



# **Regional Transportation District FasTracks Financial Plan**

April 22, 2004

## Executive Summary

The Regional Transportation District (the “District” or “RTD”), has developed a comprehensive \$4.7 billion Plan, known as “FasTracks” for addressing mobility needs in the metropolitan Denver region over the next twelve years. The ability to implement the FasTracks plan depends on a variety of financial assumptions and projections that have been developed using the best available current 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 build-out of twelve years specific cost items, federal and other contributions, and RTD revenues may vary. 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 previously. RTD cannot guarantee that each separate assumption will be met, and expects that over a twelve year time-frame, certain adjustments and modifications will be required. This section 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 Plan offers a comprehensive, region-wide approach to transit development.

Under the Plan, 40 miles of Light Rail, 79 miles of Commuter Rail and 18 miles of Bus rapid transit improvements will be developed between 2005 and 2017.

Base bus service levels will increase by 1% per year between the years 2006 and 2020, and by 1.5% per year between 2021 and 2025. Overall, 2025 bus revenue service hours will increase by 30% over 2003 service levels.

In order to finance the Plan, the District will seek voter approval for a 0.4% increase in the regional sales and use tax. This will bring the total transit tax rate in the District to 1%, comparable to other areas in the Western United States with urban rail systems.

The Plan also anticipates \$815.4 million in Federal discretionary new start grant funding in conjunction with \$110.0 million in other Federal grant funding, and contributions from local jurisdictions benefiting from transit in an amount equal to 2.01% of total project costs or \$95.03 million system-wide.

In addition to Federal grants, the Plan assumes a loan from the US DOT under the Transportation Infrastructure Finance and Innovation Act of 1998 (“TIFIA”) program in the amount of \$142.7 million.

Table 2-1 summarizes the sources of funds expected to pay for the Plan’s \$4.7 billion of project expenditures:

**Table 2-1  
 FasTracks  
 Estimated Sources of Capital Funds  
 (Year of Expenditure \$ in Thousands)**

<b>Source</b>	<b>Amount</b>	<b>Percentage of Total Cost</b>
Bond Proceeds	\$ 2,365,850	50.16%
COPs Proceeds	203,098	4.31%
TIFIA Loan	142,701	3.03%
Pay as you go Cash	984,959	20.88%
Federal New Start Grant		
Revenues	815,426	17.29%
Other Federal Grant Revenues	110,000	2.33%
Local Funding	95,028	2.01%
<b>Total</b>	<b>\$ 4,717,062</b>	<b>100.00%</b>

In order to accomplish the Plan within the twelve-year schedule, a voter-approved Taxpayer Bill of Rights (TABOR), authorization of \$3.477 billion in principal and \$7.129 billion in total debt service must be obtained.

## The Plan – Projected Capital Costs

The District has proposed a \$4.7 billion Plan designed to transform urban mobility opportunity in the metropolitan Denver region within a twelve-year period. Unlike the traditional corridor-by-corridor approach, usually highly dependent on external funding from the Federal government, the District'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 District population to 3.39 million in 2025.

Integral to the Plan is the ability to simultaneously improve mobility throughout the region. This approach will not only address congestion needs, but will also provide an unprecedented economic stimulus to the region, providing a measure of protection against recession through 2017.

The Plan includes six new multi-modal corridors involving light rail, commuter rail and bus rapid transit improvements. Base bus service levels will increase by 1% per year between the years 2006-2020, and by 1.5% per year between 2021 and 2025. Overall, 2025 bus revenue service hours will increase by 30% over 2003 service levels. Significant expansions to the existing Southwest, Southeast, Central Platte Valley and Central corridors, parking enhancements and additional buses and LRVs for the current system are also funded.

