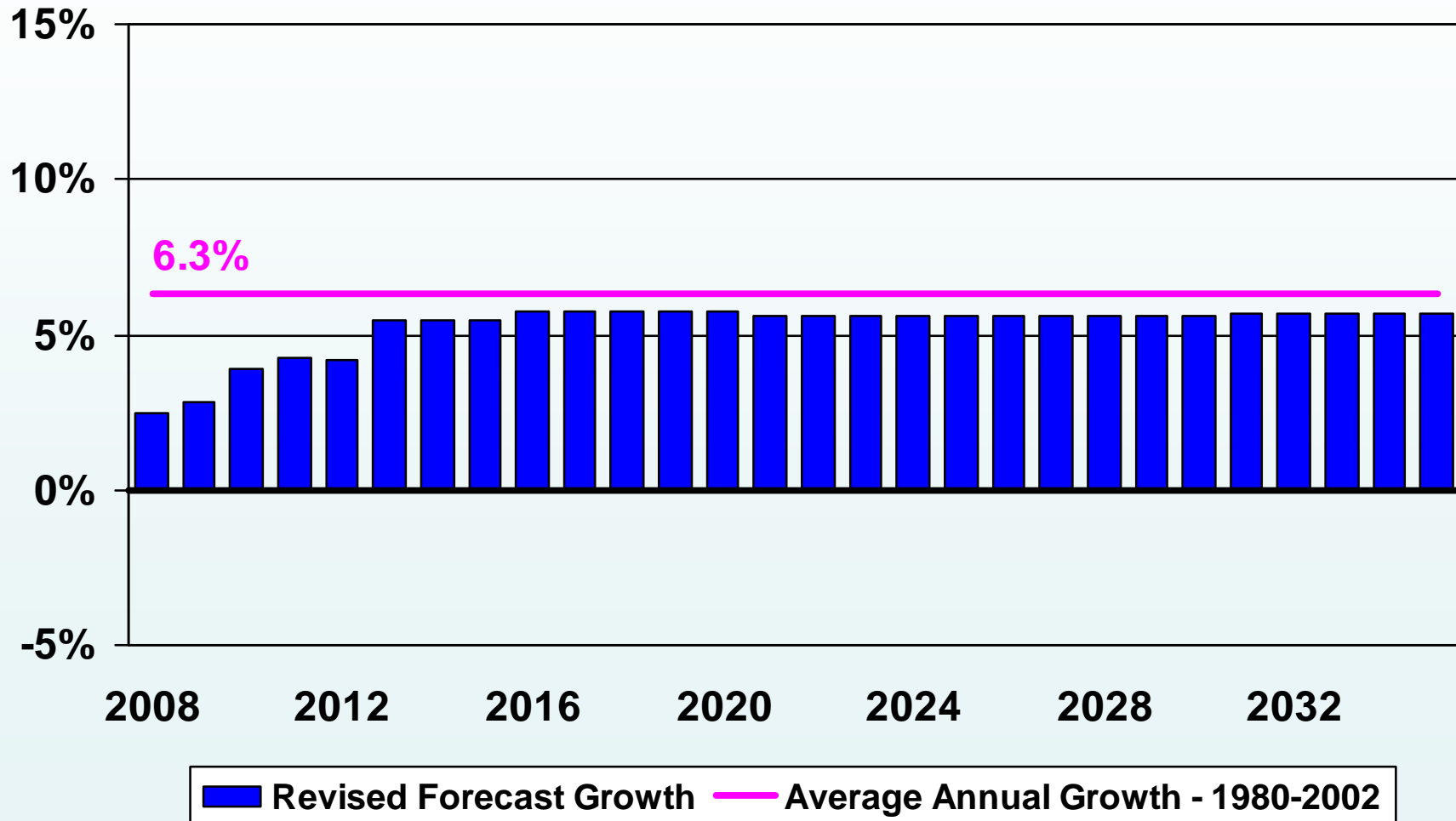
What Sales Tax Growth Rates Do We Assume Moving Forward?

