



Austin Light Rail
**Frequently Asked Questions:
Plan of Finance**

Date:
May 3, 2023

Transforming Transit Together

Introduction

Plan of Finance

Since Austin's voters overwhelmingly approved Proposition A (Prop A), the dedicated property tax to support Project Connect, the Austin Transit Partnership (ATP) has worked diligently to develop its Light Rail Implementation Plan. While ATP's revenue source was dedicated to ensure stability and predictability, the planning process has faced challenges with respect to cost increases driven by strong inflationary pressure, rising real estate prices and scope refinement.

In light of these challenges, ATP has continued detailed technical and financial analysis as well as engagement with key stakeholders and the community to reassess its initial investment strategy and design a Light Rail Implementation Plan that can be delivered within our committed financial resources, and which continues to honor the goals and values of Austin's voters.

ATP's plan of finance for Austin Light Rail incorporates a plan to fund project development and construction as well as long-term operations and maintenance from ATP funding sources.

Sources of Funding

Prop A revenue is the largest funding source for Austin Light Rail and a very stable source of funding. Unlike sales taxes, which are commonly used for transit, property taxes tend to be less sensitive to short-term economic disruptions and are generally not subject to significant declines in recessionary environments. These funds will be used to cover capital costs as well as operations and maintenance.

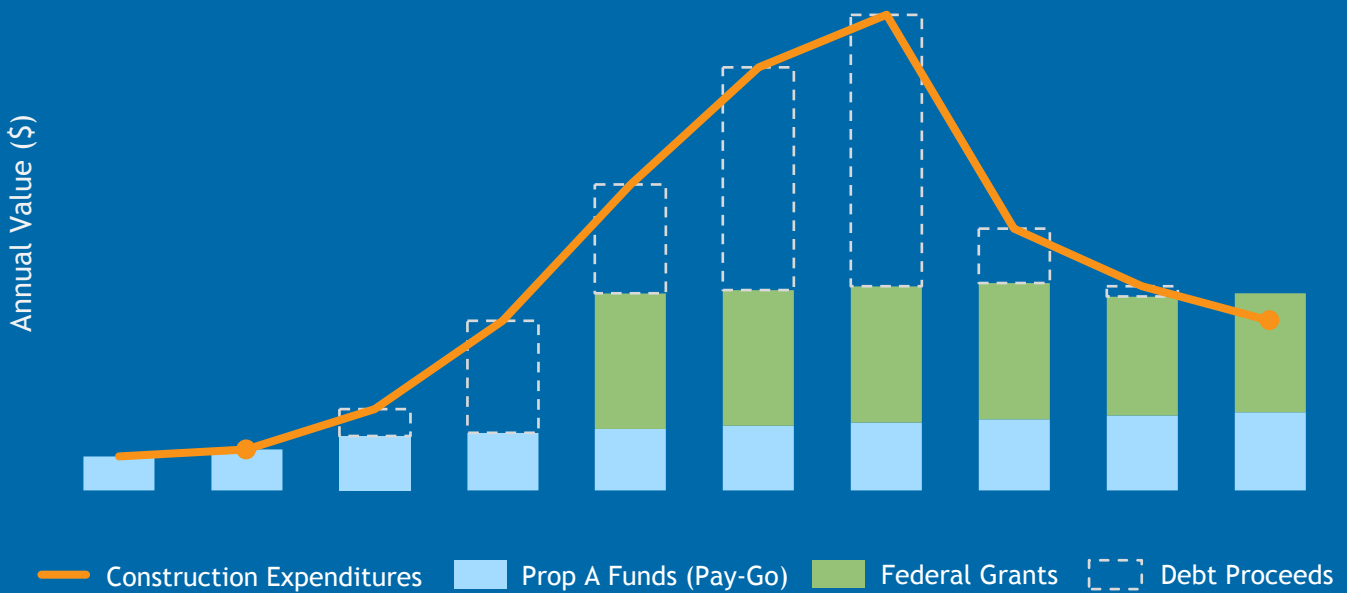
Federal grants are expected to be the second largest funding source. The plan to fund Austin Light Rail costs relies upon the ability of ATP to successfully complete the Federal Transit Administration's (FTA) competitive, multi-year New Starts Capital Investment Grant process and receive a Full Funding Grant Agreement for approximately half of the Austin Light Rail capital costs. As part of this competitive process, FTA will evaluate Austin Light Rail in accordance with a range of criteria, including topics related to the plan of finance, such as the reasonableness of the financial plan, the availability of matching local funds, the ability to manage financial stress scenarios and the capacity to fund operations after the proposed project is operational.

