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6.0 FINANCIAL ALTERNATIVES

This chapter discusses the financial ability of the Regional Transportation District (RTD) to construct and operate the West Corridor light rail transit (LRT) project. The chapter describes the sources of revenue available to RTD, the costs of constructing and operating the project, potential funding alternatives and associated project implementation timeframes.

6.1 REVENUES

RTD receives revenues from a number of sources. Sources of revenue to RTD include sales and use taxes, transit fares, advertising revenues, interest income on eligible funds and federal assistance. Since 1992, RTD's revenues have more than doubled from an annual total of \$156 million to \$323 million in 2002. **Table 6-1** shows a recent history of annual revenues by source.

Table 6-1: Revenues by Source – (1992 to 2002 Actual – Dollars in Thousands)

Year	Operating Revenues	Sales/Use Tax	Federal Assistance	Interest	Other Income	Total Revenue
1992	\$27,381	\$108,389	\$6,942	\$12,077	\$1,220	\$156,009
1993	\$29,225	\$121,611	\$8,617	\$10,601	\$1,036	\$171,090
1994	\$29,176	\$134,431	\$7,252	\$5,632	\$2,225	\$178,716
1995	\$32,610	\$142,214	\$6,924	\$5,286	\$1,488	\$188,522
1996	\$34,506	\$153,807	\$5,233	\$5,900	\$1,836	\$201,282
1997	\$39,919	\$164,565	\$6,829	\$7,148	\$5,557	\$224,018
1998	\$44,823	\$179,990	\$20,415	\$8,206	\$1,560	\$254,994
1999	\$47,626	\$202,303	\$19,440	\$8,286	\$1,251	\$278,907
2000	\$48,921	\$224,182	\$27,554	\$23,867	\$3,221	\$327,745
2001	\$50,641	\$224,648	\$30,204	\$20,606	\$2,406	\$328,506
2002	\$52,613	\$213,668	\$35,096	\$18,815	\$3,493	\$323,685

Source: RTD Comprehensive Annual Financial Reports – Calendar Year 2002

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 multiple year obligation without voter approval unless there are adequate cash reserves. TABOR requires voter approval in advance for any increase in RTD's revenues and spending from one year to the next in excess of the rate of inflation (Consumer Price Index), plus a growth factor based on net increase in the value of new taxable property; any new tax or tax increase; and creation of any multiple-fiscal year direct or indirect debt or other financial obligation without adequate present value cash reserve irrevocably pledged for such obligation.

Revenue kept in violation of TABOR must be refunded to the taxpayers with interest. TABOR also requires creation of an emergency reserve equal to 3 percent of fiscal year spending. By voter approval, RTD is exempt from the revenue and spending limitations of TABOR until December 31, 2005. RTD also has a TABOR exemption through 2026 for debt service, capital and operating expenditures for the Southeast Corridor LRT Project. This exemption remains as long as there is outstanding bond debt for the Southeast Corridor Project or to the year 2026.

6.2 CAPITAL & OPERATING COSTS

The capital and operating costs for the West Corridor project are discussed below.

6.2.1 Capital Costs

Current estimates indicate the project could be constructed over a period of three years following final design. Total capital cost for the West Corridor LRT project is estimated at \$493 million in 2002 dollars. The total cost breakdown is estimated in **Table 6-2**.

Table 6-2: Capital Cost Breakdown

Component	Cost	Percentage
Construction	\$255 million	52%
Vehicles	\$103 million	21%
Park-n-Rides	\$69 million	14%
Right-of-Way	\$50 million	10%
Final Design	\$15 million	3%
Total	\$492 million	100%

Source: 30% Preliminary Engineering Capital Cost Estimate (Parsons, August 2003)

6.2.2 Other Capital Costs

In addition to the capital costs for the West Corridor LRT project, RTD's baseline cash flows will provide for the replacement of bus, LRT vehicles and *Americans with Disabilities Act* vehicle fleets required to meet vehicle replacement schedules and expansions of existing service. Other capital expenditures will include improvements to park-n-Ride and bus maintenance facilities. Projected vehicle and facilities costs and other capital investments are programmed as part of RTD's *Transit Development Program* to keep RTD's capital assets in a state of good repair.

6.2.3 Operating & Maintenance Costs

As part of the financial plan for the West Corridor LRT project, RTD will program funds for the annual operation and maintenance of the project. Projected costs will be dependent on the project's opening year. Operation and maintenance costs for the West Corridor LRT have been forecast for the year 2025 based on 2002 dollars and total \$16,291,000, including both LRT and bus modes of transportation for the entire RTD system (Padron 2003).

6.3 PROJECT FUNDING ALTERNATIVES

In August 2002, RTD adopted its *2003-2008 Transit Development Plan* and projected revenues through 2025 based on past experience (see Table 6-1), current trends and future forecasts. At that time, RTD estimated that it was possible to construct the West Corridor LRT from 2015 to 2019 with service beginning in 2020 within available forecasted revenues and contingent on RTD Board approval. These projections are used in the Draft EIS.

Subsequent to August 2002, the local Denver area economy has experienced a substantial reduction in local consumer spending and associated sales tax revenues. RTD has re-evaluated its revenue forecasts and the impact that lower revenues will have on the construction of the West Corridor project. Preliminary findings indicate that the West Corridor project could not be constructed until after 2025 using existing revenue projections.

The RTD Board of Directors is considering these issues as they consider adopting the *FasTracks Plan* in October 2003.

The *FasTracks Plan* is RTD's regional transit expansion program. RTD has forecasted that with a possible voter approved sales and use tax increase of 0.4 percent to a total of 1 percent, the West Corridor LRT could open for service as early as 2010.

Federal assistance alternatives under consideration include the FTA New Starts grant program and the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, which could be combined with either the existing local revenues scenario, or the FasTracks program following voter approval. Specific federal assistance program decisions are dependent upon the outcome of the proposed FasTracks referendum, currently anticipated to occur in November 2004.

6.4 PROJECT PHASING ALTERNATIVES

A third scenario could involve phasing the construction of the project. The actual financial plan that is developed and approved by the RTD Board to implement the West Corridor LRT Project may not include funds adequate to construct the full project under one construction contract. Consequently, the West Corridor LRT project could be built in phases. If constructed in phases, an interim end-of-line station may be identified. The availability of additional dollars would determine the construction of subsequent phases.