Staff Draft Initial Report – Board Resolution on Finishing FasTracks and NW Peak Service Plan

June 14, 2019
• Directs RTD staff on the following:
  – Investigate and research all reasonable cost-saving measures for construction and operation of the unfinished FasTracks corridors including creative funding mechanisms
  – Outline proposed steps to move forward on the unfinished corridors
  – Outline proposed steps to move forward on the Northwest Rail Peak Service Plan
  – Report back to the Board within 60 days
Draft Initial Report

• Draft Initial Report represents the beginning of an iterative process with the Board regarding possibilities for the advancement of the unfinished corridors – it does not contain recommendations.

• The ideas, opportunities and approaches outlined in this report are illustrative and conceptual and will provide a framework to facilitate constructive dialogue with the Board, stakeholders and the public.

• Staff approached this report in a forward-thinking manner, exploring various possibilities in meeting the Board’s directive.
The financial scenarios are based on the most recent sales and use tax forecast provided by the CU Leeds School of Business (March 2019)

The forecasts provided by the CU Leeds School of Business will change as future updates are prepared

The forecasts and conclusions presented focus on the FasTracks financial plan

Financial scenarios are subject to change with Board adoption of RTD mid-term Financial Plan, long range plan (2050 horizon) and 2020 budget

All scenarios assume year of expenditure dollars and ongoing operations, maintenance and vehicle replacement costs
Observations

• No Base System funds are available to support the unfinished corridors
• No Base System Funds are available to loan to the unfinished corridors
• There is no capacity to support Base System bus or rail service increases at this time
• The Base System unrestricted fund balance under all scenarios presented is negative between the years 2021 and 2049
The FasTracks Investment

• RTD has completed 75% of the FasTracks program
  – 7 transit corridors, plus 1 opening in 2020
  – Denver Union Station redevelopment

• The original FasTracks budget was $4.7 billion

• RTD has actually invested more than $5.6 billion after enduring much higher construction materials costs and much lower-than-projected sales tax revenues (approximately $1 billion) due to the Recession

• Established the FasTracks Internal Savings Account (FISA) in 2013, capped bus service increase in 2013
## Snapshot of Unfinished Corridors

- Capital and Annual O&M Costs, and Ridership of Unfinished Corridors

<table>
<thead>
<tr>
<th>Corridor</th>
<th>Project Description</th>
<th>Daily Ridership Opening Year Forecast* (see report)</th>
<th>Capital Cost (millions in 2018 dollars)</th>
<th>Annual O&amp;M (millions in 2018 dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Rail Extension</td>
<td>30th &amp; Downing – 38th &amp; Blake</td>
<td>3,200</td>
<td>$140.0</td>
<td>$2.6</td>
</tr>
<tr>
<td>North Metro Completion</td>
<td>124th Ave – SH 7</td>
<td>3,100</td>
<td>$280.0</td>
<td>$3.6</td>
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<tr>
<td>Northwest Rail (Westminster – Longmont)</td>
<td>Peak Service Plan** (see report)</td>
<td>800</td>
<td>$708.2</td>
<td>$14.0</td>
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<tr>
<td></td>
<td>Full Service</td>
<td>4,100</td>
<td>$1,500.0</td>
<td>$20.6</td>
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<tr>
<td>Southwest Extension</td>
<td>Mineral Ave – C-470 &amp; Lucent Blvd.</td>
<td>3,700</td>
<td>$170.0</td>
<td>$3.2</td>
</tr>
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</table>
FasTracks Funding Scenarios

• Three concepts modeled, each with various scenarios, no recommended priorities
  1) No New Bonding Authority or Funding
  2) TABOR Election for Additional Bonding
  3) TABOR Election with Bonding and Sales and Use Tax Increase
Funding Scenarios – Concept 1

1) No New Bonding Authority or Funding

• Certificates of Participation (COPs) used to fund replacement of vehicles

• Scenario 1a sequences Unfinished Corridors starting with least expensive corridor first in order to accelerate as many projects as possible (C 2039, SW 2040, NM 2041)
  – Does not finish NWR Peak Service Plan or NWR Full Service Plan before 2050 horizon