Introduction

Light Rail Debt Financing & Credit Structure

As with any large infrastructure project, during the construction period there will be a mismatch between annual construction expenditures and annual revenue receipts available to contribute to the project. Due to this mismatch in annual expenditures versus available revenues, ATP will need to issue debt to finance a portion of its costs during the construction period. This is a common practice utilized by transit agencies and has always been contemplated as an integral part of the light rail plan of finance. As depicted below, the proceeds gained from the financing are necessary to balance revenues and expenditures during the construction period. The dedicated Prop A revenues will be utilized to repay this debt.

Figure 1: Light Rail Construction Period Revenues and Expenditures



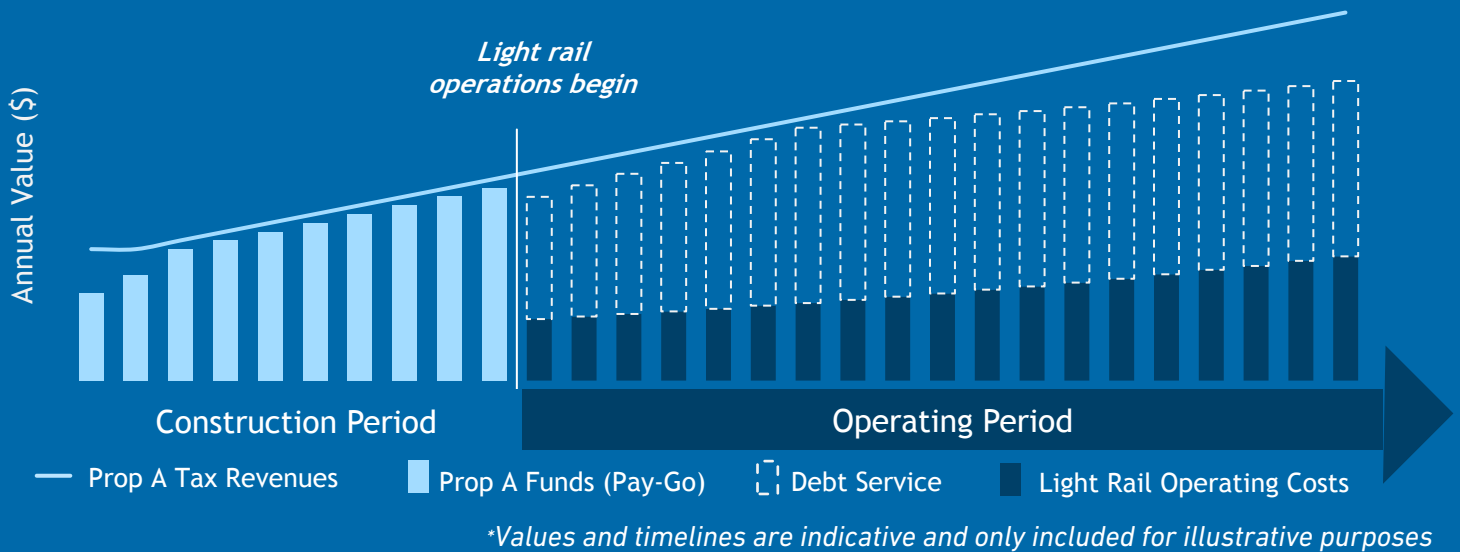
**Values and timelines are indicative and only included for illustrative purposes*

Introduction

Light Rail Debt Financing & Credit Structure (continued)

ATP's debt financing program will rely on the voter-authorized Prop A revenues to pay back principal and interest payments on the debt service over time. It should be noted that when determining an affordable size for the light rail capital project, maintaining sufficient funds to operate and maintain the asset is a primary planning consideration. There is a direct relationship between the money available to construct the light rail project and the money required to operate it. Since Prop A will pay for both needs, the more it costs to operate the light rail project, the less money ATP can spend to construct the project. The variation in capital cost observed across the five light rail options are partially reflective of the higher or lower operating costs estimated to run the system.