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

<b>Table 2-2 FasTracks Projected Capital Costs by Corridor (Year of Expenditure \$ in Thousands)</b>	
<b>Corridor</b>	<b>Capital Cost</b>
	\$
Central Corridor/CPV Enhancements	118,442
East Corridor	702,108
Gold Line	463,455
I-225 Corridor	442,320
North Metro Corridor	428,104
Southeast Corridor Enhancements	183,020
Southwest Corridor Enhancements	164,058
US 36 Corridor/Longmont Extension	791,370
West Corridor	508,231
Other Items (Facilities, Denver Union Station, etc.)	915,954
	\$
<b>Total</b>	<b>4,717,062</b>

# Revenues

## Sales and Use Tax

Since inception, the primary funding source for the District has been a sales and use tax imposed on transactions within the District boundaries. Effective January 1, 1974, the District imposed a tax equal to 0.5%. On May 1, 1983, the tax was increased to 0.6% or six-tenths of one percent and the tax base was adjusted. The current tax generates revenues of \$210.447 million annually (2003).

As seen in Table 2-3, although revenues are down in 2002-2003, the District has experienced sales tax growth over the past decade up to 12.4% per annum.

<b>Table 2-3                      Growth in Sales/Use Tax Revenues                      1992-2003                      (Dollars in Thousands)</b>		
<b>Fiscal Year</b>	<b>Sales/Use Tax Revenues</b>	<b>Percentage Growth</b>
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%)

Source: RTD Comprehensive Annual Financial Reports for years ended December 31, 1992-2003

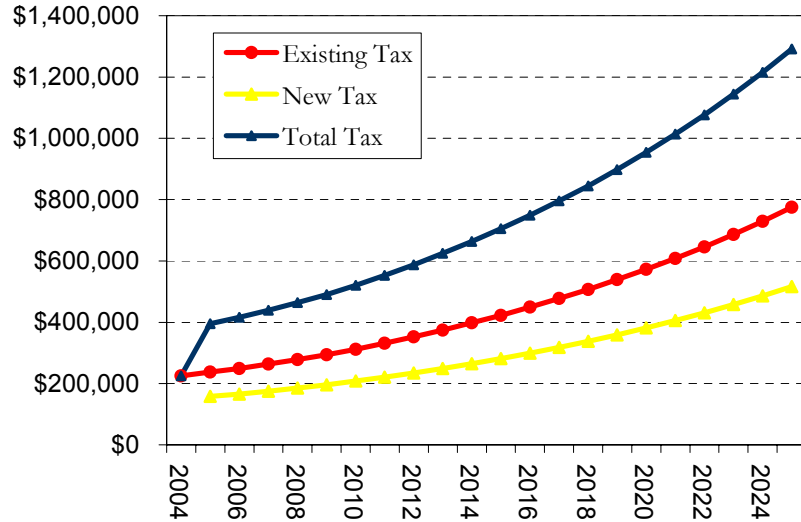
In November, 2003, voters in the City of Lone Tree approved annexation into the RTD District. In February, 2004, the RTD Board of Directors annexed the Park Meadows Mall into the District. The sales and use tax forecasts assume that RTD will begin collecting sales and use tax from Lone Tree as of January 1, 2004, and from Park Meadows as of July 1, 2004. This results in an increase of \$4.758 million to RTD's base collections in 2004, and an additional increase of \$1.257 million to RTD's base collections in 2005.

Fundamental to the Plan, is the assumption of a voter-approved increase in the sales and use tax during the November, 2004 election of an additional 0.4%. This would bring the total sales tax rate to 1%, equal to that imposed for transit in Dallas, Houston, and Los Angeles, Santa Clara, San Mateo Counties in California, and the total sales taxes for transportation in the San Francisco Bay Area Counties of Alameda, Contra Costa, and San Francisco.

The 0.4% tax is assumed to be effective on January 1, 2005, and would initially generate an additional \$158.2 million in sales and use tax revenues annually. Both the new incremental tax and revenue from the existing tax are used to fund the Plan.

