

8.0 FINANCIAL ANALYSIS

This chapter presents a summary and update of the financial analysis for the Central Corridor Light Rail Transit (LRT) Project. The final financial plan will incorporate the following items and will be updated for inclusion in the Final Environmental Impact Statement (FEIS):

- Capital cost estimates
- Operating and maintenance cost estimates
- Farebox revenues and other income projections
- Evaluation of revenue stream required for capital costs
- Evaluation of revenue stream required for operating costs
- Evaluation of potential funding sources from federal, state, and local governments

In addition, information for the upcoming New Starts submittal will be reflected in the FEIS.

8.1 Capital Funding Strategy

8.1.1 Capital Cost Estimate

The capital cost estimate reported in the Central Corridor Alternatives Analysis and Draft Environmental Impact Statement (AA/DEIS) was \$840 million in 2008 dollars. The updated capital cost estimate associated with the Metropolitan Council action of February 27, 2008, is \$909.1 million expressed in 2014 dollars.

The cost estimates are based on conceptual designs and were estimated for all major facility elements. The numbers of units for each facility sub-element are measured from the concept designs and multiplied by unit costs to yield construction costs. The cost estimates include contingencies and add-on costs for engineering and design, construction management, insurance, and project administration.

As the preliminary engineering (PE) phase continues, the cost estimating process will be refined—greater detail in the cost estimating will reflect greater detail in design.

Toward the end of PE for the Central Corridor LRT Project, complete cost estimates will be prepared and updated covering final design, other professional services, insurance, real estate acquisitions, procurements (including vehicle purchases), construction management, operations staff development, testing, and service start-up.

8.1.2 Capital Financing Plan

Table 8-1 presents the most current cash flow projections developed in March 2008 for the Central Corridor LRT Project. The cash flow is presented by Standard Cost Category (SCC) for 2007 to 2015.

Table 8-1 Central Corridor Capital Cash Flow Projections

Central Corridor Capital Cash Flow Projections
\$909.1 Million Project

SCC Category	Description	DEIS Cost Estimate - 2014 \$	2007	2008	2009	2010	2011	2012	2013	2014	2015
10	Guideway & Track Elements	\$92,100,000	\$0	\$0	\$0	\$8,289,000	\$28,551,000	\$29,472,000	\$23,946,000	\$1,842,000	\$0
20	Stations, Stops, Terminals, Intermodal	\$66,400,000	\$0	\$0	\$0	\$5,976,000	\$20,584,000	\$21,248,000	\$17,264,000	\$1,328,000	\$0
30	Support Facilities: Yards, Shops, Admin Bldgs	\$37,800,000	\$0	\$0	\$0	\$3,402,000	\$11,718,000	\$12,096,000	\$9,828,000	\$756,000	\$0
40	Sitework & Special Conditions	\$116,800,000	\$0	\$0	\$17,520,000	\$9,344,000	\$30,368,000	\$31,536,000	\$25,696,000	\$2,336,000	\$0
50	Systems	\$102,400,000	\$0	\$0	\$0	\$9,216,000	\$31,744,000	\$32,768,000	\$26,624,000	\$2,048,000	\$0
	Subtotal Infrastructure - (SCC 10 - 50)	\$415,500,000	\$0	\$0	\$17,520,000	\$36,227,000	\$122,965,000	\$127,120,000	\$103,358,000	\$8,310,000	\$0
60	ROW, Land, Existing Improvements	\$43,200,000	\$0	\$0	\$35,856,000	\$7,344,000	\$0	\$0	\$0	\$0	\$0
70	Vehicles	\$122,200,000	\$0	\$0	\$0	\$7,332,000	\$52,546,000	\$17,108,000	\$42,770,000	\$2,444,000	\$0
80	Professional Services	\$163,527,012	\$8,015,569	\$30,758,713	\$47,860,730	\$16,360,000	\$19,632,000	\$17,996,000	\$14,724,000	\$8,180,000	\$0
90	Unallocated Contingency	\$158,600,000	\$0	\$0	\$22,204,000	\$15,860,000	\$42,822,000	\$36,478,000	\$38,064,000	\$3,172,000	\$0
100	Finance Charges	\$6,000,000	\$0	\$0	\$0	\$0	\$360,000	\$1,560,000	\$2,340,000	\$1,740,000	\$0
	Subtotal (SCC 60 - 100)	\$493,527,012	\$8,015,569	\$30,758,713	\$105,920,730	\$46,896,000	\$115,360,000	\$73,142,000	\$97,898,000	\$15,536,000	\$0
	Total Annual Capital	\$909,027,012	\$8,015,569	\$30,758,713	\$123,440,730	\$83,123,000	\$238,325,000	\$200,262,000	\$201,256,000	\$23,846,000	\$0
	Cummulative Capital		\$8,015,569	\$38,774,282	\$162,215,012	\$245,338,012	\$483,663,012	\$683,925,012	\$885,181,012	\$909,027,012	\$909,027,012
	Annual Local Funding	\$454,477,012	\$2,081,525	\$19,021,372	\$123,440,730	\$83,123,000	\$83,176,413	\$78,102,180	\$21,843,931	\$21,843,931	\$21,843,931
	State Transportation Bill - 2008	\$272,730,000	\$0	\$0	\$86,769,969	\$49,873,800	\$49,905,848	\$46,861,308	\$13,106,358	\$13,106,358	\$13,106,358
	State GO Bonding	\$90,910,000	\$2,081,525	\$10,966,475	\$15,875,323	\$16,624,600	\$16,635,283	\$15,620,436	\$4,368,786	\$4,368,786	\$4,368,786
	Regional Rail Authorities	\$90,910,000	\$0	\$8,127,885	\$20,795,438	\$16,624,600	\$16,635,283	\$15,620,436	\$4,368,786	\$4,368,786	\$4,368,786
	Ramsey County Regional Rail Authority (70%)	\$63,637,000	\$0	\$5,689,520	\$14,556,807	\$11,637,220	\$11,644,698	\$10,934,305	\$3,058,150	\$3,058,150	\$3,058,150
	Hennepin County Regional Rail Authority (30%)	\$27,273,000	\$0	\$2,438,366	\$6,238,631	\$4,987,380	\$4,990,585	\$4,686,131	\$1,310,636	\$1,310,636	\$1,310,636
	Annual FTA Funding	\$454,550,000	\$5,934,044	\$11,737,341	\$0	\$0	\$87,375,723	\$87,375,723	\$87,375,723	\$87,375,723	\$87,375,723
	Total Funding		\$8,015,569	\$30,758,713	\$123,440,730	\$83,123,000	\$170,552,136	\$165,477,903	\$109,219,654	\$109,219,654	\$109,219,654
	Cummulative Funding		\$8,015,569	\$38,774,282	\$162,215,012	\$245,338,012	\$415,890,148	\$581,368,051	\$690,587,705	\$799,807,359	\$909,027,012
	Funding Deficit		\$0	\$0	\$0	\$0	-\$67,772,864	-\$102,556,961	-\$194,593,307	-\$109,219,654	\$0