	Revised Forecast
Sales Tax Growth after 2007	<ul style="list-style-type: none"> • 2008 = 2.50% • 2009 = 2.83% • 2010 = 3.90% • 2011 = 4.23% • 2012 = 4.20% • 2013 – 2015 = 5.49% • 2016 – 2020 = 5.76% • 2021 – 2030 = 5.57% • 2031 – 2035 = 5.68%

Sources of Forecast Assumptions:

- 2008: RTD year-to-date actual growth
- 2009-2012: 1% lower than average of June 2008 state agency forecasts (Colorado Legislative Council and Office of State Planning and Budgeting)
- 2013-2035: RTD historic real per-capita growth, adjusted for CPI and DRCOG forecast population growth

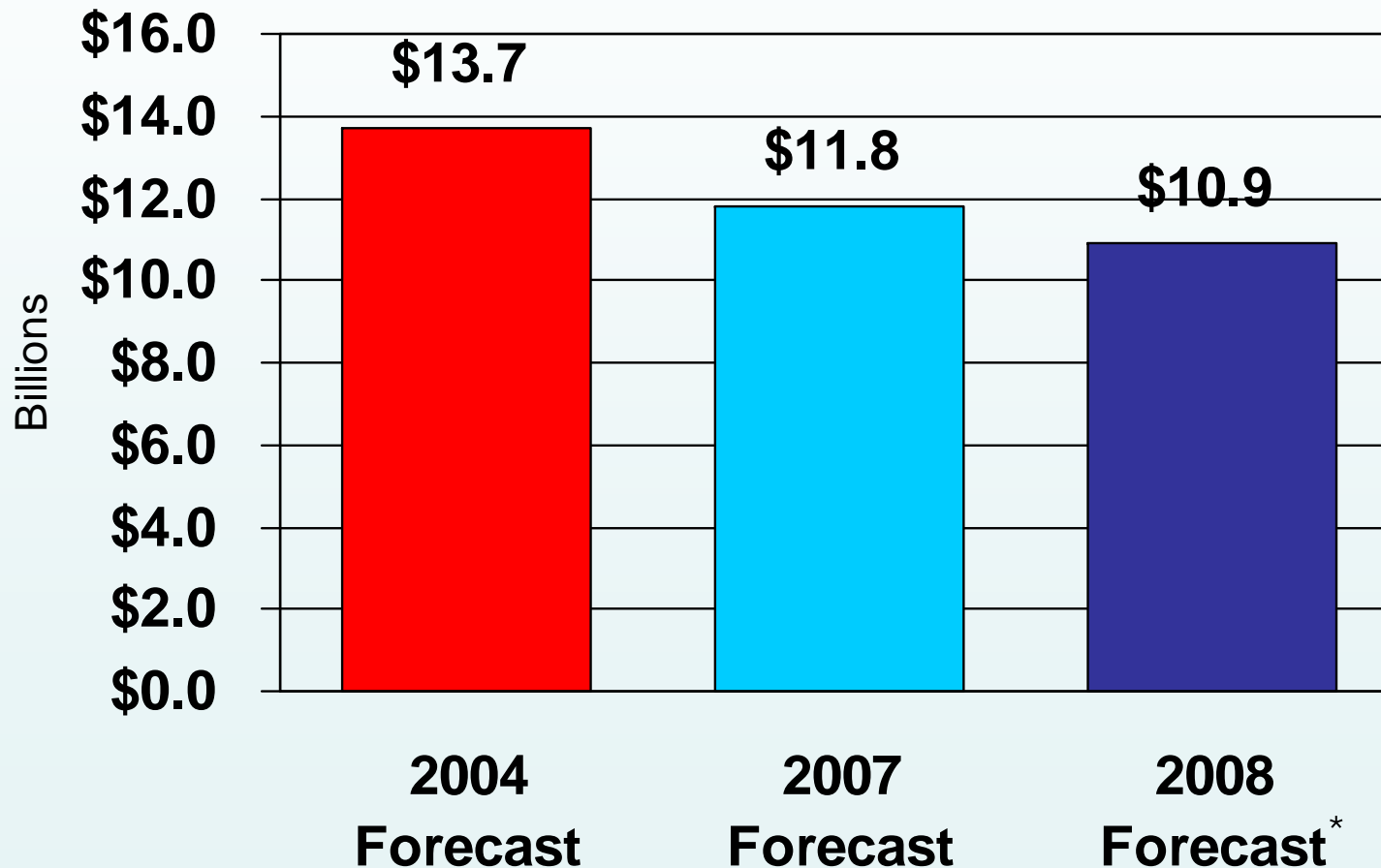
How Do These Revised Forecasts Compare To RTD's Historical Annual Growth?



