

**Appendix B:
2010 Financial Plan**

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Regional Transportation District FasTracks Financial Plan Update

April 22, 2011



Executive Summary

The Regional Transportation District (the “District” or “RTD”), has developed a comprehensive \$6.8 billion plan (the Plan), known as “FasTracks,” which addresses mobility needs in the metropolitan Denver region. The \$6.8 billion cost is a revision from the originally estimated \$4.7 billion (2004) cost following updates to material, right-of-way, financing, and labor cost estimates. The ability to implement the FasTracks plan depends on a variety of financial assumptions and projections which have been developed using the best available estimates of costs, reasonably anticipated federal funding based on current federal law and regulations, and revenues from other sources including RTD sales tax and fare collections. Over the anticipated remaining build-out period through 2020, specific cost items, federal and other contributions, and RTD revenues may vary from this financial plan. Based on the extensive analysis behind the financial assumptions used, RTD expects to deliver the major transit corridors and related improvements within the time frames set forth herein. RTD cannot guarantee that each separate assumption will be met, and expects that certain adjustments and modifications will be required prior to the expected completion date of 2020. However, RTD is confident that we can complete the FasTracks program in accordance with our 2011 financial plan due to RTD’s efforts to reduce construction risk and manage future cost and revenue risk exposures, namely:

- 5 out of 12 FasTracks projects already under contract, with fixed budgets negotiated with contractors
- Most complex transit procurement in the country (Eagle Project) came in \$305 million below internal cost estimates
- West Corridor is being completed on time and within budget
- Engineering advanced to at least 30%, and “bottoms up” estimates complete for all corridors
- Railroad right-of-way (ROW) agreements with the Union Pacific Rail Road and Burlington Northern Santa Fe Railway are complete
- RTD uses conservative cost estimates and inflation rates
- RTD conducts sensitivity analyses on “high, medium and low” sales and use tax forecasts to ensure the program can still be completed on schedule.

This report details the assumptions used and provides further explanation as to how RTD expects to pay for the FasTracks Plan. Unlike typical transit development strategies, which are pursued one corridor at a time and can take decades to accomplish, the FasTracks plan offers a comprehensive, region-wide approach to transit development. Under the Plan, 28 miles of light rail, 94 miles of commuter rail and 18 miles of bus rapid transit improvements will be developed between 2005 and 2020. FasTracks rubber-tire service increases (bus and ADA) were determined based on forecasted demand and senior/ADA needs that were identified through the Eagle project Full Funding Grant Agreement (FFGA) process.

On an annual basis, through the Annual Program Evaluation (APE) process, RTD updates the FasTracks financial plan with new revenue and cost projections, reflecting ever-changing economic conditions. Each APE update to the financial plan projects capital, financing and operating costs for each of the corridors and projects in year of expenditure (YOE) dollars, and reflects the currently adopted FasTracks implementation schedule for each of the corridors. The current 2011 APE financial plan extends to the year 2035, and covers both the FasTracks program and the base public transit system and services provided by RTD.

During the 2008 APE, RTD identified a funding gap for the FasTracks program as a result of rapidly escalating costs for commodities and materials on the world market, combined with the economic slowdown and the corresponding downward impact on current and forecast sales and use tax



revenues. Over the past three years, RTD has worked closely with elected officials, local governments, corridor stakeholders and the public to identify how to move the FasTracks program forward, addressing these challenges. During this period, there have been significant fluctuations in commodity prices as a result of the current recession; however, these prices still remain higher than original forecasts. Additionally, there have been concurrent significant additional decreases in projected sales and use tax revenues.

The 2011 FasTracks financial plan assumes the passage of 0.4% sales and use tax increase commencing in January 2013. This scenario results in the completion of the full FasTracks program by 2020, assuming current cost escalation and revenue growth forecasts.

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, recognizing the new opportunities and constraints that would exist.

The FasTracks program is currently financed in part through a 0.4% regional sales and use tax approved by voters in November of 2004. If the initiative is placed on the ballot in 2012 and it passes, the total transit tax rate in the District will increase to 1.4% (i.e., 0.6% for the base system, 0.8% for FasTracks).

The Plan anticipates a total of \$1.3 billion in Federal New Start Grant funding, a Small Starts grant of \$75M for the Southeast Corridor, and \$212.6 million in other federal grant funding. Contributions from local jurisdictions benefiting from transit in an amount equal to 2.5% of eligible project costs are expected to yield 1.9% of total program costs or \$133.2 million system-wide.

In an effort to reduce costs and risks and improve delivery of FasTracks, RTD will deliver a portion of its commuter rail projects (the Eagle Project) through a long-term Public-Private Partnership (PPP) agreement in which a private party will design, build, finance, operate and maintain projects on behalf of RTD. In 2010, RTD reached a major milestone in the FasTracks program with the award of the contract for the Eagle Project to Denver Transit Partners (DTP). The Eagle Project, which includes the East and Gold Line Corridors, a commuter rail maintenance facility, and a short electrified segment of the Northwest Rail Corridor, is the largest PPP transit project in the United States. RTD has contracted with DTP to design, build, and finance the initial construction of the projects, and to operate and maintain all project assets through the year 2044. Through this contract, RTD will realize savings over its internally estimated construction costs, and establishes the basis for its operating and maintenance costs for the first 28 years of corridor operations. RTD anticipates receipt of a Full Funding Grant Agreement (FFGA) for this project in the amount of \$1.03 billion by summer of 2011.

Table 1 summarizes the sources of funds expected to pay for the Plan's \$6.8 billion of project expenditures:



Table 1
FasTracks Estimated Capital Sources of Funds Through 2020
(Thousands of Year of Expenditure Dollars)

Source	Amount	Percentage of Total Cost
Revenue Bond Proceeds	\$2,571,792	37.5%
COPs Proceeds	251,505	3.7%
Denver Union Station Note Proceeds	167,954	2.5%
Pay-as-you-go Capital	1,583,804	23.1%
Federal New Start Grants	1,339,130	19.5%
Federal Small Starts Grants	75,000	1.1%
Other Federal Grants	212,557	3.1%
Local Match Funding	133,240	1.9%
Other Local Funding ¹	29,606	0.4%
Public-Private Partnerships	486,921	7.1%
Total FasTracks Program Funding	\$6,851,510	100.0%

¹Other local funding includes state Senate Bill 1 funding, City and County of Denver construction of the platform at the DIA station, \$7.4 million in CMAQ funding for the third level of the Jeffco parking garage, and outside reimbursements for other items outside the scope of the original FasTracks plan.

In order to accomplish the Plan, a voter-approved Taxpayer Bill of Rights (TABOR), authorization of \$3.477 billion in principal and \$7.129 billion in total debt service was requested and received in November, 2004. This initiative was passed by 58% of the voting population.