Figure 2: Light Rail Cash Flow – Construction and Operations



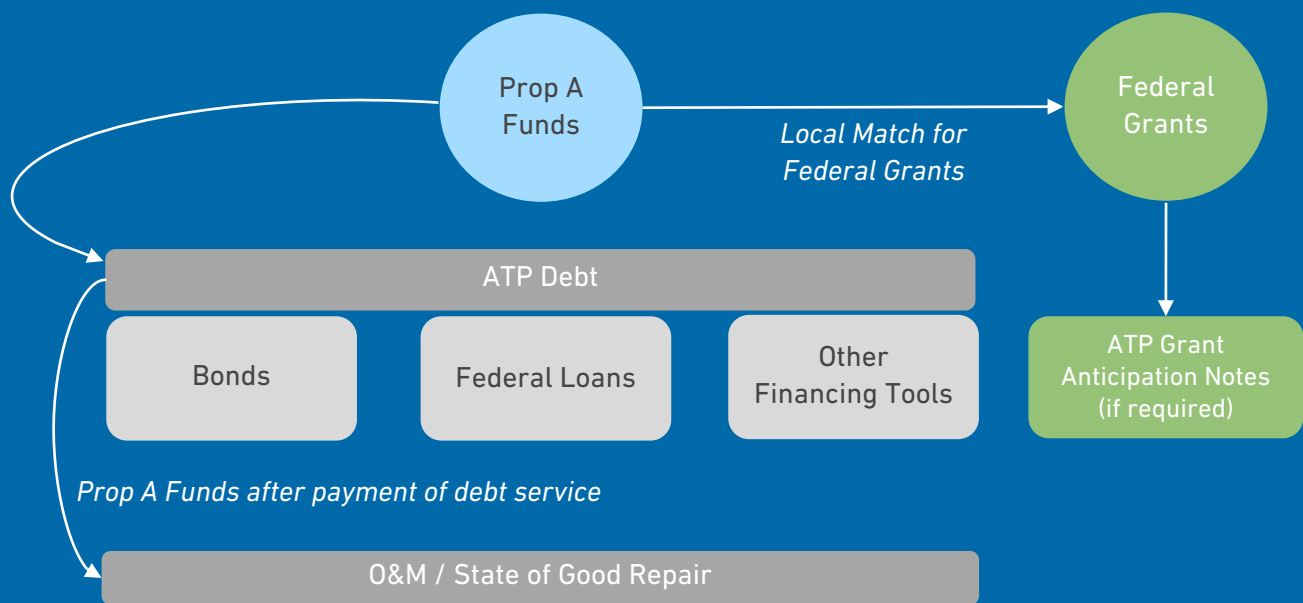
As reflected above, ATP is budgeting in a manner such that Prop A revenue is sufficient to pay back principal and interest on debt financing over time while also funding operations and maintenance to maintain a level of service that will be ultimately agreed to with the FTA and serve the needs of the Austin community.

Introduction

Flow of Funds

Consistent with market practice among transit agencies, ATP will commit to use its Prop A revenue, first to pay debt service, and then to pay other light rail capital and operating expenses. This order of payment, or “flow of funds”, will provide the most security for investors who buy ATP’s debt and therefore the most favorable interest rate for ATP.

Figure 3: Prop A Flow of Funds



By leveraging the various available funding and financing tools available to it, ATP has developed a plan of finance structured to maximize the use of its voter approved revenue stream, delivering an initial investment that is both fiscally prudent and aligned with the feedback received from Austin’s community.

Frequently Asked Questions

Question 1: How will ATP pay for the Austin Light Rail project?

As with any large infrastructure project, ATP expects to utilize a variety of tools to implement the plan of finance. The plan will be designed to deliver the most value from Prop A dollars dedicated by the voters to ATP to construct and fund the operations of the light rail system.

