

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Long-Range Financial Plan Overview

December 6, 2011

Financial Plan Goals

- Make reasonable forecasts
 - Plan is based on Long-Range Forecast presented in September, updated for new budget
- Maintain current service
- Meet reserve targets under Senate Bill 650
- Labor structure transition
- Address the projected “reserve trough” in 2013
- Plan for MetroRapid service on current planned schedule
- Plan for Positive Train Control impact
- Provide funding for bus replacement plan
- Address other state of good repair requirements
- Minimize downside risks

Economic and Policy Assumptions

- No recession—moderate growth scenario
- Sales tax growth at 3-4% annually
- Moderate growth in ridership
- Current payout of Inter-Local Agreements
- No change in federal funding
 - Potential risk: Federal budget reductions no earlier than 2013
 - This risk will continue to be assessed

Financial Assumptions

- Labor Structure—Contracting plan is assumed
- MetroRapid—2 lines based on current schedule
- Positive Train Control—phase-in plan beginning in 2013, completion in 2017. Total estimated cost = \$32.85 million
- Extension of rail car lease to 2019 per 2012 budget (savings \$122,500)
- Financing plan to initiate bus replacement plan and meet “deep hole” cash needs in 2013

Vehicle Replacement Strategy

- Financing of short-run bus purchases is the key that unlocks the multiple challenges Capital Metro faces:
 - To maintain service levels in short-term as economic recovery takes hold
 - To solve the “reserve trough” in 2013
 - To establish a realistic bus replacement cycle to meet state of good repair requirements
 - To meet reserve requirements under SB 650
- Allows for 292 vehicles to be replaced by 2018

Borrowing Would Cover Approximately 47 Vehicles in Two Years

- \$20 million borrowed for 10 years
- Terms:
 - Buses procured in two \$10 million tranches—in late 2012 or 2013 and in 2014
 - Interest rate approximately 2.5%-3.1%, tax exempt
 - Annual payment = ~ \$2.3 million
 - Contractual obligation debt
 - Procurement cycle will meet arbitrage requirements
 - If approved, funding would become available in March 2012

Benefits

- Besides meeting cash flow needs in 2013, this plan allows Capital Metro to establish a consistent vehicle replacement program, which is vital given the age of the fleet.
- Replacement of aging vehicles will actually save money in the future, more than offsetting the interest costs associated with the financing option.
- Estimated maintenance cost of existing buses to replace: \$16,045,330
- Estimated cost under replacement cycle \$ 7,206,040
- Maintenance Savings \$ 8,839,290
- Estimated 10-year interest cost for financing (high est.) -\$ 3,714,407
- **PROJECTED NET COST SAVINGS** \$ 5,124,883*

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* Based on current costs. Savings may change after labor structure changes are in place.



Year-End Balance Forecast with Plan (Reserves)

- 2012 \$38.9 million
- 2013 \$19.2 million
- 2014 \$28.9 million
- 2015 \$31.6 million
- 2016 \$32.9 million
- 2017 \$51.1 million
- 2018 \$68.3 million

Financial Strategy

- Capital Metro is trying to solve several issues at one time. This strategy will meet that challenge.
 - Maintain current service levels in short-term
 - Provide funding for vehicle replacement plan
 - Help meet reserve targets of SB 650
 - Meet federal requirements for implementation of Positive Train Control by 2017
 - Continue MetroRapid plans as scheduled
 - Support labor structure transition