The Financial Plan

1. Projected Capital Costs

RTD has proposed a \$6.8 billion Plan designed to improve mobility and travel options in the metropolitan Denver region by 2020. Unlike the traditional corridor-by-corridor approach, RTD's Plan allows local policy makers and voters to direct the agenda in terms of project delivery and funding options. The Plan responds to the projected increase in regional population to 4.4 million in 2035 from 2.8 million in 2010. The Plan will not only improve mobility and livability in the region, but will provide a needed economic stimulus.

The Plan includes six new rapid transit corridors and three light rail extension projects, which will be served through a combination of modes, i.e., light rail, commuter rail and bus rapid transit improvements. FasTracks rubber-tire service increases (bus and ADA) were determined based on forecasted demand and senior/ADA needs that were identified through the Eagle Project FFGA process. Expansions to the existing Southwest, Southeast, Central Platte Valley and Central corridors, parking enhancements and additional buses and LRVs for the current system also will be funded.

The 2011 project costs in Table 2, expressed in year of expenditure (YOE) dollars, are approximately \$2 billion (45%) higher than those in the original FasTracks financial plan presented to the voters in April 2004. The 2010 capital cost estimates were updated based on the most current information available on alignments, railroad issues, stations, facilities and planning/engineering progress. In addition, the costs reflect new unit rates based on current bid prices (metro area and nationally), and updated ROW estimates where applicable. The key factors for the increase in capital costs since 2004 include: (1) material, labor and ROW escalation which increased at a rate higher than the 2003-2008 Consumer Price Index (CPI) that was used as the FasTracks escalation factor; (2) changes with respect to stations and park-n-Rides; (3) changes resulting from negotiations with the railroads for right-of-way needed for the program; and (4) scope clarifications/changes.

In order to obtain additional review of the key assumptions in the financial plan, RTD reconvened a working group of local government economists to review its long-term sales and use tax forecasts on October 26, 2010, and a group with experience on both national transit construction projects and local public works projects to review its construction escalation assumptions on November 23, 2010. Results of both the Construction Inflation Workshop and the Regional Sales and Use Tax Working Group are generally consistent with the assumptions and methodologies used and approved by DRCOG as part of last year's APE.

Table 2 summarizes the projected capital costs of the Plan by corridor:



Table 2
FasTracks Projected Capital Costs by Corridor
(In Millions of Year of Expenditure Dollars)

Corridor	2011 APE
West Corridor - Federal Project ¹	\$642.3
West Corridor - Third Party Funded Projects ²	\$19.8
West Corridor – Additional RTD Costs ³	\$18.7
West Corridor – ARRA Funding ³	\$3.5
Total West Corridor	\$684.3³
East Corridor	\$1,095.9
Gold Line	\$415.9
Northwest Rail Electrified Segment	\$137.0
DUS – Pecos Shared Track	\$324.7
Commuter Rail Maintenance Facility/Control Center	\$189.0
DUS Systems and Electrification	\$22.5
Total Eagle Project Costs⁴	\$2,185.0
I-225 Corridor	\$750.8
Northwest Rail Corridor (S. Westminster to Longmont)	\$894.6
North Metro Corridor	\$904.3
Central Corridor Extension	\$70.6
Southeast Corridor Extension	\$209.1
Southwest Corridor Extension	\$185.1
U.S. 36 BRT – Phase 1	\$21.3
U.S. 36 BRT – Phase 2	\$210.5
U.S. 36 BRT – Phase 2 ARRA Funding	\$7.6
Total U.S. 36 BRT (Phase 1 and Phase 2 Costs)	\$239.4
Denver Union Station ⁵	\$283.3
Light Rail Maintenance Facility	\$20.9
Other FasTracks Project Costs	\$424.1
Total FasTracks Program Costs	\$6,851.5

¹Total cost identified for the West Corridor in the Full Funding Grant Agreement (FFGA) (\$709.8 million) includes financing charges of \$56.8 million and EIS/PE costs of \$10.7 million incurred prior to the FasTracks program which are not included in the capital cost.

²Third-party-funding for the Federal bridge replacement and bike bridges at Wadsworth and Kipling.

³Following internal accounting review, approximately \$23.1 million of project expense costs were reclassified from capital to expense to ensure that RTD is following generally accepted accounting principles. The total project budget is \$707.4 million.

⁴The Eagle Project is comprised of both federally-eligible, and non-federally eligible components. Total federal project = \$1,558.4 and the total non-federal project = \$626.6.

⁵Denver Union Station costs in the 2010 plan include only RTD locally-funded contributions to the joint project and grant funds and other reimbursements to be received by RTD. CDOT, other federal sources, TIF, metro district revenues, development rights revenues, and other sources are expected to contribute an additional \$181.2 million to the project, for a total transit element project cost of \$464.5 million.



2. Non-Operating Revenues

Sales and Use Tax

Since inception, the primary funding source for RTD has been a sales and use tax imposed on transactions within RTD boundaries. Major events in the tax history are as follows:

- January 1, 1974: 0.5% sales and use tax established
- May 1, 1983: tax was increased by 0.1% to 0.6%
- January 1, 2005: tax was increased by 0.4%, to 1.0%.

The current tax generated revenues of \$397.7 million annually in 2010

Average annual sales and use tax growth from 1980 – 2002 was 6.3%. However, due to recent economic conditions, sales and use tax growth has declined significantly below this historic average, including negative growth in 2008 and 2009. In 2004, RTD projected sales and use tax revenues for the FasTracks program of \$13.7 billion from 2005 – 2035. Current projections included in this financial plan reduce this projection from \$13.7 billion to \$8.0 billion. This decrease in projected revenues over time has a significant impact on the FasTracks plan.

Table 3
Growth in Sales and Use Tax Revenues
1992 – 2010
(Dollars in Thousands)