Where possible, ATP will use Prop A revenue collections on a cash basis. These funds together with federal grants constitute the most efficient sources of funds in that they don't accrue interest or need to be paid back. Every dollar can be used directly for planning, design and construction costs.

Much like an Austin citizen utilizes a mortgage to pay for a house, ATP will also need to borrow money to pay for light rail construction and will then pay that money back, with interest, over time. ATP will work to maximize its credit rating (equivalent to an individual's credit score but for a public agency) and leverage low-cost federal loan programs to reduce interest expenses and make every dollar stretch as far as possible.

The estimated funding profile for the different alignments presented is shown below. The different alignments have different operation and maintenance cost which impact the capital dollars available for the respective alignment. As construction progresses, project costs will be escalated to account for annual inflation and the required sources of funds will be sized accordingly to accommodate these "year of expenditure" costs.

Figure 4: Sources of Funds

Source	\$ billion	Summary
Prop A Revenues	2.30 – 2.60	Prop A will be used on a cash basis during the construction period and to support ATP debt
Federal Grants	2.20 - 2.50	Federal grant receipts (from FTA) available to pay for light rail construction and to repay ATP grant anticipation notes (as necessary)
Total Sources	4.50 - 5.10*	Austin Light Rail construction expenditures in current year dollars

**Costs are shown in current year dollars. As the project progresses, actual expenditures will be reflective of updated costs adjusted for inflation.*

Frequently Asked Questions

Question 2: How much money will ATP receive in federal grants?

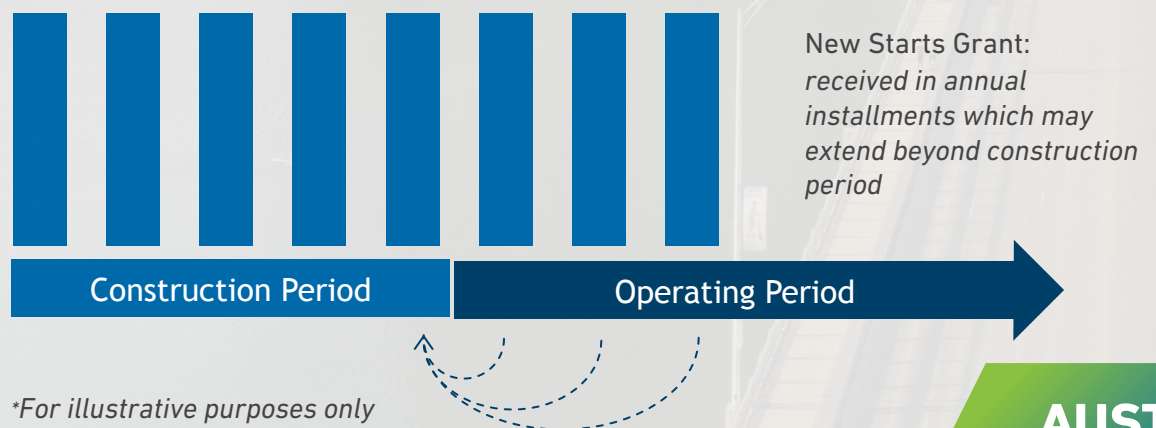
The FTA will be a key partner in the success of Austin Light Rail with an expectation that federal grants will pay for approximately half of the anticipated capital costs.

ATP will pursue every available opportunity to obtain federal grant dollars; the most significant of which is the FTA's Capital Investment Grant New Starts program. Other existing programs, as well as those created as part of the Infrastructure Investment and Jobs Act, will continue to be explored in parallel.

The assumption for amount of federal grants is based on the historical awards made by the FTA to the fifteen largest New Starts projects over the past ten years (2014 – 2023) which have ranged from 30% - 60% of project costs based on a variety of project characteristics including anticipated ridership, cost effectiveness, environmental benefits, and congestion relief. ATP is focused on planning a light rail project that meets specified FTA criteria in order to qualify for and maximize this critical grant opportunity.