What is the Impact of Increased Cost Escalation and Declining Revenues to the FasTracks Program on the Current Schedule for Completion by 2017?

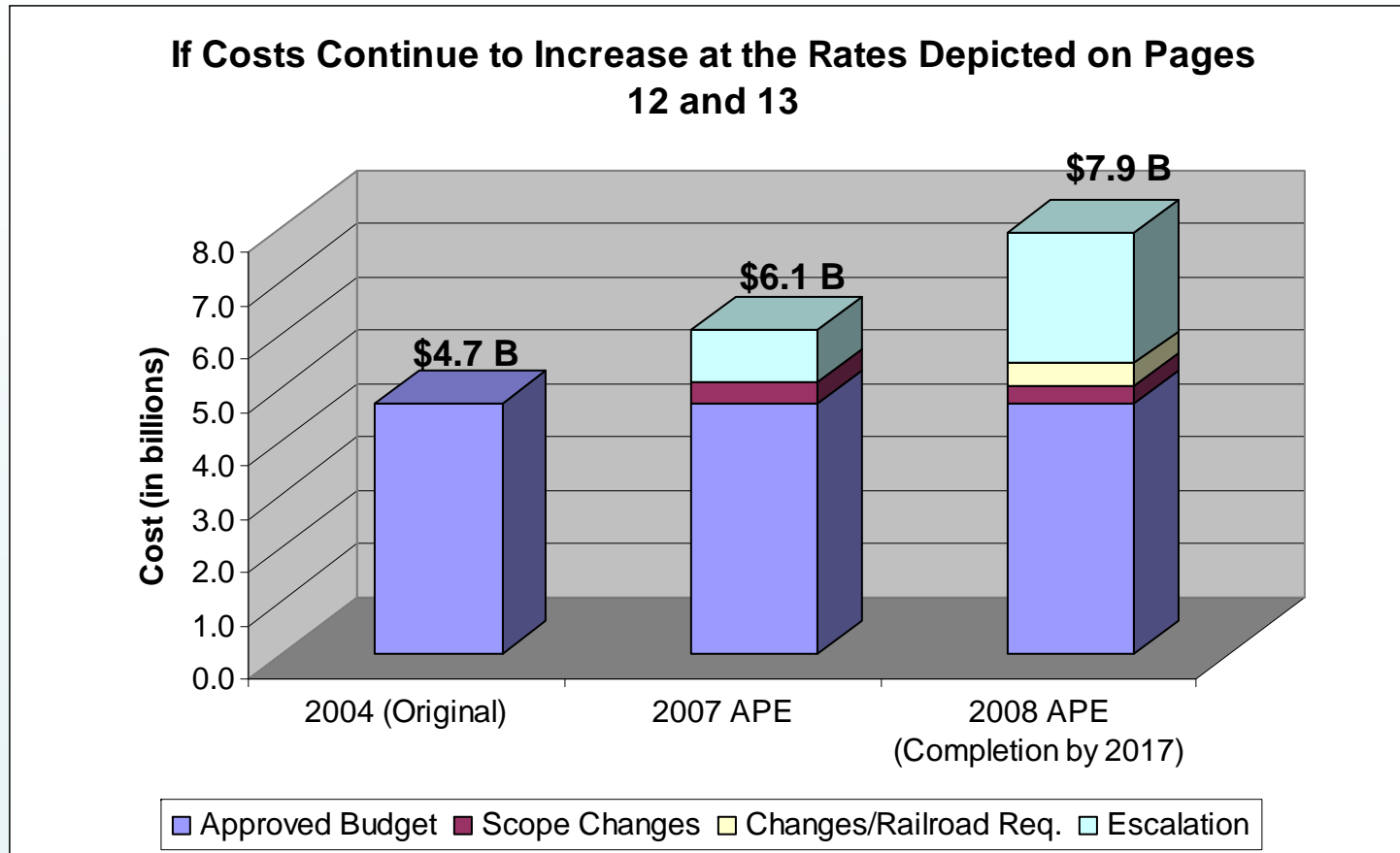
What Is The Impact of The Reduction in Sales and Use Tax Forecasts Between 2005 - 2035?