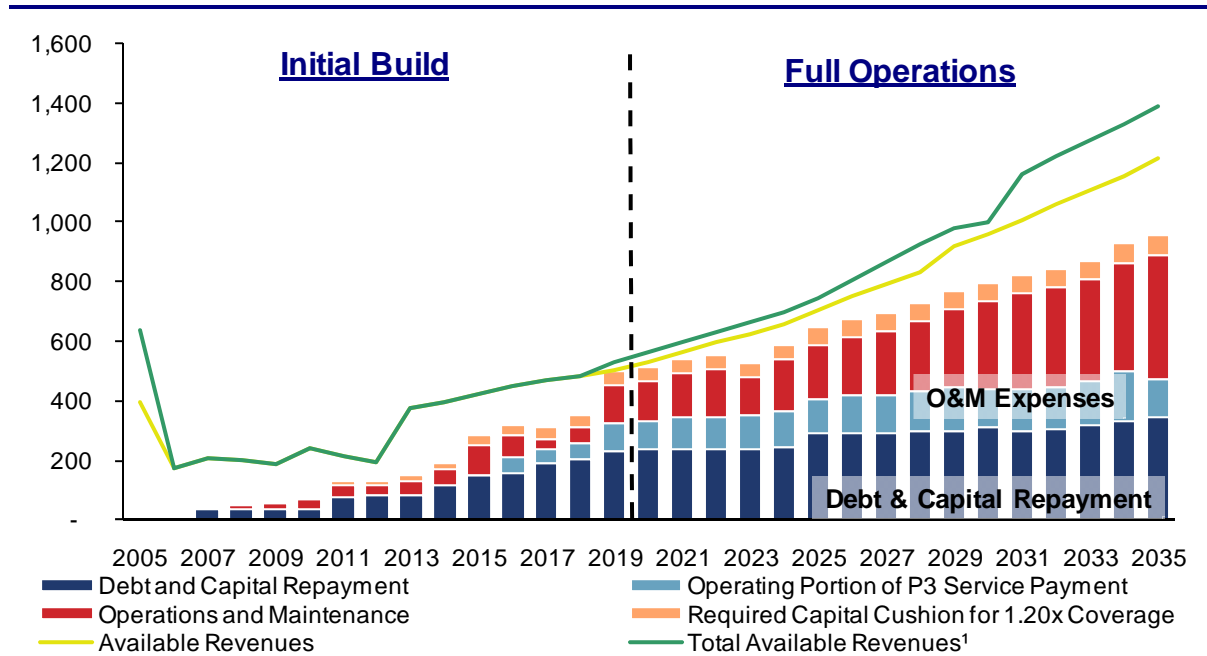
Fiscal Year	Sales and Use Tax Revenues	Percentage Growth
1992	\$108,389	
1993	121,611	12.20%
1994	134,431	10.54%
1995	142,214	5.79%
1996	153,807	8.15%
1997	164,565	6.99%
1998	179,990	9.37%
1999	202,303	12.40%
2000	224,182	10.81%
2001	224,648	0.21%
2002	213,668	(4.89%)
2003	210,447	(1.51%)
2004	221,276	5.15%
2005 ¹	386,427	74.64%
2006 ¹	399,558	3.40%
2007 ¹	418,407	4.72%
2008 ¹	412,824	(1.33%)
2009 ¹	371,405	(10.03%)
2010 ¹	397,669	7.07%

¹ Includes both 0.6% and 0.4% Sales Tax Revenues.



The RTD Board of Directors adopted a financial plan scenario for the 2011 FasTracks Annual Program Evaluation that assumes the passage of 0.4% sales and use tax increase and successful receipt of an additional Full Funding Grant Agreement (FFGA) for the Eagle Project in the amount of approximately \$1.03 billion. This scenario results in the completion of the full FasTracks program by 2020, assuming current cost escalation and revenue growth forecasts. Figure 1 demonstrates the projected cash flow for the FasTracks program assuming an additional 0.4% sales tax increase:

Figure 1
Projected FasTracks Cash Flow
2005-2035
(Dollars in Thousands)



¹Includes FasTracks Revenues and Base System operating subsidy for rubber tire service

The FasTracks program is currently financed in part through a 0.4% increase in the regional sales and use tax approved by voters in November of 2004. If a second initiative is placed on the ballot, and it passes, the total transit tax rate in the District will increase to 1.4% (i.e., 0.6% for the base system, 0.8% for FasTracks).

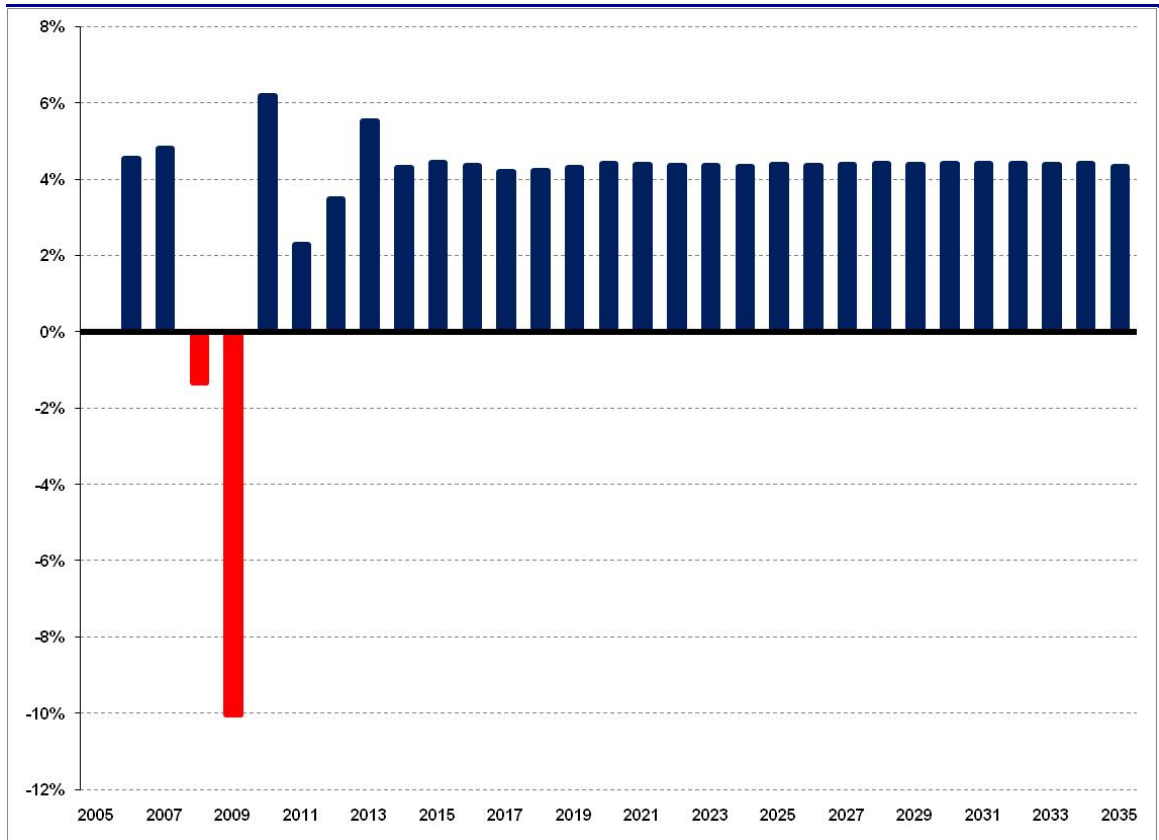
The sales tax growth rates used by RTD to project revenue growth in the short term (i.e., from 2011 through 2013) were based on the Colorado Legislative Council (CLC) statewide forecasts, adjusted to reflect differences between the RTD taxable base and that of the State.

