

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
13	06/14/10	Open	Information	05/27/10

Subject: Update and Service/System Recovery Plan for the Blue Line to Cosumnes River College

ISSUE

Update for Blue Line to Cosumnes River College, formerly known as South Sacramento Corridor Phase 2 Project.

RECOMMENDED ACTION

Information

FISCAL IMPACT

None

DISCUSSION

The Blue Line to Cosumnes River College project (Project) will extend Sacramento Regional Transit District's (RT's) light rail service from its existing terminus at Meadowview Road south and east 4.3 miles to Cosumnes River College (CRC). The extension will link the South Corridor, the fastest growing portion of Sacramento County, with Downtown, the northeast Sacramento corridor and Rancho Cordova or Folsom in the east corridor. The project includes four stations located at Morrison Creek, Franklin Boulevard, Center Parkway, and Cosumnes River College. The estimated project cost is \$270 million.

The RT Board certified the Subsequent Final Environmental Impact Report in October 2008 and the Federal Transit Administration (FTA) issued a Record of Decision for the Supplemental Final Environmental Impact Statement on December 18, 2008.

FTA provided notification on December 31, 2009 that RT would not be advanced to the Final Design phase of the Project due to the medium-low rating resulting from the Financial Capacity Assessment (FCA). The FTA report indicates that RT's original Financial Forecast Model (FFM) projections of fare revenues and other tax-based funding (e.g. Measure A sales tax, Transportation Development Act funds) to support operations and maintenance costs may be optimistic. With respect to capital funding, FTA expressed concerns related to the issuance of Certificates of Participation (COPs) and RT's ability to repay the COPs. The Board-approved funding plan includes the repayment of the COPs as an operating expense after the project is completed. The federal appropriations process, to date, has resulted in \$49.4 million in New Starts funding. The current status of the Project does not immediately affect those funds, although availability of such funds may need to be extended if FTA does not allow the project to advance to subsequent phases.

Approved:

Presented:

FINAL 6/8/10

General Manager/CEO

AGM, Engineering and Construction

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Staff has updated the FFM to reflect the most current information. On April 26, 2010, the Governor signed legislation that would ensure State Transit Assistance funding at a level of \$400 million statewide through fiscal year (FY) 2011 and \$350 million annually thereafter. This translates to an annual appropriation to RT of approximately \$9 to \$11 million.

On May 13, 2010, the Sacramento Transportation Authority Board adopted a budget predicated on a flat revenue projection for FY 2011 as compared to FY 2010. This is a significant change from the previous FFM submission which showed an expected decrease of 14% in Measure A for FY 2011. Additionally, as suggested in the FCA Spot Report, a more moderate growth rate for the Measure A, Transportation Development Act, and fare revenues has been incorporated into the FFM.

The stability and reliability of operations funding is the key to gaining FTA approval for a successful FCA outcome. The District's updated FFM shows a negative growth rate for operating and maintenance costs for 2011 compared to 2010 and small increases beginning FY 2012 and thereafter. The FCA tested the stability and reliability of the previous FFM with adjustments to create a stress case scenario. Where practicable, all elements of the stress case scenario were incorporated into the new FFM. These changes to the FFM reflect that RT will be able to accumulate a reserve, to the extent these funds are not needed to cover future operating costs, not reflected in the updated FFM. FTA is requiring the identification of funding to provide an operating reserve balance of at least 1½ months of annual system-wide operating expenses in order to advance into Final Design and ultimately the Full Funding Grant Agreement (FFGA).

Along with the updated FFM, FTA staff has requested several additional actions and documentation. Board approval to update the Capital Improvement Plan to reflect a project cost of \$270 million is needed and was accomplished in conjunction with the Board's adoption of the FY 2010 - 2014 Capital Improvement Plan on November 9, 2009 via Resolution No. 09-11-0191. The FTA is also requiring that the Board take additional action to authorize an issuance of COPs in order for the \$57.9 million in Project capital funding to be considered budgeted/committed. The Board adopted a funding plan for the project on October 26, 2009, which included the issuance of COPs if TCRP funding was not available. A staff recommendation for adoption of a resolution from the RT Board delegating the authority to the General Manager/CEO or his designee to undertake those actions necessary to initiate and implement a financing issue of COPs for the project will be made on June 28, 2010.