If revenues continue to slump consistent with the rates depicted on pages 18 and 19



*Using revised financial assumptions

What Is The Impact of Increased Cost Escalation Between 2005 and 2017?



- Items under RTD's Control (i.e., Scope Changes) Are Being Effectively Managed
- Continuing Cost Escalation above CPI Necessitates the Use of New Escalation Rates

Summary

What is the Impact of Increased Cost Escalation and Declining Revenues to the FasTracks Program?

- Declining revenues and escalation in costs that have resulted in a funding gap for the program
 - Forecasted increases in cost escalation could have been accommodated if revenue forecasts were not also declining
 - Forecasted declines in revenue could have been accommodated if costs were not also increasing

Note: Cost escalation and declines in revenue are not additive because of the difference in the 12-year construction schedule versus the 30-year revenue forecast

Options for Delivering FasTracks

- Option #1: Build What Can Be Afforded By 2017 – Do Not Implement Entire Program
- Option #2: Stay Within Voter Approved Revenue Limits And Extend Schedule Beyond 2017 – Implement Full Program Over Time
- Option #3: Maintain Original Scope and Schedule and Seek Additional Revenue Sources/Opportunities (Could Require Legislative Approval for Revenue Measure and Public Vote)
- All options presume revised financial assumptions

Option #1 - Results

Build What Can Be Afforded By 2017 – Do Not Implement Entire Program

Includes completion of environmental documentation, basic engineering and procurement of railroad right-of-way for all corridors. Construct East and Gold, DUS, US 36 BRT Phase 1, West Corridor, Bus, Commuter Rail and Light Rail Maintenance Facilities by 2017.

- Assumes \$1 billion of Federal funding. RTD can complete the Gold Line and East Corridor projects entirely without affecting the extent to which the remaining corridors are impacted
- Shorten segments of remaining corridors while protecting Federal Funding availability where we are eligible – Program budget is estimated at \$5.9 B (assuming cost escalation depicted on pages 12 and 13)
- Additional corridor elements would be built if and when economic conditions improve or cost escalation mitigates in the future

Option #2 - Results

Stay Within Voter Approved Revenue Limits And Extend Schedule Beyond 2017 – Implement Full Program Over Time

Includes completion of environmental documentation, basic engineering and procurement of railroad right-of-way for all corridors. Construct East and Gold, DUS, US36 BRT Phase 1, West Corridor, Bus, Commuter Rail and Light Rail Maintenance Facilities by 2017.

- Assumes \$1 billion of Federal funding. RTD can complete the Gold Line and East Corridor projects entirely without affecting the extent to which the remaining corridors are impacted
- Shorten segments of remaining corridors while protecting Federal Funding availability where we are eligible
- The longer the program is delayed, the more the costs will increase. For example, the estimated cost of the program by:
 - 2022 would be \$8.7 B
 - 2027 would be \$9.2 B
 - 2034 would be \$9.7 B
- Implementation timeframe depends on both cost escalation and revenue availability. Under revised revenue assumptions (see pages 12 and 13) program can be completed closer to the 2034 timeframe
- Corridor elements would be accelerated if and when economic conditions improve or cost escalation mitigates in the future

Option #3 - Results

Maintain Original Scope and Schedule and Seek Additional Revenue Sources/Opportunities (Could Require Legislative Approval for Revenue Measure and Public Vote)

- New revenue sources will be needed to implement the entire FasTracks program by 2017. Total cost of program is estimated at \$7.9 B (assuming cost escalation depicted on pages 12 and 13). Approaches for new revenue sources include:
 - Partner with CDOT for state-wide transportation initiative (Blue Ribbon Panel)
 - Monitor and participate in any Regional Transportation Authority that might be formed in the metro area
 - Optimize RTD's operating revenues (parking fees, fares, advertising)
 - Pursue additional RTD regional revenues
 - Pursue all available Federal transportation grant revenues