To address the challenges of long-term sales and use tax revenue projections (i.e., 2014 – 2035), RTD convened a group of State and local government economic advisors in late 2009 to review RTD's current forecasting methodology; evaluate potential forecasting methodologies; and obtain consensus on a future forecasting method. Based on the results of the working group, RTD developed three linear regression models using different variables to reach low, medium, and high sales and use tax growth forecasts. RTD reconvened this group on October 26, 2010, and agreed to use the same methodology for the 2011 APE sales and use tax forecasts.



Average annual growth rates determined using methodologies considered by the working group, range from 2.77% to 4.19% per year for both sales and use tax for the financial plan period 2005-2035, with 3.66% per year being the medium growth scenario recommended for use in the financial plan. Average annual growth rates for the period 2011-2035, or the future years of the financial plan, range from 3.25% to 5.03%, with 4.36% as the average in the medium scenario. Forecasted rates of increase vary by year, and the forecasted annual growth rates by year for the period 2005-2035 are shown in Figure 2 below. Between October 2009 and June 2011, the State of Colorado has waived the 3 1/3% allowance paid to vendors to collect sales tax. This results in a boost to RTD sales tax revenues over that period.

Figure 2
Projected Sales and Use Tax Growth
2005-2035



Local Contributions

Beginning with the Central Platte Valley and the Southeast Corridor project, RTD has established a policy of requiring a portion of major project costs to be paid by local jurisdictions.

This Plan assumes that this policy will continue and that RTD's jurisdictions will contribute an amount in aggregate equal to 2.5% of the eligible corridor costs, which equates to 1.9% of total project costs. On a plan-wide basis, the amount of this contribution is estimated to total \$133.2 million.

The source of funding for the local contribution is at the discretion of each local jurisdiction. Local contributions can consist of right-of-way dedications, permit fee waivers, cash contributions, corridor utility relocations as well as any other direct, project-related corridor contributions. Generally



throughout the system, the financial benefit to the jurisdiction comes from increases in the real property assessed valuations, enhanced development potential, reduced travel times and improved congestion accrue to the local communities.

On February 17, 2004, the RTD Board of Directors approved a resolution entitled "Regarding Board Commitments for FasTracks (Hold Harmless)". This action confirmed RTD's commitment to build each corridor's specific list of corridor improvements consistent with and as described in the FasTracks Plan and within the fiscal constraints and schedule of the Plan subject to the completion of the environmental process and conformity with any federal Record of Decision for a corridor. The Hold Harmless resolution formalizes RTD's commitment to analyze the Plan annually to determine current revenue projections from both local and federal sources. The resolution states, "If RTD revenues are better or worse than expected then all the corridors will be adjusted accordingly."

Additionally, the Hold Harmless resolution commits "that prior to construction, a corridor cost risk assessment and value engineering (will) be conducted to minimize the potential for cost overruns and schedule delays." Based on honoring both key tenets of the Hold Harmless resolution, modifications to individual corridor project elements, service plans, and schedules may be necessary for all FasTracks corridors. This may be necessary so as to not impact the scheduled construction and operation of the remaining FasTracks corridors, thereby "holding harmless" those corridors. This information will be reported annually to the general public.

Lastly, the Hold Harmless resolution includes: "Construction of FasTracks committed improvements within a corridor will not start until there is a firm commitment of all required funding sources, be they private, local-match or federal monies and intergovernmental agreements are in place with local governments concerning permits, design and plan review process for timely implementation."

Over the past three years, RTD has worked closely with elected officials, local governments, corridor stakeholders and the public to identify how to move the FasTracks program forward in a manner that is consistent with the Hold Harmless resolution. Consensus from the stakeholders is that building the entire program as soon as possible, and finding additional revenues to fill the gap (as assumed in this financial plan) is consistent with the Hold Harmless resolution.

Federal Funding

The existing Southwest and the Southeast corridor projects were completed with assistance from the Federal Transit Administration in the form of New Start Grant funds. Under federal procedures, once a project is qualified for funding, the FTA enters into a "Full Funding Grant Agreement" (FFGA). The FFGA sets a maximum federal contribution and the percentage of federal funding. For the Southwest Corridor, the federal New Start percentage was 68% and for the Southeast the federal percentage was 60% of the project costs.

In January of 2009, RTD received a FFGA for the West Corridor project in the amount of \$308.7 million. As of 2010, a total of \$268.5 million in New Starts funds has been appropriated for the West Corridor.

In April, 2010, FTA approved the Eagle Project for entry into Final Design, which is the final step before submittal of an FFGA application. A total of \$4.5 million was appropriated in the 2010 federal budget, an additional \$40 million for the East Corridor and \$40 million for the Gold Line projects is included in the President's FY 2011 budget request, and \$300 million is included in the President's FY 2012 budget request. RTD has submitted its final application for an FFGA in the amount of \$1.03 billion for the Eagle Project, and anticipates receiving the FFGA by the summer of 2011.

The total amount of Federal funding in the Plan assumes \$1.3 billion in Federal New Start Grant funds, \$75 million in Small Starts funds, and \$212.6 million of other federal grant revenues. The Plan includes the existing FFGA for West Corridor, and approval of the pending FFGA application for the Eagle Project. Additionally, the plan assumes that one corridor, the Southeast Corridor Extension, will receive a federal Small Starts grant. Of the \$212.6 million of other federal grants, the Plan assumes



approximately \$52.6 million in Future Surface Transportation Reauthorization grants, \$62.7 million in federal flexible (CMAQ) dollars, and \$49.8 million in SAFETEA-LU earmarked funds between years 2008 and 2018, consistent with the DRCOG 2008-2013 TIP allocation, and with RTD's past receipts.

The Plan also includes \$47.4 million in American Recovery and Reinvestment Act (ARRA) funds, which includes \$28.4 for DUS, \$7.6 million for US 36 BRT Phase 2, \$8.8 million for West Corridor CNPA, and \$2.6 million for corridor enhancements.

In the future, RTD has the option to request federal participation in other FasTracks corridors. Future transportation funding reauthorizations are subject to Congressional discretion. Historically the minimum statutory local match has been 20%; recently, the practical match for New Starts projects has been 40 – 50%.

Interest Earnings

RTD issued \$600 million in sales tax revenue bonds and \$379.1 million in sales tax revenue bonds in 2006 and 2010, respectively. The Plan calls for additional debt issuances in 2014 and 2018. The Plan assumes investment income on bond proceeds until they are spent down, as well as on debt service reserves and other unspent cash balances. The annual rate of return on future RTD investments is assumed to be 1.50%.

Between 2005 and 2020, investment earnings are projected to total \$237.3 million.

3. Operating Revenues

Farebox Revenues: Base System

Base system farebox revenues were based on the forecast contained in RTD's 2011 Adopted Budget, which includes a fare increase that was implemented on January 1, 2011. Farebox revenue forecasts for the base system for the years 2012-2035 assumed growth based on population growth, service growth and the change in the consumer price index (CPI). Farebox revenues were assumed to increase with the rate of population growth each year, due to ridership increases associated with population growth. Additional increases were tied to increases in service, with farebox revenue assumed to increase at 75% of the system wide average revenue per service hour with each increased hour of bus service provided. These adjustments were initially applied in constant 2011 dollars.