Figure 2-1 demonstrates the revenue potential from sales tax for the Plan:

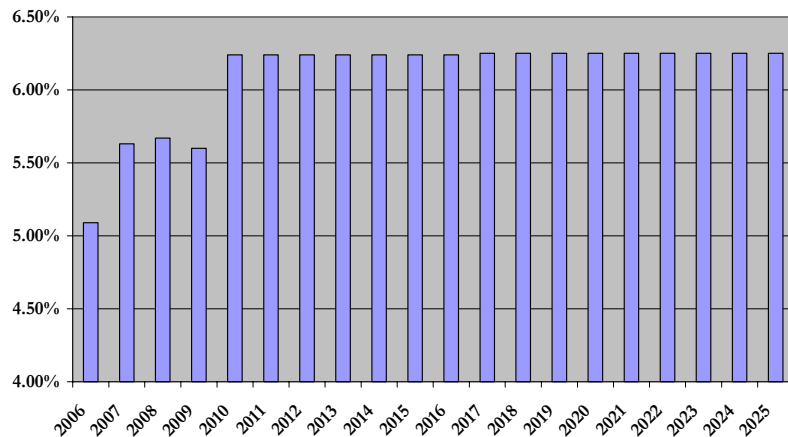
Figure 2-1  
 Projected Sales/Use Tax Revenues  
 2004-2025  
 (Dollars in Thousands)



The sales tax growth rates used by RTD to project revenue growth in the plan are based on two sources. Sales tax growth projections from 2004 through 2009 were based on the Colorado Legislative Council (CLC) forecasts. The sales tax growth rates for the years 2010 through 2025 were provided by AECOM which based their forecasts on data from the Center for Business and Economic Forecasting (CBEF). CLC growth forecasts, while for the entire state, are used in the report because the Denver region constitutes over half the population of the state.

Assumed growth rates are shown in Figure 2-2:

Figure 2-2  
 Projected Sales/Use Tax Growth  
 2005-2025 (Dollars in Thousands)



## **Local Contributions**

Beginning with the Central Platte Valley and the Southeast Corridor project, the District 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 impacted jurisdictions will contribute an amount in aggregate equal to 2.5% of the eligible corridor costs, which equates to 2.01% of total project costs. On a plan wide basis, the amount of this contribution is estimated to total \$95.03 million.

The source of funding for the local contribution is at the discretion of each local jurisdiction. Local contributions could 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 benefits from transit development in terms of 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. It further formalized the 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 the results of both analyses, 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 shall be reported annually to the general public.

Furthermore, the sixth point in the approved resolution reads as follows: "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 proves for timely implementation."

## **Federal Funding**

Both the Southwest and the Southeast corridor projects were undertaken 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" or FFGA. The Agreement sets forth the maximum amount of the Federal contribution, and the percentage of federal funding. In the case of the Southwest Corridor, the federal New Start percentage was 68% and in the case of Southeast the Federal percentage was 60% of the project costs.

The Plan assumes that only three corridors, the East, West and Gold Line, will seek federal discretionary funding through an FFGA. The total amount of Federal funding is assumed to be \$815.4 million in Federal New Start Grant funds and \$110.0 million of other Federal grant revenues. Of the \$110.0 million, the Plan includes \$50 million in federal assistance from FTA in the form of bus discretionary funds for Denver Union Station or for other bus projects such as vehicles and facilities. In addition, the Plan assumes \$60 million in federal flexible dollars through the DRCOG planning process between years 2010 and 2015 consistent with the District's past receipts. The New Start funding is assumed to equal to 49% of the project costs for each of the corridors.

The District has the option to focus Federal participation in other corridors, or to seek Federal funding for multiple corridors in response to Federal policy initiatives or funding availability in the future. The Federal transit program is currently subject to reauthorization. As with prior reauthorizations, the level of federal match is subject to change by the Congress. Although the statutory local match has been at 20% for some time, the practical match for competitive projects has been historically near the 40% level. Congress may change the statutory match in subsequent reauthorizations. Federal receipts are assumed to be capped at a reasonable appropriation level based on past RTD receipts of New Start Grant Funding and current Federal funding practices. Therefore the financial plan has accounted for instances when the Federal funding is received after the year in which the costs are incurred.

## **Interest Earnings**

During the construction period, the District will accumulate balances of both sales tax revenues as well as bond proceeds awaiting expenditures. In developing the Plan, debt issuances were scheduled every two years to allow the District to take advantage of federal arbitrage rules generally allowing local issuers to keep positive interest earnings if all bond proceeds are expended within a designated two-year test.

