

February 16, 2007

From Jim MacIsaac, P.E. to ETA and CETA activists

### Revised Summary of the RTID and ST2 Prospective Financial Plans

I had previously been working on a JWM financial plan for ST2. With what sketchy data is available for both RTID and ST2 financial plans, I have concocted likely financial plans for each with cumulative revenues and expenses thru 2027 (year of completion of the 20-year plans) and extrapolated out to 2057 (year of debt service payoff of 30-year bonds).

For RTID debt service costs I have assumed 30-year bonds at 6% interest with 10-year grace periods (interest only) and 20-year standard amortization periods. For the RTID I have assumed future O&M and capital replacement needs will fall back into the WSDOT funded programs. Only debt service costs would remain on-going after 2027.

For ST2 I have assumed that St will devise a creative bonding program that will incorporate a 17-year grace period on 30-year bonds to delay the start of principal payback until after 2027. This may also better represent a "bond wrapping" program that ST will likely apply, but which I do not understand how to apply. The ST2 will also encumber substantial O&M costs and capital reserve fund buildups that are not an ongoing burden of the RTID. For O&M costs I have taken ST's 2005\$ estimates for each project/LRT segment inflated by the CPI to start of operation and then inflated thereafter at +8% per year.

A summary comparison of the two program revenues and expenses thru 2027 (end of both 20-year programs) and thru 2057 when all bonds are paid back is as follows:

<b>Summary of RTID and ST2 thru 2027</b>			<b>Cum thru 2057</b>	
Nominal \$millions	<u>RTID*</u>	<u>ST2***</u>	<u>RTID</u>	<u>ST2</u>
<b>Sources of Funds</b>				
Phase I Excess Rev	---	2,070	---	0
New Taxes	7,900	11,700	17,830	77,000
Federal Grants	---	670	---	3,960
Bond Sales (Par)	6,335	9,800	6,355	9,800
Less Principal Repay	(495)	0	(6,355)	(9,800)
Fares, Interest, Other	190	140	40	7,360
<b>Total Sources</b>	<b>\$13,930</b>	<b>\$24,380</b>	<b>\$17,870</b>	<b>\$88,320</b>
<b>Uses of Funds</b>				
Capital Program	9,280**	17,100	9,260	17,100
O&M/Admin Costs	---	1,290	---	23,160
Bond Interest	4,200	4,470	8,420	14,590
Bond Issuance Cost	95	150	100	150
Bond Reserve	245	700	0	0
Regional Fund	---	580	---	3,850
Capital Reserves	---	---	---	12,270
<b>Total Uses</b>	<b>\$13,820</b>	<b>\$24,290</b>	<b>\$17,780</b>	<b>\$71,120</b>
<b>Ending Cash</b>	<b>110</b>	<b>90</b>	<b>90</b>	<b>17,200</b>

\* Per Jan 26, 2007 Board Meeting handouts with bond use adjusted

\*\* Includes \$585 million for "Sequencing and aging".

\*\*\* MacIsaac Estimate with ST's limited offerings and extrapolating from some estimates from Sound Transit's 2007 Draft Financial Plan.

**WARNING: The above summarizes MacIsaac's best effort to develop 50-year financial plans. Neither ST or the RTID have yet released financial plans.**

The RTID appears to be taking on shades of Sound Transit financial planning. Its cost estimate thru 2027 is now \$14 billion. Its revenues include \$6.35 billion in bond sales of which \$5 billion (80%) is used up in bond issuance and reserve costs and debt service thru 2027! I cannot figure why so much bonding and why so early in the program unless it is to accelerate completion of all projects. I found with that amount of debt service the 20-year capital program could be completed by 2021.

WSDOT prepared YOES capital cost estimates, but assuming each project starts in 2008. Obviously some will start later, hence the allowance for "sequencing and aging".