RTD fiscal policies state that RTD's six-year Strategic Business Plan (SBP) includes periodic fare increases to permit fare revenues to keep pace with cost increases, as measured by the Denver-Boulder Consumer Price Index (CPI-U). RTD's most recent fare increase was implemented on January 1, 2011. The farebox revenue forecasts in the Plan will assume that the next fare increase will be implemented in 2014, and that CPI-based fare increases will be implemented every third year after 2014. Table 4 shows the projected RTD fare increase percentages from 2014 – 2035:



Table 4
RTD Fare Increase Percentage
2010-2035

Year	Fare Increase
2014	11.70%
2017	8.90%
2020	7.90%
2023	7.90%
2026	7.60%
2029	7.30%
2032	7.00%
2035	6.60%

Farebox Revenues: FasTracks System

For the FasTracks corridors, RTD prepares travel forecasts for the horizon years 2020 and 2035. These forecasts are provided at the station level and assume the full build-out of the FasTracks rapid transit system. RTD combined the construction schedule with the forecasts; with passenger fare revenues starting at the time the corridors are assumed to open to revenue service per the construction schedule.

Existing average fares paid by class of service are applied to the ridership forecasts for each corridor in constant 2007 dollars. Based upon the forecast boardings by station, RTD can estimate the percentages of riders on each corridor that are expected to be paying local, express, regional, and skyRide fares. Table 5 shows the 2007 average fare paid by class of service.

Table 5
RTD Average Fare by Service Class
(2007 Dollars)

Service Class	Average Fare Paid
Local	\$0.75
Express	1.98
Regional	2.54
skyRide	3.27
Light Rail	0.83

Applying the average fare paid by service class to the forecast boardings by station and distance from downtown Denver, average fares per boarding were generated for each corridor as shown in Table 6:



Table 6
FasTracks
Average Fare Paid by Corridor Segment
(2007 Dollars)

Corridor Segment	Average Fare Per Boarding
Central	\$0.45
Southwest	0.87
Southwest Extension	1.52
Central Platte Valley	0.45
Southeast	1.12
Southeast Extension	1.52
West	0.65
Northwest Rail	1.29
U.S. 36 BRT	1.72
East	1.13
Central Corridor Extension	0.45
I-225	0.86
North Metro	1.20
Gold Line	0.63

The travel forecasting model produces daily ridership estimates. The fare recovery rates were applied, and then the daily fare totals annualized to produce annual fare revenue forecasts for each corridor. The annualization factor of 300 is based on RTD actual operating statistics and fare revenues.

The initial farebox revenue projections were developed in constant year dollars, and adjusted to incorporate fare increases to keep pace with inflation. Fare increases for the FasTracks system are assumed to occur on the same schedule as those for the base system, with future fare increases in every third year starting in 2014. The average fare paid for FasTracks corridors also is assumed to increase at the same rate as for the base system, with fare increases ranging from 6.6% to 11.7%.

Parking Revenues

In 2006 and 2007, the Colorado General Assembly passed legislation allowing RTD to charge for parking at its park-n-Ride lots. According to the legislation, RTD is allowed to allocate a fixed percentage of spaces in each park-n-Ride lot to be reserved for fee-paying users. Fees are charged to patrons who park at park-n-Ride lots for over 24 hours or non-residents of RTD. The legislation also allows different parking rates for District residents and non-residents.

RTD developed a parking revenue model incorporating the provisions of the legislation, as well as reasonable assumptions on parking demand and administrative costs. The model assumes that:

- Residents of RTD are not charged a fee for parking on a daily basis for first-come-first-served spaces.
- 12-13% of residents would opt to pay into a program that offers reserved spaces close to boarding areas and that the price for this would be \$20 per month (per 22 working days).
- Non-residents will be charged \$4.00 per day for first-come-first-served spaces and \$40 to \$50 per month for reserved spaces, depending on circumstances (location, demand, etc.).



- Charges for overnight parking for the East Corridor at a rate of \$2.00 per 24 hours for residents and \$4.00 for 24 hours for non-residents.

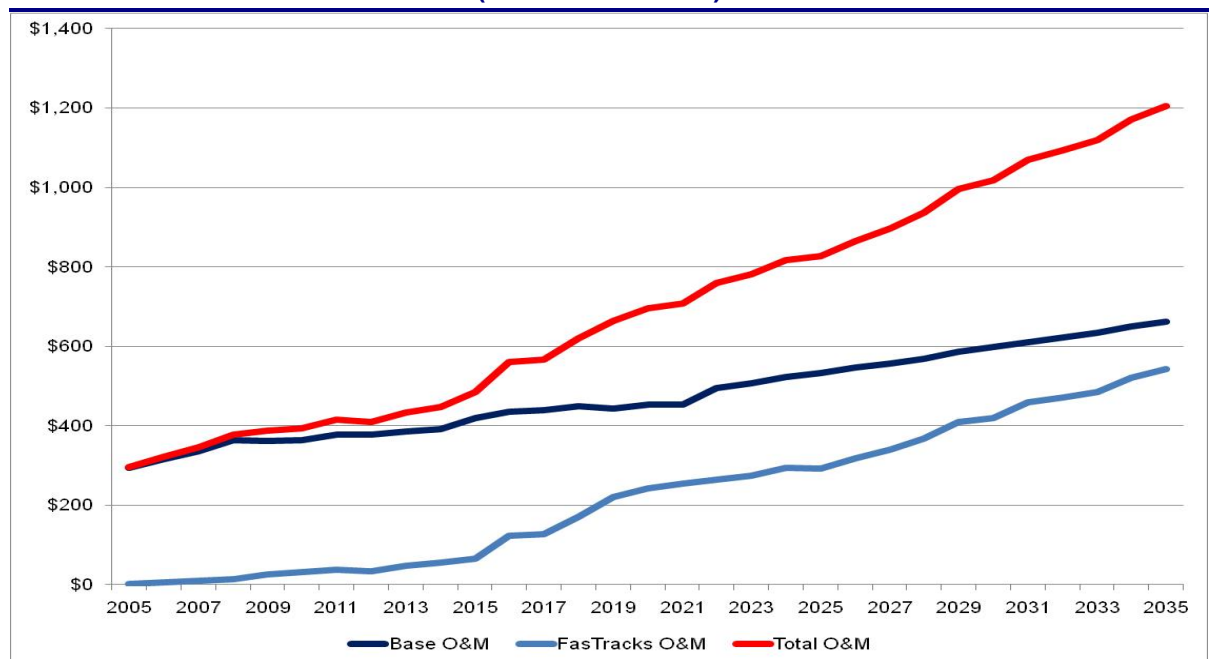
RTD implemented the Parking Management Program in stages over the first half of 2009. Forecast revenues in the 2010 Amended Budget were \$411,000 for the first full year of operation. By 2035, the Parking Management Program is forecasted to generate a total of \$8.7 million annually; \$1.0 million allocated to FasTracks and \$7.7 million allocated to the base system.