Expenditure Assumptions:

1. Cash Flows do not account for any delays due to invoicing cycle or retention
2. Unallocated Contingency is distributed based on weighted annual expenditures
3. All utility relocations and ROW acquisitions will be complete by the end of CY 2009 prior to awarding construction contracts

***Numbers may not sum due to rounding

Revenue Assumptions:

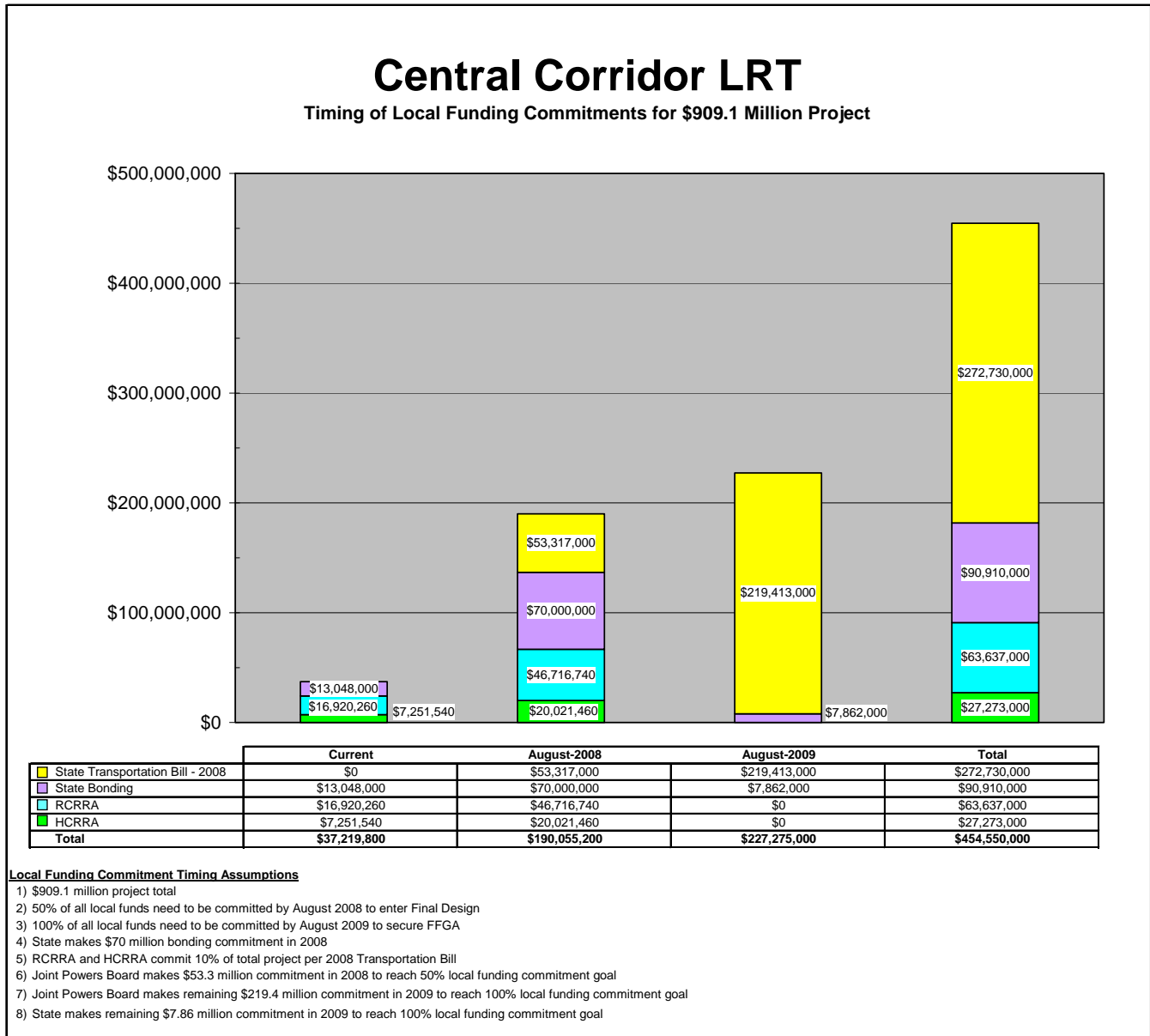
1. Actual for 2007
2. Annual local funding creates \$0 funding deficit from 2007-2010
3. Transportation Bill (2008) contributes 30% of total needed from 2010-2015
4. State GO Bonding contributes 10% of total needed from 2010-2015 using \$13.048 million currently committed, an estimated \$70 million from 2008 session, and an estimated \$7.862 million in 2009
5. Regional Rail Authorities contribute 10% of total needed from 2010-2015
6. Annual local funding is approximately 39% of capital expenditures from 2011-2012
7. Annual local funding equals 20% match of total federal and local revenues from 2013-2015

Source: Metropolitan Council, March 2008

It is anticipated that funding from Section 5309 New Starts grants would comprise approximately 50 percent of the project cost. The federal grant will be formalized in a full funding grant agreement (FFGA). Once budgeted by Congress, the Federal Transit Administration (FTA) will authorize the Metropolitan Council to draw against those funds provided that it matches the FTA funds with state and/or local funds at the prescribed ratio.

Figure 8-1 shows the anticipated timing of local funding commitments for the Central Corridor LRT Project.

FIGURE 8-1 ANTICIPATED LOCAL FUNDING TIMING & COMMITMENTS



Source: Metropolitan Council, March 2008

The local share is being funded as follows:

- State Transportation Bill 60 percent
- State Bonding 20 percent
- Ramsey County Regional Rail Authority (RCRRA) 14 percent
- Hennepin County Regional Rail Authority (HCRRA) 6 percent