• Scenario 1b sequences the NWR Peak Service first in 2042; no other corridor complete by 2050 horizon
2) TABOR Election for Additional Bonding

- TABOR election held prior to 2032 authorizing additional bonding authority; COPs to fund replacement of vehicles

- **Scenario 2a** sequences the Unfinished Corridors starting with least expensive corridor first (C 2037, SW 2038, NM 2039, NWR Peak 2048)
  - Does not finish NWR Full Service Plan by 2050 horizon
2) TABOR Election for Additional Bonding

- **Scenario 2b** completes NWR Peak Service Plan first in 2042; other corridors by 2049 (C 2047, SW 2048, NM 2049)
  - Does not finish NWR Full Service Plan by 2050 horizon

- **Scenario 2c** tests capacity to finish NWR Full Service Plan by 2046
  - Does not finish any other Unfinished Corridors by 2050 horizon
3) TABOR Election with Bonding and Sales Tax Increase

- TABOR election held in 2021 authorizing both additional sales and use tax and additional bonding authority; no need for COPs
- All scenarios finish all Unfinished Corridors by 2040
- **Scenario 3a** assumes a 0.1% sales and use tax increase; NWR Peak Service Plan sequenced first by 2026; last corridor is NWR Full Service Plan by 2039 (C 2027, SW 2032, NM 2035)
3) TABOR Election with Bonding and Sales Tax Increase

• **Scenario 3b** assumes a 0.1% sales and use tax increase; sequences Unfinished Corridors starting with least expensive first, finishing with NWR Full Service by 2032 (C 2026, SW 2027, NM 2028)
  – NWR Peak Service not completed to allow for completion of all other corridors in their entirety

• **Scenario 3c** assumes a 0.1% sales and use tax increase and issuing more bonds with more debt; completes NWR Peak Service first by 2026; last corridor is NWR Full Service by 2037 (C 2027, SW 2028, NM 2030)
3) TABOR Election with Bonding and Sales Tax Increase

- **Scenario 3d** assumes a 0.15% sales and use tax increase; sequences corridors starting with least expensive first, finishing with NWR Full Service by 2032 (C 2026, SW 2027, NM 2028); supports additional funding for Base System as well
  - NWR Peak Service not completed to allow for completion of all others

- **Scenario 3e** assumes a 0.1% sales and use tax increase; 3-year delay in delivery; sequences corridors starting with least expensive first, finishing with NWR Full Service by 2035 (C 2029, SW 2030, NM 2031); supports additional funding Base System as well
  - NWR Peak Service not completed to allow for completion of all others
In addition to the funding scenarios presented, staff believes other strategies are worth exploring. They include:

- Federal New Starts and Small Starts Grants (see report for analysis)
- Federal loan/finance options (TIFIA, RRIF, Private Activity Bonds, Transit Grant Anticipation Revenue Vehicles)
- Stakeholder cash/loan/private equity contributions
- Tolled roadway facilities
- Vehicle Miles Travelled (VMT) tax
- Parking charges
- Fees on other transportation modes/delivery models
- Fees for access to anonymized RTD trip data
- Property tax special assessment district
Funding, Finance and Revenue Options

• Other funding strategies – continued:
  – Development impact fees
  – Additional Marijuana tax
  – State-level transit and rail funds
  – Sale or lease of air rights over RTD stations
  – Lease rights-of-way to private entities

• Federal-level funding and finance proposals explored, but aren’t available under current law or policies:
  – Investment tax credits
  – Revive Projects of National and Regional Significance funding program
  – Earmarks in next infrastructure/surface transportation bill
Summary

• This is a Draft Initial Report on possibilities – not recommendations – the beginning of an iterative process
• All scenarios are options for Board consideration and can be revised and refined
• These concepts are designed to facilitate dialogue with the Board, regional stakeholders and the public
Next Steps

• Board review and consideration
• Board input, feedback and discussion on Draft Initial Report and concepts – July 9 Board Finance Administration and Audit Committee Meeting
• Refinement of possibilities and concepts based on Board direction
Questions?