The majority of the federal grant receipts are expected to be utilized to pay for construction costs on a cash basis. However, if the schedule of maximum federal grant receipts extends beyond construction in the funding schedule provided by FTA, ATP anticipates needing to issue short-term debt, in the form of ATP grant anticipation notes, to bridge the gap between construction and receipt of grant funding.

Figure 5: Grant Receipts



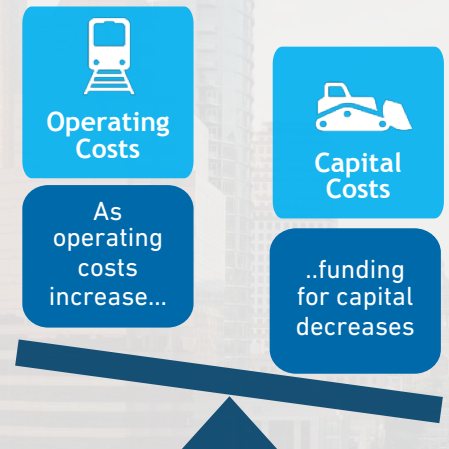
Frequently Asked Questions

Question 3: How will ATP pay for Austin Light Rail operations?

The Prop A revenue stream afforded to ATP by voters in November 2020 will pay for the construction, operations and maintenance of Austin Light Rail. Therefore, to determine the size of Austin's first light rail investment, it is essential ATP also contemplates the long-term cost of operating and maintaining the system.

ATP benefits from a predictable and stable source of revenue which can be reasonably forecasted over time. From this forecast, ATP can allocate a portion of these revenues to cover costs required to operate Austin Light Rail for years into the future, after which remaining revenues are available to fund construction (including repayment of principal and interest on debt). When determining an affordable size for light rail construction, maintaining sufficient funds to operate and maintain the asset is a primary planning consideration.

The five light rail options currently in review by the community have annual operations and maintenance costs ranging approximately from \$35 million to \$50 million in current dollars (subject to inflation over time). The variation in cost across options is mainly due to the alignment associated with the respective project options and overall length of the initial system. The list below captures some of the operations and maintenance work required to maintain a high-quality level of service for Austin Light Rail.



Day to Day Operations

- Light rail operators
- Maintenance technicians
- Dispatchers
- Station attendants and security
- Fare collection
- Cleaning and trash collection
- Landscaping
- Insurance
- Administration and utilities

State of Good Repair and Lifecycle

- Track and vehicles
- Communication and systems
- Stations and platforms
- Power substations
- Technology upgrades
- Elevators and escalators

Frequently Asked Questions

Question 4: How is ATP thinking about contingency?

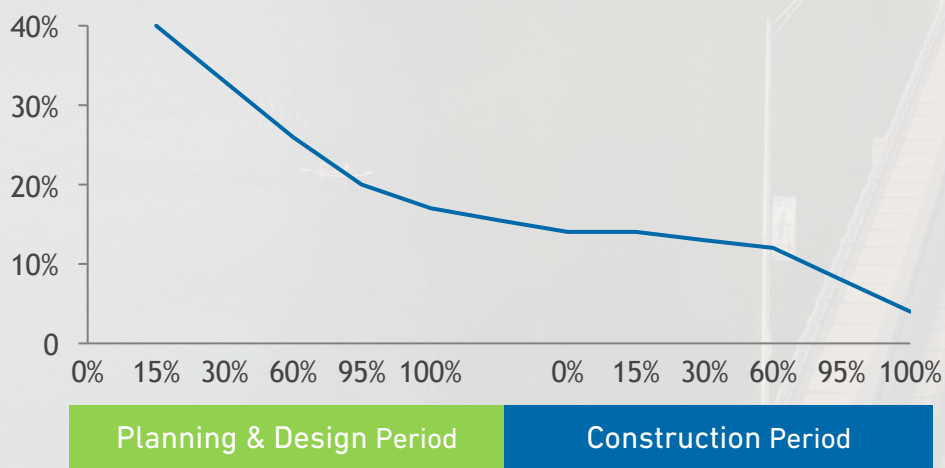
Contingency is an essential part of ATP's Austin Light Rail planning efforts. A responsible plan of finance incorporates an allocation of funds in the event of unforeseen increases in capital costs, changing economic factors or other market conditions.