Staff expects to submit the updated FFM and supporting documentation no later than mid-July 2010. If the new submission meets FTA's expectations, RT would expect to receive authorization to enter Final Design by December 2010.

The delay in receiving authorization to enter Final Design has impacted the project schedule. Even with these delays, staff continues to work on activities needed to support the execution of a FFGA to minimize overall delays to the Project. This work includes updating the Project

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Management Plan and project cost estimates, completion of right of way acquisition activities, execution of third-party agreements for utility relocations, and submission of applications for required permits. The New Starts guidelines also allow the start of utility relocations following the issuance of the Record of Decision.

After reviewing the impacts to the Project schedule resulting from the delays discussed above, the revenue operations date has been shifted to December 2014, but could be further delayed dependent upon the timing of receiving approval for entry into Final Design and the approval of the Full Funding Grant Agreement.

Blue Line to Cosumnes River College

formerly known as

South Sacramento Corridor Phase 2 Project

Update and Service/System Recovery Plan

June 14, 2010

Purpose

- Provide information on how the financial outlook may affect the Project
- Address how the service changes may affect the Project
- Identify specific requirements by the Federal Transit Administration to advance the Project

Revenues and Expenditures

- Increased Revenues
 - Measure A sales tax revenues are now projected to be flat vs. the 14% reduction previously anticipated
 - Legislation passed to provide funding through State Transit Assistance funds will provide \$9 to \$11 million annually.

Revenues and Expenditures

- Reduced Expenditures
 - Service cuts to be implemented on June 20th, labor concessions and reduction in material procurements equate to a reduction of about \$30 million in annual expenditures
 - Expenditure growth rates were adjusted to reflect inflation rates

Capital Reserves

- Identify at least 10% of the estimated project capital cost without degradation of existing service.
 - The projected increase in revenues will allow the transfer of monies to a capital reserve. The capital reserve will be used for this project as well as “State of Good Repair” work.
 - The updated Financial Forecast Model (FFM) anticipates reaching the 10% capital reserve funding level by FY 2015.

Operating Reserve

- Identify sufficient funding to provide at least a 1.5 month operating reserve
 - The projected increase in revenues will also allow the transfer of monies to establish an operating reserve.
 - The updated FFM anticipates reaching the 1.5 month reserve funding level in FY 2012.

FFM Summary

	Units	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Revenue Available for Ops.		\$117,819	\$122,187	\$125,659	\$133,307	\$143,008	\$158,610	\$164,751	\$171,021	\$178,958	\$187,243	\$203,804	\$215,526
Total Operating Expenses	\$000's	\$105,740	\$109,962	\$116,607	\$125,076	\$138,466	\$150,045	\$161,622	\$169,519	\$177,829	\$186,576	\$195,614	\$206,140
Capital Reserve - Cum. Bal			225	6,477	13,658	16,699	18,264	19,393	20,395	21,404	21,562	22,752	24,137
Reserve Cumulative Balance	\$000's		12,000	14,800	15,850	17,350	24,350	26,350	26,850	26,970	27,480	34,480	42,480
1.5-month reserve requirement			\$ 13,745	\$ 14,576	\$ 15,635	\$ 17,308	\$ 18,756	\$ 20,203	\$ 21,190	\$ 22,229	\$ 23,322	\$ 24,452	\$ 25,768

Major Assumptions for Financial Forecast Model Update

- Revenue
 - New revenue source developed for State Transit Assistance funding
 - Updated forecast for Measure A sales tax projections
 - Revenue growth rates were adjusted to reflect a more modest growth