The Minnesota legislature recently authorized counties in the metropolitan area to form a joint powers board and impose a 0.25 percent transportation sales and use tax, and establishes requirements governing the taxes. As of this writing, Anoka, Dakota, Hennepin, Ramsey, and Washington counties have voted to approve implementation of the joint powers board and the transportation sales and use tax.

8.2 Operating Funding Strategy

8.2.1 Operating and Maintenance Costs

The operating and maintenance costs reported in the AA/DEIS were \$60.7 million in 2008 dollars. The updated operating and maintenance cost estimate associated with the Metropolitan Council action of February 27, 2008, is \$53.9 million expressed in 2007 dollars for LRT and bus services. (Metropolitan Council Engineering Services Consultant, 3/6/2008). This includes the following:

- Vehicle operations
 - operators
 - supervisors
 - fuel
- Vehicle maintenance:
 - service and inspection
 - cleaning
 - repair
 - parts replacement
- Track/guideway maintenance
- Management and administration

The operating and maintenance costs will be updated for inclusion in the FEIS.

8.2.2 Operating Revenues

To finance the Central Corridor LRT Project operation and maintenance, the financial plan will estimate revenues from a variety of potential sources.

The plan will be updated and included in the forthcoming FEIS. The following are potential revenue sources:

- Passenger revenue
- Advertising
- Other revenues from operations
- Dedicated transit taxes
- General taxes

The fare structure for the Central Corridor LRT Project will be the same as for other services operated by the Metropolitan Council. Fare collection and equipment will be similar to the existing Hiawatha LRT.

Operating funds to support Metropolitan Council services consist of a combination of operating revenues, state appropriations, federal funds, and motor vehicle excise taxes.

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