So, for starters ***we could call the RTID a \$13.7 billion 20-year program and ST2 a \$24.3 billion 20-year program -- combined total of \$38 billion thru 2027.*** To that the RTID must add the remaining cost of debt service, whereas ST2 must also add O&M and capital replacement reserve costs. I have assumed that the RTID tax assessments will graduate downward to cover only debt service costs after 2027 as shown in a footnote on the attached. I am also assuming that the ST2 (and ST Phase I) taxes will go on in perpetuity. Any excess revenue after 2027 will most likely get dedicated to finishing the rail lines to Everett, Tacoma and Redmond. ***If we were to express each program in terms of their 50-year costs thru bond retirement in YOES, they would be RTID - \$17.8 billion, ST2 - \$71.2 billion -- combined total - \$89 billion.***

Also questions have been raised as to what the comparative costs would be in constant 2006\$. Sound Transit has converted its 2007 Draft Financial Plan estimates into constant 2005\$ by dividing each year element estimate by the CPI ratio of that year index over the 2005 index. I have done that for my YOES cost estimates, but reduced to 2006\$. Those conversions are also summarized on the attachment.

***In 2006 constant\$ thru 2027, the cost estimates are RTID - \$9.3 billion, ST2 - \$14.9 billion -- combined total \$24.2 billion.*** These estimates are much higher than what Bruce and Bill gathered from their meetings in messages below. But true to form, what was reported was little more than capital costs only. For the RTID the 20-year total cost is 150% of the capital costs. For ST2 the 20-year total cost is 140% of the capital cost (lower than the RTID ratio since it will likely procrastinate much longer on bond sales).

***The 50-year costs in 2006\$ are estimated at: RTID - \$10.7 billion, ST2 - \$26.2 billion -- combined total - \$36.9 billion.*** For the RTID the 50-year total cost is 170% of the capital costs. For ST2 the 50-year total cost is 245% of the capital cost.

**REMEMBER:** These estimates are only MacIsaac's best educated guess for lack of any full financial plan disclosures from either agency. Also they are formatted slightly differently from those you may eventually see from the RTID and Sound Transit because of the way I have shifted bond principal repayment from an expense to a negative revenue to avoid the double-counting of bond principal under expenses.

At every upcoming public meeting we must continue to hound Sound Transit and the RTID for full financial plan disclosure and how long the taxes will be collected before they close their public outreach sessions. Remember what happened to the popular SMP when full costs were made known.

We also need to demand information as to just how much more traffic the RTID will accommodate and how much less traffic would result from ST2. As Bruce and Bill experienced the other morning, both RTID and particularly Sound Transit will continue to sell their plans as must-do to resolve traffic congestion in this region -- but without giving us the

full price tag, and without telling us just how much they will affect traffic volumes and congestion.

**Jim**

P.S. Note the very bottom line of the ST2 table on the attachment. Thru 2057 ST will have collected \$144 billion in combined Phase I and ST2 local taxes. The 2006\$ present worth is \$45 billion. And that for accommodating less than 2% of the 2030 average weekday travel of 16 million person trips per day! And only about 0.7% would be new transit trips compared to no Sound Transit rail/HCT action.

