RTD FASTRACKS

FasTracks Annual Program Evaluation Summary 2008

OVERVIEW

Each year, the Regional Transportation District (RTD) conducts a comprehensive evaluation of the entire FasTracks program. The 2008 Annual Program Evaluation reflects the impacts to the FasTracks program due to unprecedented increases in the cost of construction materials, fuel, and sales tax revenues not keeping pace with projections.

As a result, RTD has adjusted its long-term revenue assumptions and cost escalation factors to adapt to the changing economic conditions. While the cost of delivering FasTracks has risen along with the current market trends, RTD is committed to working with our regional partners, communities and the public who overwhelmingly approved this initiative in 2004 on solutions to these challenges to keep FasTracks moving forward.

COST ESCALATION

When the FasTracks budget was established in 2003, cost and revenue projections were developed based on historic 10- to 20-year averages and reviewed by the Denver Regional Council of Governments (DRCOG) and other regional partners. RTD used a 3.3% Consumer Price Index (CPI) factor in the FasTracks plan because historically, it is the more conservative projection of annual cost escalation. For 20 years, the industry standard was using the CPI for the construction of major projects. RTD successfully built the Central Corridor, Southwest Corridor, Central Platte Valley and Southeast Corridor on time and on budget using this assumption. In the three years following approval of the original FasTracks budget, construction inflation far out-paced the CPI consistently for the first time in 20 years. In 2007, construction costs declined and appeared to be trending back closer to previous levels. For this reason, RTD did not make major adjustments in projection assumptions in the 2007 Annual Program Evaluation. In 2008, construction costs have spiked again, indicating continued future market volatility and necessitating a change to long-term cost projections.

In May 2008, DRCOG in its annual SB 208 Report indicated that costs and revenue market conditions were changing and recommended more conservative projections.

Therefore, RTD has revised cost escalation assumptions through 2035 as follows:

Revised Assumptions

Materials Cost Escalation after 2007

- 2008 = 11.65%
- 2009 = 10.71%
- 2010 – 2012 = 6% / year
- 2013 – 2017 = 5% / year
- 2018 – 2035 = 3.3% / year (CPI)

These assumptions have been compared to various RTD transit peer agencies and are among the most conservative assumptions currently being used in the transit industry. In preparing revised escalation assumptions, RTD contacted the Chief Economist of the Associated General Contractors of America (AGC), Ken Simonson, who reviewed these assumptions and found them reasonable given current market conditions.

REVENUE FORECASTS

When the FasTracks plan was developed, RTD assumed a 6.06% sales and use tax growth rate, which was even more conservative than the 6.3% historic average annual sales tax growth rate from 1980-2002. Applying 20+ years of historic averages in the development of the FasTracks financial plan was appropriate given that FasTracks projected revenues and expenditures over a 20+ year period. This forecast was reviewed and approved by DRCOG, the Metro Mayors Caucus and the Denver Metro Chamber of Commerce.

However, since the plan was developed, a slumping economy has not produced the projected sales tax revenues. RTD has now revised its sales and use tax growth rates, assuming a much more conservative forecast. Forecast assumptions are an annual 1% lower than the average projections of the Colorado Legislative Council and Office of State Planning and Budgeting for 2009-2012, and for 2013-2035 reflect RTD historic per-capita growth, adjusted for CPI and DRCOG-forecasted population growth.

Revised Forecast
Sales Tax Growth after 2007

- 2008 = 2.50%
- 2009 = 2.83%
- 2010 = 3.90%
- 2011 = 4.23%
- 2012 = 4.20%
- 2013 – 2015 = 5.49%
- 2016 – 2020 = 5.76%
- 2021 – 2030 = 5.57%
- 2031 – 2035 = 5.68%

WHERE WE ARE NOW

Applying current market conditions to the FasTracks program has resulted in a major reduction in projected sales and use tax revenues – a $2.8 billion reduction from original projections.

If costs continue to increase at the rates now assumed and long-term revenues continue to remain in a slump, it is estimated that it could cost $7.9 billion to build the FasTracks plan by 2017.

OPTIONS FOR MOVING FORWARD

RTD has three options for delivering FasTracks.

Option 1 – Build what can be afforded by 2017, which would not implement the entire program
RTD would complete the current environmental processes; basic engineering; procurement of railroad right-of-way for all corridors; construct the East Corridor and Gold Line; Denver Union Station; US 36 BRT Phase 1; West Corridor; and the Bus, Commuter Rail, and Light Rail Maintenance Facilities all by 2017.
This assumes $1 billion of federal funding allowing RTD to complete the East Corridor and Gold Line projects without affecting the extent to which the remaining corridors are impacted.
This would mean shortening segments of remaining corridors.
Additional corridor elements would be built if and when economic conditions improve or cost escalation

mitigates in the future.
Option 2 – Stay within voter-approved revenue limits and extend schedule beyond 2017 – Implement full program over time
RTD would complete the current environmental processes; basic engineering; procurement of railroad right-of-way for all corridors; construct the East Corridor and Gold Line; Denver Union Station; US 36 BRT Phase 1; West Corridor; and the Bus, Commuter Rail, and Light Rail Maintenance Facilities all by 2017.
This assumes $1 billion of federal funding, allowing RTD to complete the East Corridor and Gold Line projects entirely without affecting the extent to which the remaining corridors are impacted.
This would shorten segments of remaining corridors.
Under revised assumptions, the program can be completed closer to the 2034 timeframe.
Corridor elements would be accelerated if and when economic conditions improve or cost escalation mitigates in the future.
The longer the program is delayed, the more the costs increase.
Option 3 – Maintain original scope and schedule and seek additional revenue sources
This option could require legislative approval for revenue measure and public vote.
New revenue sources will be required to implement the entire FasTracks program by 2017.
The total cost to do this is estimated at $7.9 billion.
Approaches for new revenue sources include:
Partner with Colorado Department of Transportation for state-wide transportation initiative
Monitor and participate in any Regional Transportation Authority that might be formed in the metro area
Optimize RTD's operating revenues (parking fees, fares, advertising)
Pursue additional RTD regional revenues
Pursue all available federal transportation grant revenues

KEY RECOMMENDATIONS

While critical decision points will depend on the actual cost of the FasTracks Public-Private Partnership effort, cost of railroad right-of-way, cost escalation and actual revenues, RTD staff recommends the following to continue the implementation of FasTracks:

Keep FasTracks on schedule by continuing current project activities
Protect federal funding of $1-billion by proceeding with the Gold Line and East Corridors (combined as a Public-Private Partnership project)
Continue to monitor economic conditions
Develop a comprehensive outreach plan to review FasTracks implementation options with the public and key stakeholders

SEEKING A REGIONAL SOLUTION

As RTD evaluates the best steps for proceeding with FasTracks, the agency will reach out and ask for input from the public and our regional partners. RTD will host 15 public input meetings – one in each of the 15 RTD Board Districts – in September and October. The input provided at these meetings will assist RTD in determining the best options for delivering FasTracks.

As it took a regional effort to create FasTracks, it will take regional cooperation to find solutions to keep FasTracks moving forward. We look forward to working with you, our stakeholders, as we collaborate on delivering more transit at a time when the need for transit investment is at its greatest.