4. Operating Expenditures

Operating and non-operating revenues were applied to the payment of operating and capital expenditures. Operating expenditures are a major component of the Plan, which ensures that adequate funding is available to cover the cost of operating and maintaining the base and FasTracks systems once initial construction is complete. RTD developed operating expenditure projections based on past experience and expectations of future ridership, schedules, renewal and replacement, labor and general maintenance, all adjusted for inflation. RTD's 2009 operating expenditures totaled \$388.2 million and the Plan projects operating expenditures to increase to \$1.206 billion by 2035 after full implementation of FasTracks.

RTD's estimated operating expenditures are illustrated in the following figure. Included in these estimates are the operating portion of the service payment the District will make under the Concession Agreement with Denver Transit Partners relating to private operating expenditures for the Eagle Project, as discussed in greater detail in Section 6.

Figure 3
Projected Operating Expenditures
2005-2035
(Dollars in Millions)



¹¹ FasTracks O&M Includes the operating portion of the service payment the District will make under the Concession Agreement with Denver Transit Partners for the Eagle Project



5. Debt Financing

Financing a major project over a relatively short construction period requires significant expense to service debt and lease purchase financing. Historically, RTD has utilized two primary financing techniques: Sales Tax Revenue Bonds and Certificates of Participation (COPs).

As of December 31, 2010, RTD had \$261.1 million in sales tax bonds outstanding for the base system and \$977.6 million in sales tax bonds outstanding for the FasTracks program. In August 2001, a commercial paper program secured by sales tax revenues on a junior lien to the fixed rate sales tax bonds was implemented in the amount of \$118.5 million to provide bridge financing for the T-REX project. Commercial paper in the amount of \$92.5 million was actually issued, and was repaid in full as of November, 2010.

Sales Tax Revenue Bonds

Sales tax revenue bonds are the “backbone” of RTD’s financing program. This is because senior lien sales tax bonds provide the strongest security, and thus lowest long-term borrowing costs to RTD.

To date, RTD has issued \$979.1 million in sales tax revenue bonds to fund capital investments in the FasTracks program. Additional sales tax revenue bond issues totaling \$1.88 billion are projected to be issued in accordance with the schedule in Table 7:

Table 7
FasTracks Senior Lien Sales Tax Bond
Issuances
(Dollars in Thousands)

Year	Par Amount
2006A	\$600,000
2010 ¹	379,140
2014 (Future)	978,510
2018 (Future)	898,880
Total for FasTracks	\$2,856,530
Prior Issues	979,140
Future Issues	1,877,390

¹ These bonds were issued as Build America Bonds.

Bonds are assumed to be issued on a fixed rate basis, but this is not required. A TIC (True Interest Cost) of 5.85% is assumed for future issuances, which reflects an interest rate of 100 basis points over the 10-year historical estimated financing cost for RTD. The 10-year historical estimated financing cost for RTD is based upon the average of the 30-year MMD Index (4.72%), which is roughly the same as the current 30-year MMD Index (as of March 21, 2011). For Plan purposes, all bonds are assumed to be issued on June 1 of their respective years of issuance. The Series 2014 and 2018 issuances each have 30-year final maturities. The bonds are amortized to comply with all required bond covenants and TABOR requirements as well as RTD’s minimum net 1.20x debt service coverage policy.

Table 8 shows the debt service requirements for the existing bonds, and estimated debt service requirements for the future projected bonds.



Table 8
Sales Tax Revenue Bonds
Existing and Projected Debt Service Requirements
(Dollars in Thousands)

Year	Existing Bonds		Future D/S (Estimated)	Total Debt Service
	Base System	FasTracks System		
2010	\$33,470	\$48,204	\$-	\$81,674
2011	35,444	49,519	-	84,963
2012	35,443	49,515	-	84,958
2013	28,772	49,515	-	78,287
2014	28,773	49,515	23,851	102,139
2015	28,772	49,519	57,243	135,534
2016	28,769	49,516	57,243	135,528
2017	28,627	49,517	57,243	135,387
2018	28,381	49,518	79,153	157,052
2019	28,385	49,517	109,827	187,729
2020	28,384	49,516	109,827	187,727
2021	22,896	49,518	109,827	182,241
2022	9,584	49,517	109,827	168,928
2023	9,582	49,515	109,827	168,924
2024	9,588	49,516	109,827	168,931
2025	-	49,516	158,047	207,563
2026	-	49,519	168,201	217,720
2027	-	97,330	120,392	217,722
2028	-	97,329	120,389	217,718
2029	-	97,332	120,389	217,721
2030	-	97,332	120,387	217,719
2031	-	97,335	120,385	217,720
2032	-	97,335	120,385	217,720
2033	-	97,331	120,386	217,717
2034	-	97,332	120,386	217,718
2035	-	97,334	120,384	217,718
Total	\$384,870	\$1,716,462	\$2,343,426	\$4,444,758

Denver Union Station Bond

In July 2010, RTD issued a \$168 million, 30-year, subordinate lien bond to the Denver Union Station Project Authority (DUSPA) to finance a portion of the RTD contribution to the Denver Union Station project. Under this bond agreement, RTD will provide DUSPA with a 30-year cash flow of \$12 million per year, structured as a fixed-rate bond with an interest rate of 5.85% on the RTD funds. This bond is amortized to comply with all required bond covenants and TABOR requirements as well as RTD's minimum net 1.20x debt service coverage policy.



As of December 31, 2010, \$166.8 million in principal was outstanding. Table 9 shows the debt service by year on the DUSPA bond through 2035.

Table 9
DUSPA Bond Debt Service
(Dollars in Thousands)

Year	Total Debt Service
2010	\$6,003
2011	12,006
2012	12,006
2013	12,006
2014	12,006
2015	12,006
2016	12,006
2017	12,006
2018	12,006
2019	12,006
2020	12,006
2021	12,006
2022	12,006
2023	12,006
2024	12,006
2025	12,006
2026	12,006
2027	12,006
2028	12,006
2029	12,006
2030	12,006
2031	12,006
2032	12,006
2033	12,006
2034	12,006
2035	12,006
Total	\$306,165

Certificates of Participation (COPs)

RTD has used COP financing, which is a form of lease purchase transactions for financing buses and rail vehicles. COPs are not secured by sales tax revenues, but are secured by the underlying leased asset and backed by RTD's commitment to appropriate payments in future annual budgets. As of December 31, 2010, RTD had \$274.9 million in outstanding COPs for the base system and \$282 million in COPs outstanding for the FasTracks program.