Including contingency in the budgeted project cost is considered best practice in the industry and is essential for prudent capital budgeting. Even with the most careful planning, complex infrastructure projects, especially in urban areas, will experience unanticipated challenges and it is the project's contingency that allows the public owner to address such challenges if they arise and mitigate impact to the overall project.

The level of required contingency is driven by project risks as well as requirements imposed by the FTA as a key partner in the funding of the project. ATP's cost estimates of the five options presented to the community for feedback all include a 40% contingency allocation.

The contingency level will decrease as project design (and later construction) progresses and the contingency dollars are assigned to known project elements. Contingency dollars are held early in the project to account for unknowns that are reasonably expected to arise. Those dollars get moved from contingency into actual costs that arise up through completion of construction. Any unused contingency dollars at the end of the project could be used to either enhance project elements or be put toward an extension of the system.

Figure 6: FTA Recommended Contingency in Accordance with OP40 Guidance



Frequently Asked Questions

Question 5: What assumptions is ATP carrying in the financial model for Austin Light Rail?

ATP's current financial model builds upon many of the assumptions established at the time of the Prop A referendum. The strength of the Prop A revenue stream is in its predictability and the ability for ATP to accurately forecast the amount of revenue available for Austin Light Rail. Prop A revenue projections remain mostly consistent with those established at the time of the Prop A referendum. ATP has made modifications to fare revenue and park & ride revenue assumptions to align current projections.

With respect to capital expenditures, the financial model has been updated periodically to reflect changing market conditions; namely increased inflationary pressure and increased real estate acquisition cost for right-of-way. Additional updates include modification to certain federal loan terms included in the IIJA and the alignment of project contingency assumptions to facilitate ATP progress through the FTA Capital Investment Grant process.

The estimated capital expenditures and those related to operating and maintaining the project will depend on the initial investment that ultimately emerges following continued technical and financial analysis, community engagement, and market and stakeholder sounding. As currently estimated, capital costs range from \$4.5b - \$5.1 billion (in current year dollars).

Revenues

- Prop A growth capped at 3.5%/year per State law with an additional 0.25% included for new development through 2030
- FTA New Starts grant assumed to fund approximately half of project capital cost

Capital Expenditures

- Capital cost escalation of 7.5% in the near term, reducing to 3.5% reflecting more normalized market
- Total of 40% contingency assumption
- Assumes maximum TIFIA loan eligibility equal to 49% of costs

O&M Expenditures

- Each of the options have different characteristics and costs from an operations and maintenance perspective and are analyzed with respective O&M estimates
- Operating cost escalation of 3.0% reflecting more normalized inflationary market

Frequently Asked Questions

Question 6: How much do each of the five light rail options cost?

ATP's technical team has focused on developing estimated capital costs for the five light rail options which have been presented to the community for feedback. These costs have also been vetted by a separate cost estimating team looking at various elements of the project to confirm cost assumptions and opportunities for cost savings.

All five of the light rail options presented fall within the budget afforded by the current Prop A revenue stream and the assumptions related to federal grant support. The range of costs provided are in current year dollars and will be escalated to the year of expenditure dollars to account for inflation throughout the construction period. The cost estimates were prepared according to the following Standard Cost Categories (SCC) as defined by the FTA and required to be eligible for the FTA New Starts program as shown in the table below.

Figure 7: Standard Cost Categories

SCC#	SCC Name	Typical Elements Included
10	Guideway & Track Elements	Guideway at grade, aerial structures, underground tunnels and track elements
20	Stations, Stop, Terminals, Intermodal	Stations, stops, shelters, platforms, automobile parking structures, elevators & escalators
30	Support Facilities: Yards, Shops, Admin Buildings	Administration buildings, maintenance facilities, storage and yards
40	Sitework & Special Conditions	Demolition, clearing, earthwork, site utilities and relocation, environmental mitigation
50	Systems	Train control & signals, traffic signals & crossing protection, power supply, communication, fare collection
60	Land, Existing Improvements	Purchase or lease of real estate, relocation of existing households and businesses
70	Vehicles	Light rail vehicles, non-revenue vehicles & spare parts
80	Professional Services	Project development, engineering, project management, legal, permits, surveys and inspection
90	Unallocated Contingency	Additional contingency not already embedded in the above categories