The Plan assumes investment revenues will be earned at a rate equal to 4.0%. Thus, with the exception of the variable rate debt, we have not assumed any net positive arbitrage on bond proceeds. Any such earnings would act as either additional revenues or as an offset against higher borrowing costs.

Sales tax cash balances have been managed to ensure a projected minimum of \$25 million in the Transit Development Reserve at the end of each year.

Between 2005 and 2017, investment earnings are projected to total \$234.34 million.

## **Farebox Revenue Forecasts**

### **Base System**

Base system farebox revenues were based on the forecast contained in RTD's 2004 Adopted Budget. This forecast was based on the 2003 Amended Budget forecast of farebox revenues, adjusted for the fare increase that occurred on January 1, 2004, and the additional service provided as of January 1, 2004 with the annexation of the city of Lone Tree into the RTD District.

Farebox revenue forecasts for the base system for the years 2005-2025 assumed growth based on population growth and service growth. 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 systemwide average revenue per service hour with each increased hour of bus service provided. These adjustments were initially applied in constant 2004 dollars.

### **FasTracks Corridors**

For the FasTracks corridors, RTD prepared travel forecasts for the horizon years of 2015 and 2025. Both forecasts assumed the full build-out of the FasTracks rapid transit system. Although some lines open later than 2015, these forecasts allowed RTD to understand ridership growth as a result of population and employment growth between those horizon years.

Second, RTD combined the construction schedule with the forecasts. Passenger fare revenues were assumed to start six months after operating costs are incurred. This reflects the fact that each corridor will incur operating costs for six months of testing and start-up, before passenger fares are collected.

Third, existing average fares paid by class of service were applied to the ridership forecasts for each corridor in constant 2001 dollars. Based upon the forecast boardings by station, RTD estimated the percentages of riders on each corridor expected to be paying local, express, regional, and skyRide fares. Table 2-4 shows the 2001 average fare paid by class of service.

<b>Table 2-4 RTD Average Fare by Service Class 2001 Dollars</b>	
<b>Service Class</b>	<b>Average Fare Paid</b>
Local	\$0.55
Express	\$1.30
Regional	\$2.02
skyRide	\$2.06

Applying the average fare paid by service class to the forecast boardings by station and distance from downtown Denver, the average fares per boarding shown in Table 2-5 were generated for each corridor:

<b>Table 2-5 FasTracks Average Fare Paid by Corridor 2001 Dollars</b>	
<b>Corridor Segment</b>	<b>Average Fare Paid</b>
Central	\$0.55
Southwest	\$1.13
Southwest Extension	\$1.13
Central Platte Valley	\$0.93
Southeast without Lone Tree	\$1.15
Lone Tree	\$1.15
West	\$0.61
US 36 Rail	\$1.74
US 36 BRT	\$1.72
East	\$1.49
40 <sup>th</sup> /40 <sup>th</sup> Extension	\$0.55
I-225	\$0.96
North Metro	\$1.03
Gold Line	\$0.63

The travel forecasting model produces daily ridership estimates. The fare recovery rates are applied, then the daily fare totals are annualized. The annualization factor was adjusted to ensure that it did not overestimate fare revenues for existing years of 2001 and 2002, and also cross-checked for reasonableness. The Federal Transit Administration allows annualization factors of up to 300x daily ridership in the Federal New Starts process. FasTracks was calibrated at 288x daily ridership from the model, well under the allowable standard.

### **Fare Increases**

The initial farebox revenue projections were developed in constant year dollars, and adjusted to incorporate fare increases to keep pace with inflation. RTD fiscal policies state that RTD's six-year Transit Development Program (TDP) will include periodic fare increases to permit fare revenues to keep pace with cost increases, as measured by the Denver-Boulder Consumer Price Index (CPI-U). Over the past 15 years, the timing of these increases has ranged from annually, as in the years 2002-2004, to an eight-year period between the 1989 and 1997 fare increases.