RTD issued the Series 2005A COPs totaling \$81.0 million in par amount to finance initial FasTracks expenditures related to the West Corridor. In November 2010, RTD issued \$312.9 million in COPs to



fund capital investments on both the base and FasTracks systems. FasTracks investments funded from the Series 2010 COPs issue included the purchase of light rail vehicles and the construction of station parking facilities. In addition to the COPs issued for the FasTracks program, the Plan assumes the issuance of approximately \$1.2 billion in COPs to fund base system capital expenditures. COP lease payments are not covered by TABOR restrictions.

Future COP issuances related to the Plan are shown in Table 10:

Table 10
FasTracks Future COP Issuances
(Dollars in Thousands)

Year	Base System	FasTracks System	Total
2011	\$ -	\$ -	\$ -
2012	31,610	-	31,610
2013	80,380	-	80,380
2014	87,540	-	87,540
2015	-	-	-
2016	-	-	-
2017	62,760	-	62,760
2018	40,675	-	40,675
2019	83,400	-	83,400
2020	29,040	-	29,040
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	138,815	-	138,815
2026	188,645	-	188,645
2027	-	-	-
2028	-	-	-
2029	318,345	-	318,345
2030	148,220	-	148,220
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
Total	\$1,209,430	\$ -	\$1,209,430

Table 11 shows the lease payment requirements for RTD's outstanding COPs, and estimated lease payment requirements through 2035 for the future projected COPs:



Table 11
Certificates of Participation
Existing and Projected Lease Payment Requirements
(Dollars in Thousands)

Year	Existing COPs	Future COPs (Estimated)	Total Lease Payment
2010	\$40,419	\$-	\$40,419
2011	54,928	-	54,928
2012	57,026	830	57,855
2013	52,932	6,090	59,022
2014	54,498	11,151	65,649
2015	45,249	13,670	58,919
2016	45,245	13,673	58,919
2017	40,341	15,738	56,079
2018	44,874	29,048	73,922
2019	44,869	41,587	86,456
2020	52,066	46,111	98,177
2021	52,061	53,355	105,416
2022	48,550	55,402	103,952
2023	34,493	55,394	89,886
2024	34,488	55,407	89,895
2025	34,489	55,730	90,219
2026	21,215	57,033	78,248
2027	21,213	55,518	76,732
2028	21,216	55,519	76,734
2029	21,216	64,519	85,734
2030	21,212	79,334	100,545
2031	21,216	86,543	107,759
2032	21,178	82,487	103,665
2033	21,187	78,939	100,126
2034	21,196	78,941	100,137
2035	21,208	78,943	100,151
Total	\$948,585	\$1,170,962	\$2,119,544

Commercial Paper

The Commercial Paper (CP) Market allows RTD to provide short-term, interim financing to provide a bridge for federal appropriations and thus keep the project on schedule. Of the \$118.5 million authorized CP, \$92.5 million was actually issued. The full amount was retired as of November, 2010, and RTD has no outstanding CP at this time. Currently the Plan does not include future use of the Commercial Paper Market.



TIFIA

TIFIA, or the Transportation Infrastructure Finance and Innovation Act of 1998, provides a source of project financing to eligible projects. Under the provisions of TIFIA, the U.S. DOT can provide direct loans, credit enhancement or lines of credit. Eligible projects must meet the following federal criteria:

- Project cost must be at least \$50 million
- TIFIA support is limited to 33% of project costs
- Project adheres to federal project requirements (labor, civil rights, etc.)
- Repayment must be from project revenues or non-federal sources
- Project senior debt must be investment grade

The Denver Union Station Project Authority has secured a \$155 million loan from TIFIA to finance a portion of the Denver Union Station project. This TIFIA loan is not an RTD obligation, and is therefore not represented in the 2011 financial plan.

In past financial plans, RTD has assumed a TIFIA loan to cover 33% of the North Metro corridor. RTD is still considering a TIFIA loan for this corridor and will continue to evaluate this option as the North Metro project moves into construction. However, given feedback from DRCOG and RTD's stakeholders that RTD be conservative in our financial plan assumptions, the 2011 financial plan assumes traditional bond financing with more conservative terms will be used for the North Metro corridor.

In 2010, RTD submitted a Letter of Interest for a TIFIA loan for the local share of the Eagle Project, and was one of four projects out of over 30 applicants to be invited to submit an application. RTD is continuing to work with USDOT on this TIFIA loan, which is projected to be approximately \$280 million. This loan is not assumed in the current financial plan. If RTD is approved for a TIFIA loan for the Eagle Project, it is anticipated that it will be used to reduce the amount of future sales tax bond issuances. This will benefit RTD because the expected interest rate of the TIFIA loan will be attractive relative to sales tax bond rates, and the TIFIA loan will allow RTD to accrete interest to reduce cash flow pressure during initial operations of the FasTracks corridors in the years 2017-2020. Therefore, the TIFIA loan may be another tool by which RTD manages risk to ensure the timely completion of the FasTracks program.

6. Public-Private Partnerships (PPP)

A Public-Private Partnership (PPP) is a contracting arrangement where the public entity partners with a private contractor or consortium on the development of a public project. PPPs will be used on one or more of the FasTracks rapid transit corridors. In return for the private participation, the public agency pays annually appropriated availability payments to the private partner thereby spreading out large upfront costs of a project over time and preserving cash in the early years.

In July 2007, RTD proposed the East Corridor, Gold Line and the related Commuter Rail Maintenance Facility as a single, combined project (referred to as Eagle Project) for the U.S. DOT Public-Private Partnership Pilot Program, also known as Penta-P. RTD was one of only three transit agencies in the United States selected to participate in this program, which is designed to examine the benefits of public-private partnerships. Penta-P offers participating transit agencies a simplified and accelerated FTA review process designed to reduce the time and cost associated with traditional federal funding processes. The FTA indicated strong support for the Eagle Project by including \$40 million for the East Corridor and \$40 million for the Gold Line projects in the President's FY 2011



budget request, and including \$300 million in the President's FY 2012 budget request. In April, 2010, FTA approved the Eagle Project for entry into Final Design, which is the final step before submittal of an FFGA application. RTD has submitted its final application for an FFGA in the amount of \$1.03 billion for the Eagle Project, and anticipates receiving the FFGA by the summer of 2011.

Additionally, RTD has progressed procurement efforts for the Eagle Project, which includes the East Corridor, Gold Line, the electrified segment of Northwest Rail, Commuter Rail Maintenance Facility, and other ancillary projects. In November, 2008 RTD short-listed three teams for the Eagle Project through a Request for Qualifications (RFQ) process. In July, 2010, RTD entered into a 34-year Design-Build-Finance-Operate-Maintain concession agreement with Denver Transit Partners (DTP) for the Eagle Project.