Frequently Asked Questions

Question 6: (continued)

Even at this conceptual stage, breaking down costs to the SCC level allows the team to identify areas of significant expenditure and understand the cost differences between the five light rail options on a more granular level. This is important to help validate the use of Prop A dollars and to ensure that the selected light rail option prioritizes the feedback received from the community and other stakeholders. The table below summarizes the current estimated capital costs for the five light rail options by SCC, including 40% contingency on the capital infrastructure elements. As shown in the table, the capital costs of the five options vary from roughly \$4.5 billion to \$5.1 billion. The O&M costs also vary for the five options and must be considered with respect to the overall budget (see FAQ3). For example, the partial elevated option has a lower capital cost than the on street option, but has a higher O&M cost associated with maintaining elevated structures, escalators, and elevators.

Figure 8: Estimated Capital Costs - Five Light Rail Options (in Current Year Dollars)

Cost Category (SCC)	On Street: NLTC To Pleasant Valley	On Street: 38 th to Oltorf to Yellow Jacket	Partial Elevated: 29 th to Oltorf to Yellow Jacket	On Street: 29 th to the Airport	Partial Underground: UT to Yellow Jacket
Light Rail + Civil (10/20/40/50/90)	\$2.2B - \$2.3B	\$2.1B - \$2.2B	\$2B - \$2.2B	\$2.2B - \$2.3B	\$2.6B - \$2.7B
Real Estate (60)	\$700M	\$600M - \$700M	\$500M	\$500M	\$300M
Maint. Facility + Vehicles (30/70/90)	\$1B	\$1B	\$1B	\$1B	\$1B
Professional Services (80)	\$900M	\$800M - \$900M	\$800M	\$900M	\$1.1B
Total Capital Costs*	\$4.8B - \$4.9B	\$4.5B - \$4.8B	\$4.3B - \$4.5B	\$4.6B - \$4.7B	\$5.0B - \$5.1B

*Figures rounded

A project of this scale and complexity requires immense agency and consultant efforts to plan, design, oversee construction and develop and negotiate the various complex contracts to procure the industry partners required to bring the light rail project to fruition. Professional services (SCC 80) includes the necessary consultants to support the agency through project management, planning, engineering, legal and real estate services, construction management, testing and commissioning, system start-up activities, and project completion activities.

Frequently Asked Questions

Question 6: (continued)

When excluding light rail start-up costs for vehicles and a maintenance facility, which are included in the total costs shown in Figure 8, the capital cost per mile of a typical segment of the light rail (outside of downtown) ranges from \$300M to \$330M. That cost per mile reflects the elements built within a typical mile, such as the light rail transitway, roadway lanes, bicycle and pedestrian facilities, utility relocations and other requirements. An exception to the typical cost per route mile is the segment from Crestview to 38th Street, which has a higher cost (roughly \$360 million per mile) due to overhead electric transmission line conflicts, real estate impacts, interface with the Red Line and other complexities. Grade separation of the Red Line is not included in the costs and is currently unfunded as a separate project.

The downtown portion adds a premium to the typical cost per mile due to increased utility conflicts as well as higher cost real estate. All five of the light rail options exhibit unique characteristics as to how they travel through downtown, whether on-street, elevated, or underground, resulting in different capital costs for each option through the downtown area. Average capital costs per route mile of light rail through downtown (from Martin Luther King Jr. Boulevard to Lady Bird Lake) add the following premium increases to the typical cost per mile: on-street options - 25% increase; elevated options - 66% increase; underground options - 300% increase.