The 2004-2009 TDP, as adopted by the Board of Directors in August 2003, assumed fare increases in 2006 and 2009 to keep pace with inflation. These fare increases were assumed to yield an 8%

increase in fare revenue after any ridership loss caused by the fare increases. The FasTracks farebox revenue forecasts assume that these fare increases will be implemented, and that similar fare increases will be implemented every third year after 2009. Therefore, the constant dollar revenue forecasts were adjusted to nominal dollars by assuming an 8% revenue increase every third year, beginning in 2006.

## Debt Financing Requirements

Not surprisingly, a plan to accomplish \$4.7 billion in transit development over twelve years requires significant debt financing.

Historically, the District has utilized two primary debt-financing techniques: Sales Tax Revenue Bonds and Certificates of Participation (COPs). This section describes a possible scenario for utilizing these methods of financing, along with other borrowing methods including commercial paper and federal loans. Provided RTD keeps within voter approved ballot authorizations for debt and repayment, RTD may use any combination of legally available financing methods and the amounts set forth in the discussion below are subject to change.

The District currently has \$273,415,000 in sales tax bonds outstanding. 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. Of this amount, \$92.5 million has been issued.

Table 2-6 shows the debt service requirements for the existing bonds, and estimated debt service requirements for the currently authorized bonds.

<b>Table 2-6 Senior Lien Sales Tax Bonds Existing and Upcoming Debt Service Requirements (Dollars in Thousands)</b>			
<b>Year</b>	<b>Existing Bonds</b>	<b>Series 2004 (Estimated)</b>	<b>Total Debt Service</b>
2004	\$28,870	\$1,019	\$29,889
2005	28,858	6,114	34,972
2006	27,377	6,114	33,491
2007	27,382	6,114	33,496
2008	27,376	10,524	37,900
2009	25,380	10,522	35,902
2010	25,387	10,524	35,911
2011	25,756	10,523	36,279
2012	25,754	10,523	36,277
2013	18,922	10,524	29,446
2014	18,920	10,525	29,444
2015	18,922	10,525	29,447
2016	18,918	10,524	29,442
2017	18,916	10,525	29,441
2018	18,920	10,523	29,443
2019	18,919	10,522	29,441
2020	18,921	10,526	29,447
2021	13,435	10,523	23,958
2022		10,523	10,523
2023		10,524	10,524
2024		10,525	10,525
<b>Total</b>	<b>\$406,934</b>	<b>\$198,264</b>	<b>\$605,198</b>

Of the \$118.5 million authorized commercial paper, it is estimated that \$92.5 million will be issued, with interest debt service on the CP estimated to be \$3.1 million annually and the principal scheduled to be retired between 2006 and 2008.

The District has used COPs, which are a form of lease purchase debt for financing buses and rail vehicles. COPs are not secured by a pledge of the sales tax revenues themselves, but represent a lease secured by the equipment and the District's commitment to appropriate payments in each annual budget.

Table 2-7 shows the current debt service requirements related to the District's outstanding and projected COPs:

<b>Table 2-7 Existing and Projected Certificates of Participation Debt Service Requirements (Dollars in Thousands)</b>			
<b>Year</b>	<b>Base Rentals</b>	<b>Series 2016(Estimated )</b>	<b>Total Debt Service</b>
2004	\$21,218		\$21,218
2005	21,213		21,213
2006	21,212		21,212
2007	21,213		21,213
2008	21,206		21,206
2009	21,198		21,198
2010	21,197		21,197
2011	21,191		21,191
2012	21,195		21,195
2013	15,907		15,907
2014	17,115		17,115
2015	17,355		17,355
2016	17,375	\$915	18,290
2017	17,302	5,591	22,893
2018	17,317	5,588	22,905
2019	17,333	5,590	22,923
2020	17,348	5,587	22,935
2021	22,859	5,580	28,439
2022	42,833	5,579	48,412
2023		5,577	5,577
2024		5,576	5,576
2025		5,574	5,574
2026		5,572	5,572
2027		5,569	5,569
2028		5,566	5,566
<b>Total</b>	<b>\$393,587</b>	<b>\$67,864</b>	<b>\$461,451</b>

Note: This table reflects the debt service schedule shown in the COP documents.

The Plan assumes that new debt authorization will be sought from the voters in 2004. Bonds to finance the Plan will be secured by the full 1% sales tax that will then be in effect.