**Maclsaac's RTID Financial Plan Estimates**

Feb 15, 2007

Cumulative 2008 thru:	Nominal \$millions			Constant 2006\$	
	2027	2027	2057	2027	2057
<b>Sources of Funds</b>	<b>RTID Est</b>	<b>JWM Estimates</b>		<b>JWM Estimates</b>	
RTID Tax Revenue					
0.1% Sales Tax	\$2,400	\$2,400	\$8,855	\$1,530	\$3,505
0.8% MVET	\$5,070	\$5,070	\$8,545	\$3,225	\$4,530
Sales Tax Transfer	\$428	\$430	\$430	\$275	\$275
Bond Sales (6%,10-yr Gr)	\$6,335	\$6,350	\$6,350	\$4,500	\$4,500
Less Principal Payback	(\$500)	(\$500)	(\$6,350)	(\$257)	(\$2,040)
Interest Earnings	\$192	\$30	\$35	\$17	\$20
<b>Total Sources</b>	<b>\$13,925</b>	<b>\$13,780</b>	<b>\$17,865</b>	<b>\$9,290</b>	<b>\$10,790</b>
<b>Uses of Funds</b>					
Program Capital Costs	\$8,695	\$8,675	\$8,675	\$6,295	\$6,295
Sequencing Cost Adjust	\$585	\$585	\$585	\$300	\$300
Bond Interest	\$4,200	\$4,110	\$8,420	\$2,420	\$3,950
Bond Issuance Cost	\$95	\$95	\$95	\$70	\$70
Bond Reserve	\$245	\$245	(\$0)	\$175	\$115
<b>Total Uses</b>	<b>\$13,820</b>	<b>\$13,710</b>	<b>\$17,775</b>	<b>\$9,260</b>	<b>\$10,730</b>
Increase (Decrease) in cash	\$105	\$70	\$90	\$30	\$60
<b>Ending Cash/Contingencies</b>	<b>\$105</b>	<b>\$70</b>	<b>\$90</b>	<b>\$30</b>	<b>\$60</b>

It appears that the capital program could be completed by 2021.

Potential Tax Reductions Assumed to cover post-2027 debt service only:

MVET - In 2028 - 0.5%, 2032 - 0.4%, 2035 - 0.3%, 2038 - 0.2%, 2041 - Eliminated.

Sales Tax - 2044 - 0.075%, 2047 - 0.04%, 2050 - Eliminated.

**ST2 Max Rail Plan** With O&M Costs Inflated at +8% per year

Cumulative 2008 thru:	Nominal \$millions			Constant 2006\$	
	2027	2027	2057	2027	2057
<b>Sources of Funds</b>	<b>ST Est</b>	<b>JWM Estimates</b>		<b>JWM Estimates</b>	
<b>Phase I Excess Revenue</b>	<b>\$3,440</b>	<b>\$2,070</b>	<b>\$0</b>	<b>\$1,275</b>	<b>\$0</b>
ST2 - 0.5% Sales Tax		\$11,700	\$77,010	\$7,220	\$22,392
ST2 Federal Grants		\$670	\$3,950	\$365	\$1,101
ST2 Bond Sales	\$9,800	\$9,800	\$9,800	\$5,965	\$5,965
Less Principal Payback		\$0	(\$9,800)	\$0	(\$2,395)
ST2 LRT Fares		\$140	\$7,360	\$75	\$1,694
Interest					
<b>Total Sources</b>		<b>\$24,380</b>	<b>\$88,320</b>	<b>\$14,900</b>	<b>\$28,757</b>
<b>Uses of Funds</b>					
ST2 Capital Program	\$17,100	\$17,100	\$17,100	\$10,765	\$10,764
Project Design and Admin		\$855	\$855	\$540	\$538
ST2 O&M Costs		\$435	\$22,300	\$215	\$5,133
Regional Fund		\$585	\$3,850	\$360	\$1,120
ST2 Bond Interest		\$4,465	\$14,590	\$2,455	\$5,678
Bond Issuance Cost		\$145	\$145	\$90	\$90
To Bond Reserve		\$700	\$0	\$427	\$0
To ST2 Capital Reserves		\$0	\$12,270	\$0	\$2,896
<b>Total Uses</b>		<b>\$24,285</b>	<b>\$71,110</b>	<b>\$14,851</b>	<b>\$26,217</b>
Increase (decrease) in cash		\$95	\$17,210	\$49	\$2,540
<b>Ending unrestricted cash</b>		<b>\$95</b>	<b>\$17,210</b>	<b>\$49</b>	<b>\$2,540</b>

**Total Phase I & ST2 Taxes Collected**                      **\$26,497**    **\$144,354**    **\$17,660**    **\$45,080**

Source: Preliminary estimate prepared by James W. Maclsaac, P.E.

Extrapolating from data supplied in 2007 Draft Financial Plan.