Frequently Asked Questions

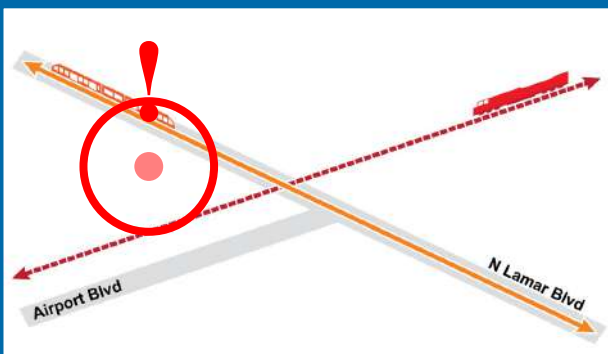
Question 7: Is there an option to reach the Crestview Station in any of the light rail options that do not extend to North Lamar Transit Center?

Of the five light rail options presented for community feedback, one option that extends to North Lamar Transit Center includes a station at Crestview. That option also includes a maintenance facility at North Lamar Transit Center. Any option that does not extend to North Lamar Transit Center in the first phase would need to extend to Yellow Jacket in order to include a viable maintenance facility location.

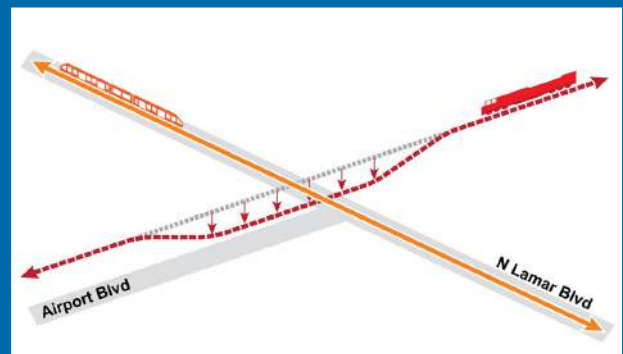
A potential Crestview light rail station at North Lamar and Airport Boulevard would provide an opportunity for transfers with the Red Line and the MetroRapid 801. However, there are technical challenges associated with the Red Line crossing North Lamar at street level, because light rail vehicles and systems may not interact with heavy rail vehicles used for Red Line commuter service or freight trains, which operate on the tracks at night.

CapMetro is currently developing engineering plans for a future Red Line grade separation that would lower the existing commuter and freight rail line to an underpass beneath North Lamar and the future planned light rail crossing. This grade separation would improve conditions at the nearby traffic intersection for all users and enable on-street light rail service. The grade separation (underpass) is not currently funded, though CapMetro is actively seeking grant opportunities and funding partnerships for the project.

LIGHT RAIL/RED LINE INTERSECTION



Constraint: Freight cannot cross Light Rail at the same level



Opportunity: Light Rail – At Grade; Red Line & Freight: Below-Grade (construction not yet funded)

Frequently Asked Questions

Question 7 (continued): Is there an option to reach the Crestview Station in any of the light rail options that do not extend to North Lamar Transit Center?

Without the Red Line grade separation, the light rail would have to be elevated at the Crestview Station to extend to the North Lamar Transit Center. Elevated light rail would introduce an overpass that would create a visual barrier and inhibit the development of a more pedestrian-oriented streetscape in this area. An elevated light rail station would require elevators, escalators and stairs for passengers to access the light rail.

An option for a Crestview light rail station south of Airport Boulevard and the Red Line crossing could be possible, though would require further study to analyze potential impacts such as intermodal transit station connectivity and accessibility, utility conflicts, property impacts, traffic impacts, etc. Though this option would avoid the expense of grade separation with the Red Line, it would not fit within the capital budget for the initial light rail project to reach both Crestview Station and Yellow Jacket, where a maintenance facility could be located.

Approximate capital costs for the segment from 38th Street to Crestview Station is expected to be roughly \$600 million, not including any grade separation with the Red Line (if stopping short of the Red Line crossing). Extending the light rail to cross the Red Line either with a light rail overpass or a Red Line underpass would add approximately \$100 million to \$300 million, respectively. The segment from Crestview to North Lamar Transit Center adds another roughly \$300M to the capital cost. The 38th Street to Crestview Station segment has a higher than typical cost per mile due to overhead electric transmission line conflicts, real estate impacts, interface with the Red Line and other complexities.