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

Sales tax revenue bond issues totaling \$2.52 billion have been projected in accordance with the schedule in Table 2-8:

<b>Table 2-8</b> <b>Projected Senior Lien Sales Tax Bond Issuances</b> <b>FasTracks Related</b> <b>(Dollars in Thousands)</b>	
<b>Year</b>	<b>Par Amount</b>
2007	\$205,270
2009	693,225
2011	819,775
2013	800,225
<b>Total</b>	<b>\$2,518,495</b>

Bond issues are staggered in two-year increments in order to reduce costs associated with issuance and to provide the opportunity for the District to take advantage of arbitrage earnings opportunities. Bonds are assumed to be issued on a fixed rate basis, but this is not required. An assumed TIC (True Interest Cost) of 6.354% representing current rates plus a margin in excess of 100 basis points was used in the Plan. For Plan purposes, all bonds were assumed to be issued on January 1 of their respective years of issuance and have a thirty year maturity.

An additional \$213.5 million in debt was assumed to be issued as COPs. COP debt service is not covered by TABOR restrictions.

Expected COP issuances related to the Plan are shown in Table 2-9:

<b>Table 2-9</b> <b>Expected COP Issuances</b> <b>FasTracks Related</b> <b>(Dollars in Thousands)</b>	
<b>Year</b>	<b>Par Amount</b>
2011	\$76,625
2013	106,025
2015	11,350
2017	19,450
<b>Total</b>	<b>\$213,450</b>

In the Southeast Corridor Plan, the District addressed the problem of lagging Federal grant receipts through the creation of a commercial paper program. Commercial paper allows the District to provide short term, interim financing of the Federal cash flow and thus keep the project on schedule.

While it is currently impossible to predict the ability of the FTA to meet its cash flow requirements in the 2007-2017 timeframe, it is highly probable that some form of interim financing will be required.

As with the Southeast Corridor Plan of Finance, a Tax Exempt Commercial Paper Program (CP) is recommended as an interim funding vehicle to ensure delays in the receipt of Federal Funds do not delay the construction of the corridors.

Commercial paper is a commonly used financing tool that allows issuers to “ramp-up” their debt for a term ranging from one day to 270 days. This flexibility makes it possible for issuers to keep the debt

outstanding for only the time it is needed, until permanent funds are received. In recent years, nearly every transit agency undertaking a new start project with federal funding as identified the need for an interim funding vehicle such as commercial paper. Commercial paper may be issued using any legally available technique for rate determination.

In the case of the FasTracks Plan, \$815.4 million of commercial paper is assumed. This will fund expected Federal commitments with the funding schedule varying for each corridor. In other words, the Plan allows federal support to lag the project cash flow requirements without delaying the construction schedule.

## **TIFIA Loan**

TIFIA, or the Transportation Infrastructure Finance and Innovation Act of 1998 provides a new source of project financing to eligible projects. Under the provisions of TIFIA, the US DOT can provide direct loans, credit enhancement or lines of credit.

To date, TIFIA has approved financing instruments totaling \$3.59 billion for 11 projects. Transit projects that have utilized TIFIA include Washington Metro, the Tren Urbano project in Puerto Rico, the Staten Island Ferries, Miami Intermodal Center and the New York Penn Station renovations.

Eligible projects must meet some specific federal criteria. These include the following:

- Project must be at least \$100 million
- TIFIA support 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 tax sources
- Project sponsors senior debt must be investment grade

In the case of the Plan, we have recommended a loan in the amount of \$142.95 representing 33% of the North Metro project costs. (The District may choose to program a different corridor for federal participation depending on project delivery strategy at the time of implementation).

The advantage of the TIFIA program is it allows the District to borrow on a subordinate basis to its other debt. The financing rate is based on the 30-year Treasury bond rate, which is currently 5.07%. (The basis of the rate will be related to a spread over the SLGS rate as Treasury phases out the 30-year bond but will be comparable). For purposes of this plan a 6.00% TIFIA rate was assumed.