Timing of Critical FasTracks Decision Points

- The FasTracks program is currently on schedule for all project elements to be completed by 2017
- The public-private partnership (PPP) procurement for the Gold Line and East Corridors needs to move ahead to protect Federal funds
 - RFP to be issued by May 2009
- Adequate funding is needed prior to the issuance of other RFPs to construct all or part of Northwest Rail, North Metro, I-225, US36 BRT Phase 2, SE/SW/CC extensions
 - Scheduled to occur in mid to late 2010 or early 2011
- Critical decision points for all remaining corridors will depend on the actual cost of the PPP, cost of railroad right-of-way, cost escalation and revenue availability
- Economic conditions may improve within the next year (2008 – 2009) and beyond, allowing RTD to proceed with the program
- If they do not, RTD will need to commit to one of the three options

FasTracks Schedule and RFP Dates for Construction Contracts

Project Name	Current Schedule - RFP Issued for Proposals	Current Schedule - Contract Award Date
West Corridor	-	Early Action June 2008 - Full NTP (after FFGA)
Denver Union Station	-	Early Action NTP - Dec 2008 Full NTP - Apr 2009
US36 BRT Phase 1	Issue Constr RFP - Aug 2008	Broomfield Constr NTP - Oct 2008
LRT Maintenance Facility	Issue Constr RFP - Elati Yard - Sep 2008 Issue Constr RFP - Elati/Mariposa Bldg - Dec 2008	Elati Yard Constr NTP - Jan 2009 Elati/Mariposa Bldg Constr NTP - Apr 2009
Bus Maintenance Facility	Issue D/B RFP - Nov 2008	Design/Build NTP - May 2009 (based on Post / revising schedule with new direction)
East Corridor	Issue PPP RFP - May 2009	PPP - July 2010
Gold Line Corridor	Issue PPP RFP - May 2009	PPP - July 2010
CRMF	Issue PPP RFP - May 2009	PPP - July 2010
I-225 Corridor	Issue D/B RFP - April 2010	Design/Build NTP - May 2011
North Metro Corridor	Issue D/B RFP - June 2010	Design/Build NTP - June 2011
Southeast Extension	Issue D/B RFP - June 2010	Design/Build NTP - Aug 2011
Southwest Extension	Issue D/B RFP - June 2010	Design/Build NTP - Aug 2011
US36 BRT Phase 2	Issue Constr RFP - Jun 2011	Constr NTP - Nov 2011
North West Rail Corridor	Issue Constr RFP - Nov 2011 (stations)	BNSF Start - April 2011; Stations - Mar 2012
40th/40th Extension	Issue Constr RFP - Nov 2012	Constr NTP - Apr 2013

Key Recommendations for FasTracks Implementation

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- Keep FasTracks on schedule by continuing major project activities as RTD determines next steps for program (see page 29)
- Protect Federal funding (\$1B) by moving forward on Gold Line and East Corridors
- Continue to monitor economic conditions moving forward
- Develop comprehensive outreach plan to review options with the public and stakeholders

Key Objectives for Public and Stakeholder Outreach

- Ensure the public is informed about FasTrack's financial conditions and the general implementation options for the FasTracks program
- Request input on additional options to be considered
- Seek regional stakeholder input regarding FasTracks implementation options and report back to the RTD Board at the FasTracks Monitoring Committee meeting, scheduled for Nov. 4, 2008

Schedule for Public and Stakeholder Outreach Efforts

- Present draft outreach plan on September 2nd to the FasTracks Monitoring Committee that recommends the following activities in September/October:
 - Obtain input from the Metro Mayors Caucus, Metro County Commissions, DRCOG, Chambers of Commerce and CDOT
 - Schedule one-on-one meetings with key stakeholders
 - Engage the FasTracks Citizens Advisory Committee
 - Engage local Transportation Committees
 - Hold public meetings

Key Schedule Milestones for FasTracks Implementation

- **September FasTracks Monitoring Committee**
 - Agenda Topic: Review draft public and stakeholder outreach plan
 - Key Recommendation: Approve plan for public and stakeholder involvement
- **September – October: RTD solicits input from the public and stakeholders on options for moving forward**
- **November FasTracks Monitoring Committee**
 - Agenda Topics: Review of input from the public and stakeholders on options for moving forward and discussion of refined financial assumptions and project budgets
 - Key Recommendation: Direction to staff on refined financial assumptions and options

Summary

As it took a regional effort to gain approval for the program, it will take regional cooperation to find solutions for these challenges