Major Assumptions for Financial Forecast Model Update

- Cost Drivers
 - Labor Costs: 2% in 2012, 3% in 2013, and 3.5% per year thereafter
 - Materials and Services: 3% per year beginning 2012

Major Assumptions for Financial Forecast Model Update

- Service
 - Service reductions implemented June 20, 2010 will be restored beginning FY 2013:
 - Comprehensive Operational Analysis to be completed by FY 2012 to determine routes to be added
 - Standard bus 4% per year and shuttle service 16% per year (fully restored by FY 2017)
 - Rail service 5% per year (fully restored by FY 2014)

Major Assumptions for Financial Forecast Model Update

- Service
 - Added service growth after restoration:
 - Limited Stop Service (Gold Line, Northeast Corridor)
 - Paratransit (3.5% beginning 2012)

FTA Update Requirements

- Documented Commitment of Capital and Operating Funds
- Certificates of Participation
- Financing Costs
- Use capital and operating revenue and expense forecasts consistent with historical experience.
- Ensure programming of all state and local funds in the transportation improvement program and long-range plan

Documented Commitment of Capital and Operating Funds

- Greater than 50% of non-New Starts capital funds must be budgeted/committed for FTA to allow entry into Final Design (\$67.5 m)
 - \$52 million is budgeted/committed: CMAQ (\$7.1 m); TCRP (\$8.1 m); Developer fees (\$6.2 m); Measure A sales tax (\$30.4 m); State Transit Assistance (\$0.2 m)
 - Certificates of Participation (\$57.9 million): Board to delegate authority to GM/CEO on June 28, 2010 to issue

Documented Commitment of Capital and Operating Funds

- Operating funds are committed.
 - SACOG Board action to program CMAQ funds for first two years of operating costs (third year is beyond current funding cycle)
 - FFM has been updated to reflect the most current sales tax and fare revenues

Certificates of Participation

- FTA will not consider the Certificates of Participation (COPs) budgeted/ committed unless no further action by the Board is necessary to initiate.
 - RT Board will consider delegation of authority to the GM/CEO to issue the COPs on June 28, 2010

Financing Costs

- Include financing costs for the COPs in the project capital cost and identify funds to repay financing costs.
 - The project estimate includes \$8 million for financing costs incurred prior to project completion.
 - Financing costs following project completion will be paid as a regular operating expense and is included in the FFM.

Revenue and Expense Forecasts

- Use capital and operating revenue and expense forecasts consistent with historical experience.

Updated FFM includes:

- Conservative assumptions in line with the FTA report's stress case scenario
- Measure A sales tax growth rate is more conservative than Sacramento Transportation Authority Board adopted projections

Revenue and Expense Forecasts

(con't)

- State Legislative Analyst has provided a forecast for future State Transit Assistance funding levels
- Expense (labor and materials) forecasts consistent with rate of inflation

State and Local Funding

- Ensure programming of all state and local funds in the transportation improvement program and long-range plan
 - CMAQ (\$7.1 million) allocated/spent
 - Measure A sales tax funding (\$30.439 million) has been budgeted (committed; contracted?)
 - Developer fees (\$6.225 million) held by RT and available for eligible project expenses

State and Local Funding

(con't)

- Proposition 1B: SLPP (\$3.229 million) are dependent upon State issuance of bonds. Funds are administered through the Sacramento Transportation Authority
- Proposition 1B: PTMISEA (\$17.543 million) would require SACOG Board action for consideration of budgeted/ committed funds.
- State Transit Assistance (\$157k) already expended

Conclusions...

- Sales tax and State Transit Assistance funds have provided the stable and reliable funds for RT that the FTA requires to advance the Project.
- Rebuilding of bus and rail service after the Comprehensive Operational Analysis will ensure a more robust system.
- The updated financial model will be submitted no later than mid-July with entry into Final Design expected by December 2010.