Repayment of the loan may be deferred to accommodate senior debt requirements and amortized over 35 years. Loans may also be repaid early without penalty. While the interest rate is higher than traditional tax-exempt debt, it is low compared to other deeply subordinate debt options and it provides excellent flexibility.

The current federally adopted selection criteria for TIFIA projects include the following eight elements:

- (1) The extent to which the project is nationally or regionally significant, in terms of generating economic benefits, supporting international commerce, or otherwise enhancing the national transportation system (20 percent);
- (2) The creditworthiness of the project, including a determination by the Secretary that any financing for the project has appropriate security features, such as a rate covenant, to ensure repayment (12.5 percent);
- (3) The extent to which such assistance would foster innovative public-private partnerships and attract private debt or equity investment (20 percent);
- (4) The likelihood that such assistance would enable the project to proceed at an earlier date than the project would otherwise be able to proceed (12.5 percent);
- (5) The extent to which the project uses new technologies, including Intelligent Transportation Systems (ITS) that enhance the efficiency of the project (5 percent);

- (6) The amount of budget authority required to fund the Federal credit instrument made available (5 percent);
- (7) The extent to which the project helps maintain or protect the environment (20 percent);
- (8) The extent to which such assistance would reduce the contribution of Federal grant assistance to the project (5 percent).

The TIFIA program, like the FTA program is subject to reauthorization, and its availability to provide support to the Plan is dependent on its reauthorization.

## 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 the District 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 the District'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) (ii) any new tax or tax increase.

The Plan is premised on voters approving a ballot issue in the November 2004 election the wording of which was established by the Colorado legislature. It would give the District the necessary authority to issue debt, increase the current tax rate by 0.4% and keep the revenue to build the system. A portion of the tax increase may remain after the system is built, as operating costs for the expanded system may be higher than for the current system.

While the increase in the authorized tax rate is fairly straight forward, the authorization for debt must estimate both the principal amount of debt issued and the expected interest rate for transactions extending through 2013. COPs have not been treated as debt subject to TABOR approval by the Colorado courts and they are not included in the voter authorization.

There are three elements of the financial plan subject to the TABOR requirements: fixed rate bonds, commercial paper and the proposed TIFIA loan. All of the estimated principal and interest for these items are included in the amounts the voters will be asked to approve. How the principal and interest is allocated among these different financing mechanisms is subject to change. The total amount of principal and debt service the voters will be asked to approve is shown in Table 2-10.

<b>Table 2-10</b> <b>TABOR Authorization</b> <b>Revenue Bonds, Commercial Paper and TIFIA Issuances</b> <b>(Dollars in Thousands)</b>	
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 thirteen year horizon with exact precision.

For this reason, the Plan reflects significant contingencies. For example, the project cost estimates contain a price contingency. Interest rates have been assumed to be over 150 basis points higher than the Colorado municipal market data tax exempt current market rate of 4.81%. Variable interest rates have been assumed to be more than 200 basis points over the current Bond Market Association (BMA) index rate of 1.02%.

The FasTracks cost estimates also include contingency factors to account for unforeseen changes in project scope or unit cost increases beyond general rates of inflation. The contingency was applied to the items with the greatest risk factors for unforeseen cost changes, with factors varying by the assessment of potential risk. Table 2-11 shows the overall contingency factors by cost element.

<b>Table 2-11  FasTracks  Contingency Factors by Cost Element</b>	
<b>Cost Element</b>	<b>Contingency Factor</b>
Construction Costs	25%
Right-of-Way Costs	63%
Vehicle Costs	13%

Thus, the FasTracks cost estimates used in the cash flow already include a total of \$573 million in uninflated dollars for contingency.

The Plan also automatically assumes that Federal grants will be received two years after initial eligibility. To the extent Federal funding is provided on a more-timely basis, some of the debt assumed in the Plan will be unnecessary.

Should the District be faced with a significant economic recession, or find project costs are substantially higher than are currently estimated, and that such costs exceed the contingency budget, the District has several options to address this situation. These include delaying projects, modifying the scope of certain projects, seeking additional Federal or local funding or seeking additional voter approved funding options. Prior to taking any of these actions, the Board will hold full and complete public hearings and provide sufficient notice to the stakeholders in the region.