As part of the financial plan in the concession agreement, DTP will provide debt and equity to cover \$486.9 million of the initial capital cost of the Eagle project. In August, 2010, RTD acted as the conduit issuer for the issuance of \$397.8 million in tax-exempt Private Activity Bonds for DTP to cover the debt portion of its financial commitment to the project. RTD will do cash flow borrowings, expected to be secured by the FasTracks sales and use tax, to bridge future receipts of Federal New Starts Grants, as described below.

Under the concession agreement, RTD will make annual availability payments (service payments) to DTP once the project is open for revenue service, which will cover operations, maintenance, and capital repayment. These payments are segmented into two pieces. The capital portion of the service payment is structured as a fixed annual debt subject to TABOR, secured on a subordinate basis to existing FasTracks revenue bonds. The outstanding principal amount of the TABOR portion of the service payment as of December 31, 2010 was \$589.9 million. The operating portion of the service payment includes all costs to operate and maintain the line. The operating portion of the service payment is assumed to adjust according to a formula that includes inflation-based increases and performance-related reductions. The operating portion of the service payment is subject to annual appropriation and is not covered by TABOR restrictions. Table 12 shows the schedule of projected annual service payments to DTP.



Table 12
Service Payment Schedule
TABOR Portion of the Service Payment and Operating Portion of
the Service Payment¹
(Thousands of Year of Expenditure Dollars)

Year	TABOR Portion of Service Payment	Operating Portion of the Service Payment	Total
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	46,234	46,234
2017	40,954	39,531	80,484
2018	34,437	49,646	84,083
2019	45,388	62,255	107,643
2020	45,813	70,417	116,231
2021	46,264	57,781	104,045
2022	44,618	60,054	104,673
2023	45,790	63,565	109,355
2024	47,210	75,582	122,792
2025	49,812	99,024	148,836
2026	44,524	69,555	114,079
2027	45,475	69,132	114,607
2028	46,679	75,660	122,339
2029	48,154	86,654	134,808
2030	61,423	118,859	180,282
2031	49,261	76,839	126,100
2032	55,465	75,877	131,342
2033	67,957	78,475	146,432
2034	84,464	95,898	180,361
2035	97,323	122,715	220,038
2036	43,848	99,836	143,684
2037	49,295	95,058	144,352
2038	57,226	100,534	157,759
2039	73,605	117,277	190,882
2040	82,267	129,192	211,459
2041	77,751	110,087	187,838
2042	13,006	98,866	111,872
2043	15,090	142,912	158,002
2044	25,134	140,333	165,467
Total	1,438,234	2,527,845	3,966,079

¹TABOR Portion of the Service payment is considered a multi-year fiscal obligation of the District, and counts against RTD's 2004 FasTracks TABOR Authorization and is secured on a lien below the existing FasTracks sales tax bonds. The Operating Portion of the Service Payment is subject to annual appropriation and may be adjusted for desired service levels. The Operating Portion of the Service Payment shown in the table reflects nominal figures per the Concession and Lease Agreement with DTP inflated using RTD's inflation assumptions.



Under the concession agreement, DTP is responsible for delivering and operating the project according to the District's policy goals and standards and paying all project and finance costs from these service payments, while the District will own the project. The concession agreement includes various protections for RTD to ensure adequate control and remedies. Performance standards, periodic reviews, corrective measures, penalty assessments, cure periods, payment reductions, sharing of certain upside benefits and various other measures are provided in the terms of the contract to protect RTD. Ultimately, if DTP does not adequately perform under the contract, all or parts of the contract may be terminated.

Cashflow Borrowing for PPP

RTD will do cash flow borrowings, expected to be secured by the FasTracks sales and use tax, to bridge future receipts of Federal New Starts Grants. The plan anticipates RTD issuing a total of \$250 million of cashflow bonds in 2013 and 2014 to bridge receipts of Federal New Starts Grants. The assumed interest rate for the cashflow borrowing is 3.95% which is lower than the assumed long-term sales tax bond borrowing rate due to the short tenor of the cashflow borrowings. The cash flow borrowings would be repaid in full by 2018, at a total repayment cost of \$291.9 million and would be subject to TABOR.

7. TABOR Requirements

The Taxpayer's Bill of Rights (TABOR), or Article X, Section 20 of the Colorado Constitution, approved by Colorado voters in November 1992, restricts the ability of RTD to enter into a multi-year fiscal obligation without voter approval unless there are adequate present cash reserves. TABOR also requires voter approval in advance for: (i) any increase in RTD's revenues and spending from one year to the next in excess of a specified growth rate (CPI plus a growth factor based on net increase in the value of new taxable property); or (ii) any new tax or tax increase.

In November 2004, the voters of RTD approved a ballot measure under TABOR that increased the RTD tax rate and provided a debt authorization to build the FasTracks program. The ballot measure authorized RTD to increase the tax rate by 0.4%, from 0.6% to 1.0%, and to use the revenue generated by the tax to build and operate the FasTracks program, and repay all debt issued to build the projects. The measure also authorized RTD to keep a portion of the tax increase after the FasTracks system is built and all debt is repaid, in order to cover the operating costs for the expanded system.

While the increase in the authorized tax rate is fairly straightforward, authorization for debt in Colorado must define the maximum principal amount of debt to be issued and the maximum total debt service costs for such borrowings. Four elements of the financial plan are subject to the TABOR requirements: sales tax revenue bonds, the TABOR Portion of the Service Payment, the DUSPA bond, and cashflow borrowings for the Eagle Project. Any potential TIFIA loan or commercial paper would be subject to TABOR if these are added to the plan at a future date. All of the estimated principal and interest for these items are included in the voted authorization. However, the allocation of principal and interest among these various financing mechanisms is subject to change. The total amount of principal and debt service the voters authorized in 2004 is shown in Table 13.



Table 13
TABOR Authorization
Revenue Bonds, Commercial Paper and TIFIA Issuances
(Dollars in Thousands)

Principal	\$3,476,872
Total Debt Service	\$7,129,398

As with any long range capital improvement plan, the actual implementation of the Plan is dependent on project costs, inflation factors, revenue trends, and interest rate environment in the future. These factors can never be predicted over a ten year horizon with exact precision. For this reason, the Plan reflects contingencies, both in interest rates and project costs.

The Plan also assumes that Federal grants will be received approximately two years in arrears of project expenditures. To the extent Federal funding is provided on a timelier basis, some of the debt assumed in the Plan may become unnecessary.

The current financial plan assumes the passage of an additional 0.4% sales and use tax increase commencing in January 2013 to fund the balance of the FasTracks program. As required by TABOR, the RTD Board of Directors would need a vote to place the question in front of the voters at a general election, and the voters would need to pass the ballot initiative. At that time, the Board would review the authorized debt limits and determine the additional debt authorization request to include in the ballot issue.